100% Energie

Zero Emission

Annual Report & Financial Statements
31 December 2021

Proton Motor Power Systems PLC

Contents

OUR VISION

Proton Motor Fuel Cell GmbH is a pioneer in hydrogen technology with 20 years of experience. We have set ourselves the goal of designing, manufacturing and assembling sustainable energy solutions for the world of tomorrow in the mobile, maritime, stationary and rail transport sectors, as well as continuously developing them further.

With our Cleantech Competence, we enable our customers to develop energy-sustainable products and use modern technologies.

OUR PROMISE

Our focus in the production of hydrogen fuel cell technologies is on sustainable production to contribute to a better and greener future.

Thus, we aim to improve our understanding of the climate impact of our products and operations, reduce our carbon footprint for products and businesses, and lower our waste and energy consumption. We are constantly doing our best to reduce pollution by recycling, reusing and extending the life of our products and materials.

Repeat order
4 systems Fuel Cell
Energy Efficiency
Home Projects

Repeat order
7 systems Fuel Cell
Energy Efficiency
Home Projects

JAN
2021

MAR
2021

KEY STATISTICS

£2.8m
Total order intake 2021

£3.2m
Sales value production backlog

+46%
Increase in sales since 2020

+14%
Increase in manpower, primarily in production and development

Production capacity unaffected by COVID-19
at Pucheim factory

MAY 2021
Repeat order 4 systems Fuel Cell Energy Efficiency Home Projects

JUN 2021
Repeat order 7 systems Refuse Trucks

Delivery of the system for the world´s first Fuel Cell powered Rail Milling Maintenance train

AUG 2021
Repeat order 8 systems Fuel Cell Energy Efficiency Home Projects

DEC 2021
Delivery of a Fuel Cell system for a portable Hydrogen filling station

Delivery of a Maritime Fuel Cell system for a demonstrator Zero Emission Ship

FEB 2022
Repeat order 8 systems Refuse Trucks

CHAIRMAN'S STATEMENT

We are pleased to report our results for the year ended 31 December 2021.

OVERVIEW:

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. In spite of the COVID-19 backdrop a further strengthening of industry and consumer demand for alternative sources of energy continues to be evident in the period under review. Proton Motor´s technology offer continues to mature to remain aligned with this growing demand and supports the continuing commercialisation process of the group. This is evidenced by order intake in Q1 2022, which amounted to 41% of the total order intake for the year 2021. The potential sales order and production pipeline remains strong as at the date of this report.

HIGHLIGHTS:

- Total order intake in 2021 of £2,800k (2020: £7,300k, including a single large multi-year framework agreement announced in Q1 2020 amounting to £4,500k, which was not repeated in 2021).
- At the end of April 2022 the production backlog had a sales value of £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 2022 and 2023.
- 49% of order intake in 2021 (2020: 76%) are derived from the stationary segment with other orders being spread across the mobile, maritime, rail and engineering segments. Notable orders announced throughout the year included:
  - o Multiple orders from GKN Hydrogen for our S8 Fuel Cell System
  - o An MoU signed with Electra Commercial Vehicles Limited to act as system integrator to integrate Proton Motor fuel cells into the Electra truck portfolio followed by an initial order
  - o Further order from E-Trucks Europe for seven HyRange 43 hydrogen fuel cell systems
  - o Agreement with Torqeedo GmbH ("Torqeedo") for the Marine segment
- Having implemented from the onset all recommended protective measures at its factory in Puchheim, to date Proton Motor has not been affected by COVID-19 though there have been several isolated cases of COVID-19 amongst the Company staff as at the date of the report. Whilst our staff have had to maintain social distancing and other recommended measures to protect themselves against the virus, our factory in Puchheim remained and remains fully operational and our production capacity has been unaffected, thus being able to focus on manufacturing and delivering the above mentioned order intake.
- Sales in 2021 were £2,771 (2020: £1,893k), representing an annual increase of 46%.
- Positive Gross Profit of £425k (2020: negative gross loss of £(83k))
- Excluding the impact of the embedded derivative together with exchange losses, the operating loss in 2021 was £9,121k vs. £7,128k in 2020 which is in line with our budgeted expectations. The increased loss resulted principally from further investment in the technical development area, in support staff and infrastructure.
- The embedded derivative is a non-operating, non-cash item, required by IFRS financial reporting, which is based on gauging the potential effects of partial convertible interest on loan financing. Due to the waiver of convertible interest on loan financing the source of the embedded derivative no longer exists, so that the entire liability relating to the derivative has been reversed, resulting in a substantial one off non-operating gain of £609,200k in 2021.
- Cash burn from operating activities has increased during the period from £4,700k in 2020 to £8,700k in line with increased investment in staff and technology development. Cash flow is our key financial performance target and our objective is to achieve a positive cash flow in the shortest time 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 at 31 December 2021 was £2,152k vs. £2,739k at 31 December 2020.

Following the year end, existing loan facilities have been increased by a further €12,500k to ensure operational and investment financing into 2023 with a view to accelerating the investment programme in the face of increasing demand.

OUTLOOK

In the year ahead we are focused on progressing the maturity of the group technology offer, ramping up production capacity and exploiting the current potential sales pipeline. The current outlook at the end of 2021 looking into 2022 is more optimistic than that as prevalent at the end of 2020.

I 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.

Helmut Gierse
Non-Executive Chairman

Date: 10 June 2022

Proton Motor Power Systems plc and subsidiaries' ("the Group's") principal activity is the development of hydrogen fuel cells and fuel cell hybrid systems as well as UPS and solar battery storage products 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. In principle, it functions like a battery but does not require recharging so 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 systems are widely regarded as a potential alternative to internal combustion engines, power from fossil fuels and battery technology. Fuel cell systems produce no noxious gases and pure hydrogen fuel cells produce no harmful emissions such as carbon dioxide. There are 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 power in operation, efficiency and operating temperature, it is the only technology able to meet the overall criteria which the Group has specified for its intended commercial applications.

The Group sees a strong movement in the market from pure battery-driven to hybrid systems (fuel cells and batteries). The Group has significant know-how regarding fuel cell stacks and hybridisation. Over the years, different applications such as the Deutsche Bahn back-up power solutions, the containerised 100kw power solution for the renewable energy campus at APEX, the HyRail fuel cell system for a rail milling machine, TriHyBus in Czech Republic, the HyRange® 43 fuel cell system for garbage collecting trucks and different maritime projects like the Alsterwasser ship in Hamburg are good examples of Proton Motor's in depth know-how.

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. 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 believes the 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") COP21 legalisation on climate change;
- United Nations Framework Convention on Climate Change ("UNFCCC") COP26 legalisation on climate change;
- 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 and will continue for 4 years until the end of 2021. 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.
- 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
- Mobile applications
- Rail
- Maritime

More specifically these include:

- Solutions for renewable energy storage systems based on hydrogen;
- 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 such heavy duty vehicles to 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 the mid of 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 will also benefit from 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 the 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.

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 system. 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 COP21 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

Following the successful setting up the production lines for the fourth generation Stack Modules and the PM Module S8 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. Especially the number of produced PM Module S8 units increasing, because of regular order income of several customers like GKN Hydrogen.

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 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 truck manufacturers for 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 ordered regualry 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 ordered by the end of the first quarter 2022 21 HyRange® 43 systems, 6 are delivered.

In mid-2021 Proton Motor received the order of a HyRange® 43 fuel system from Electra Commercial Vehicles Limited (Electra) for the use in a truck. The system was delivered end of 2021. Up to now the integration of the fuel cell system by Electra is complete and the testing of the truck has started.

In November 2021 the HyShelter 240 system was delivered to our customer Shell New Energies. HyShelter 240 is a transportable off-grid power supply system based on PM Frame 43 fuel cell systems. The system is intended to power Shell's own line of portable hydrogen refuelling units for heavy duty vehicles. For a Switzerland customer a fuel cell system PM Frame 28 was ordered for the use as emergency power system for a road tunnel. The system was delivered at the end of 2021 and set in operation successfully in the beginning of 2022.

The setting up the production line for the stacks and stack modules for the PM Module S8 systems achieved a major step in the direction of industrial production. We now intend to set up the production line for the PM Frame systems. With the integration of the automated fuel cell production line into the series production together with a planned extension of the production area a continuous increase of the overall production capacity.

Furthermore the Group has designed a multi stack system for power demands beyond 100 kW for larger trucks, trains, ships and larger stationary applications. The first multi stack systems based on the fourth generation PM400 stack modules consists of up to three stack modules. These types of systems were successfully designed and delivered for a maritime project. Also a HyRail 213 fuel cell system, based on two fully redundant multi stack systems, were successfully delivered to our customer for integration into a rail milling machine.

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 three target markets: mobility/rail, maritime and stationary power. 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 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. Solar power storage with small cost-efficient systems by using batteries for private residences will also play an important role in the 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 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 systems;
- 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 and UPS systems for easy customer adoptions;
- integrated system with UPS and/or electrolyser;
- a reliable, robust and durable technology; and
- successful integration of fuel cell technology into a hybrid and Triple-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 on page 15 of the financial statements.

FUTURE PROSPECTS

The Group's principal objective is to expand volume manufacturing with industrial partners based on licence agreements and mutually beneficial cooperations such as joint ventures. This will enable the Group to achieve an economically viable 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, UPS and wind/solar power storage system provider. The current outlook at the end of 2021 looking into 2022 is more optimistic than that as prevalent at the end of 2020.

On behalf of the Board

Dr. Faiz Nahab
Director

Date: 10 June 2022

The Directors present their annual report and the audited financial statements of the Group and parent company ("the Company") for the year ended 31 December 2021. The Chairman's statement and the Strategic report form part of the Directors' report.

PROPOSED DIVIDEND

The Directors do not recommend the payment of a dividend *(2020: £nil)*.

DIRECTORS

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

Dr. Faiz Nahab	Chief Executive[1,3]
Helmut Gierse	Chairman[2]
Antonio Bossi (appointed 5 August 2021)	Non-Executive Director[5]
Sebastian Goldner	Chief Technical Officer and Chief Operations Officer
Roman Kotlarzewski	Chief Financial Officer and Company Secretary[4,6]
Manfred Limbrunner	Director Sales and Marketing[5]

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.

DIRECTORS´ INTERESTS

According to the register of Directors' interests, rights to subscribe for shares in Group companies granted to any of the Directors and exercised by them are summarised in the table below. No rights to subscribe for debentures of Group companies were granted to any of the Directors or their immediate families during the financial year.

A summary of the existing share options held by the Directors is as follows:

	Number of options during the year						
	At start of year	Granted	Exercised/ Waived/ Expired	At end of year	Exercise Price	Date from which exercisable	Expiry Date
Helmut Gierse	6,050,000	–	(1,700,000)	4,350,000	£0.02	28 November 2014	27 November 2022
					£0.06	28 February 2016	27 February 2024
					£0.10	23 July 2011	22 July 2024
					£0.04	18 February 2017	17 February 2025
					£0.10	1 July 2012	30 June 2025
					£0.08	27 July 2017	26 July 2025
Faiz Nahab	10,000,000	–	–	10,000,000	£0.08	27 July 2017	26 July 2025
Roman Kotlarzewski	500,000	–	–	500,000	£0.08	1 July 2019	30 June 2027
					£0.08	14 March 2021	13 March 2029
Sebastian Goldner	999,250	–	(610,000)	389,250	£0.04	23 July 2016	22 July 2024
					£0.04	18 February 2017	17 February 2025
					£0.04	1 July 2012	30 June 2025
					£0.08	27 July 2017	26 July 2025
Manfred Limbrunner	6,345,000	–	(1,475,000)	4,870,000	£0.02	28 November 2014	27 November 2022
					£0.06	28 February 2016	27 February 2024
					£0.10	23 July 2016	22 July 2024
					£0.08	18 February 2017	17 February 2025
					£0.04	1 July 2012	30 June 2025
					£0.08	27 July 2017	26 July 2025
Antonio Bossi	–	–	–	–	n/a	n/a	n/a

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 3 (2020 – 3).

A summary of the number of shares directly held by the Directors is as follows:

Director	At start of year	Issues	Subdivision	At end of year
Dr. Faiz Nahab	–	–		
Helmut Gierse	4,006,183	66,667	4,072,850	8,145,700
Antonio Bossi	–	–	–	–
Sebastian Goldner	5,000	–	5,000	10,000
Roman Kotlarzewski	250,000	–	250,000	500,000
Manfred Limbrunner	55,000	5,000	60,000	120,000
Total	4,316,183	71,667	4,387,850	8,775,700

Directors' attendance at various meetings was as follows:

	Board meetings attended (Out of 4)	Audit Committee meetings attended (Out of 2)	Remuneration Committee meetings attended (Out of 3)
Dr. Faiz Nahab	4	N/A	3
Helmut Gierse	4	2	N/A
Antonio Bossi (appointed 5 August 2021)	2	1	N/A
Sebastian Goldner	4	N/A	N/A
Roman Kotlarzewski	4	N/A	3
Manfred Limbrunner	4	1	N/A

There were two meetings of the Nominations Committee in connection with the appointment of Antonio Bossi, both of which were attended Dr. Faiz Nahab and Roman Kotlarzewski,

SHARE CAPITAL

There have been movements in the share capital of the Company during the year. Full details of these movements are set out in note 24 to the financial statements.

MAJOR SHAREHOLDINGS

As at 31 March 2022 the following shareholder held 3% or more of the Ordinary share capital of the Company:

	Ordinary Shares	
	Number	Percentage
SFN Cleantech Investment Limited	895,700,056	57.80%
Falih Nahab	379,339,545	24.48%

CAPITAL STRUCTURE

The Group is financed by a mixture of share capital and loans, some of which are classified as equity, details of which are contained elsewhere in the financial statements. The Group has an ongoing requirement for external capital to fund its product development and day-to-day requirements. This capital requirement has been met by accepting the further finance of an existing majority shareholder, SFN Cleantech Investment Ltd, and Mr Falih Nahab on commercial terms.

GOING CONCERN CONSIDERATIONS

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 investor to meet its day-to-day working capital requirements.

The Group had loans with SFN Cleantech Investment Limited, of €2.30m (£2.02m) and €26.10m (£21.93m), of which €23.61m (£20.37m) were drawn down at the end of 2021. Subsequent to the 2021 year end it was agreed that one of these loan facilities would be increased by a further €6.25m (£5.25m) to €32.35m (£27.18m). The loans are repayable in December 2025.

The Group also has a loan facility with Mr. Falih Nahab of €50.65m (£42.56m), of which €48.65m (£41.97m) were drawn down at the end of 2021. Subsequent to the 2021 year end it was agreed that this loan facility would be increased by a further €6.25m (£5.25m) to €56.90m (£47.82m). The loan is repayable in December 2025.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and at least 12 months from the date of this report. For this reason, they have adopted the going concern basis in preparing the financial statements. For further information see Note 2 of the financial statements.

DIRECTORS´ DUTIES

The Directors of Proton Motor act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006, which are summarised as follows:

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

All directors are aware of the content of S. 172 Companies Act 2006 and commit themselves to fulfilling these requirements as they positively contribute to the ongoing development of Proton Motor.

Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Governance section on pages 14 to 22.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with UK adopted international accounting standards and company financial statements in accordance with UK adopted international accounting standards. Under company law 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK adopted international accounting standards have been followed for the Group financial statements and UK adopted international accounting standards have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider 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 Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 13 confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the parent company;
- the Group financial statements, which have been prepared in accordance with UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and parent company's auditors are unaware; and
- they have taken all the 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 Group and parent company's auditors are aware of that information.

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

POLITICAL DONATIONS

No political donations were made by the Group in 2021 (2020: £nil).

INDEPENDENT AUDITORS

A resolution to confirm the re-appointment of RMT Accountants and Business Advisors Ltd, as auditors of the Group and parent company will be proposed at the forthcoming Annual General Meeting.

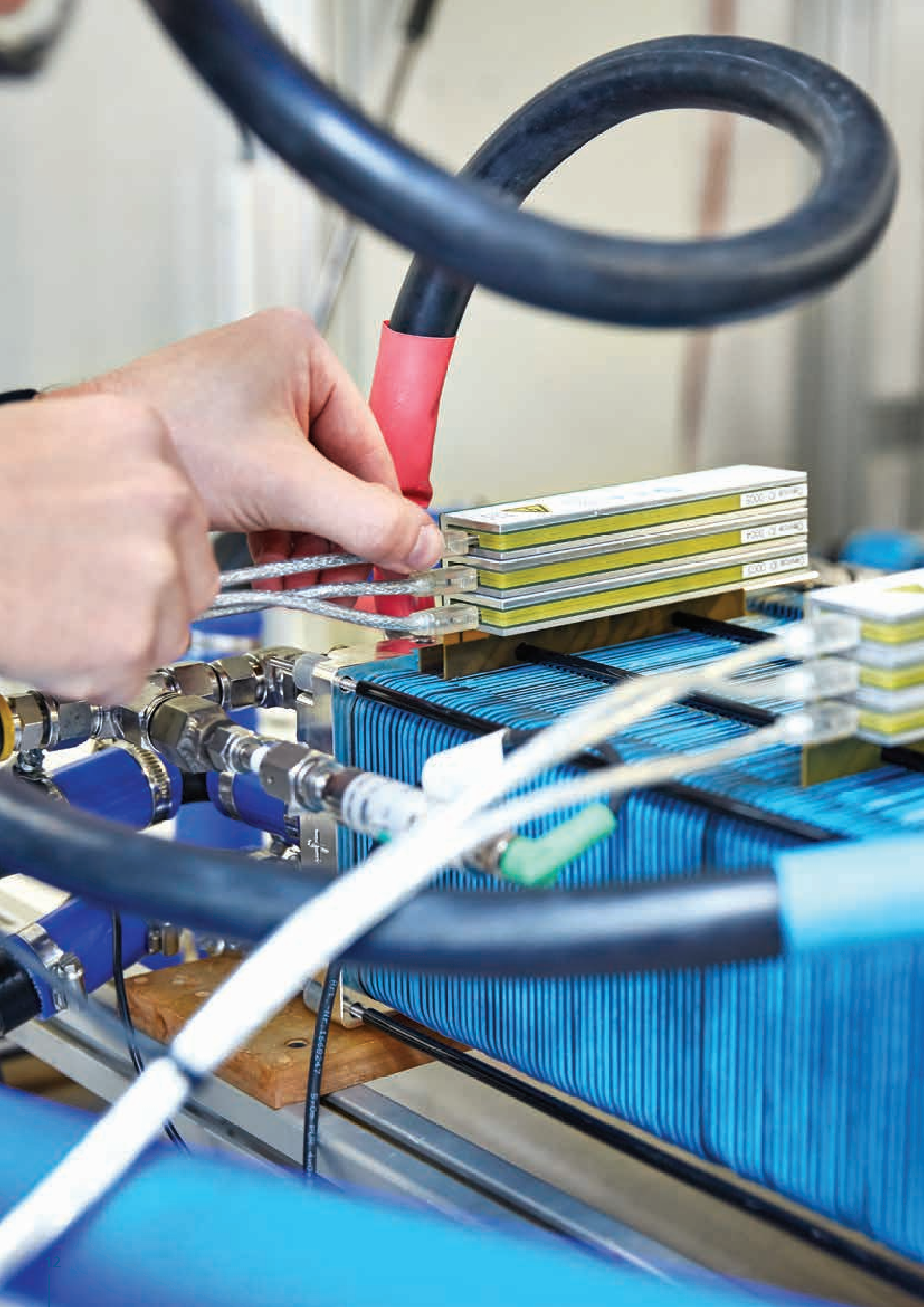
STRATEGIC REPORT

The Group has chosen in accordance with Companies Act 2006, s. 414C(ii) to set out in the Group´s Strategic Report information required by the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 otherwise to be contained in the Directors´ report. It has done so in respect of the future developments of the Group.

On behalf of the Board

Dr. Faiz Nahab
Director

Date: 10 June 2022



DR. FAIZ NAHAB, (AGED 79), CHIEF EXECUTIVE OFFICER

Faiz has over 35 years of executive management experience in company restructuring and expansion. For more than 20 years he served as a consultant to major international companies on technical and high technology projects with focus on product sales, marketing and product development. He has a strong background in project management including project finance and control. As an entrepreneur Faiz successfully developed a medical infrastructure company and developed an expert team for installing and commissioning industrial equipment and machinery, covering areas such as clean and waste water projects, cement and urea factories. The main business of his companies is based in the Middle East with involvement in country infrastructure construction in partnership with major international partners such as MSD, Siemens AG, Carl Zeiss and others. He holds various directorships at companies in the pharmaceutical, medical and technology sectors, some of them as CEO and Chairman. Faiz had academic undergraduate education in Electronics at Southampton, postgraduate PhD at Kent University in electronics and has full membership of MIEEE. (Time commitment: three to four days per month).

HELMUT GIERSE, (AGED 72), INDEPENDENT NON-EXECUTIVE CHAIRMAN

Helmut has over 30 years of international industry experience covering the fields of factory automation, process industry and power generation. His experience comes from his work in R&D, production, sales and marketing. His expertise has been gained from a range of industry positions at the management level, most recently as the CEO and President of the Siemens Group in the Automation and Drive division in Germany. Helmut is currently an independent industry consultant. Helmut studied Electronic Engineering at the University of Erlangen in Germany. He speaks German, English, French and Spanish. (Time commitment: one to two days per quarter).

SEBASTIAN GOLDNER, (AGED 41), CHIEF TECHNICAL OFFICER AND CHIEF OPERATIONS OFFICER

Sebastian has more than 10 years of experience in the design and construction of mobile, marine and stationary fuel cell applications. His experience is based on various leadership positions in sales & marketing, project management and development. Currently, he exercises the dual role of Chief Technical Officer and Chief Operations Officer responsible for technical development, customer projects, customer service and production. Sebastian studied engineering computer science with a focus on electrical engineering at the University of Paderborn. As part of his studies, he completed his diploma thesis at Infineon Technologies in Munich. (Time commitment: full time).

ROMAN KOTLARZEWSKI, (AGED 63), GROUP FINANCE DIRECTOR

Roman is a member of the Institute of Chartered Accountants in England and Wales and has over 30 years of industry experience including significant private and public company experience also on an international level via financial leadership roles within the Boots Company PLC, Standex International Corporation and BASF AG. Roman occupied the position of CFO Europe at the private company goetzpartners Corporate Finance, was CFO with the startup Carfrogger GmbH and is Director at the Globe Business College Munich. Roman studied Modern Languages and Economics at Northumbria University and speaks English, German and French. (Time commitment: full time).

MANFRED LIMBRUNNER, (AGED 52), DIRECTOR SALES AND MARKETING

Manfred joined Proton in November 2000 as a design engineer and project manager for various mobile and maritime projects. In his early years he was also in charge of the systems engineering and the homologation of the Fuel Cell Hybrid Systems. As Proton developed further he formed and led the design department, played a significant role in implementing the quality management system and rotated in October 2009 to the product management position, until he was appointed as CTO in March 2011. By November 2016 he took over the newly founded Mobility Business Unit and is now responsible for Sales and Marketing.

Prior to joining Proton, Manfred worked for 5 years in the pulp & paper plant engineering business. His main duties and responsibilities were in the design of complex plant sub assembly groups, supervising their mounting through external suppliers, plant engineering, customer support, supervising the mounting team as well as the project management. Manfred studied mechanical engineering with a focus on design at the University of Applied Science in Kempten and started his career at Hoerbiger Fluidtechnik GmbH in 1995. (Time commitment: full time).

ANTONIO BOSSI, (AGED 53), INDEPENDENT NON-EXECUTIVE DIRECTOR

Antonio has over 25 years experience in corporate finance, equity capital markets and M&A including over seven years with ING Barings and ABN AMRO working mainly in the utilities, energy and renewables sectors. He is a Corporate Finance Director at Arden Partners having previously spent 18 years with Stockdale Securities and its predecessor companies, which became part of Shore Capital in 2019. Antonio is an Italian national and an engineer by education (Politecnico di Milano). (Time commitment: two days per month).

CORPORATE GOVERNANCE STATEMENT

The Board has chosen to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code ("QCA Code") for small and mid-size quoted companies.

The following statements are being made in compliance with the QCA code:

BOARD COMPOSITION AND EFFECTIVENESS

As at the date of this report the Board is composed of the non-executive Chairman, one non-executive Director and four executive Directors. The Board regards the size and composition of the Board as commensurate with the size of the Group and to remain ahead of all the current challenges facing the group. The current blend of Directors ensures that the Board has experience in the areas of entrepreneurship, running large and small private and quoted business organisations, business development, management and coordination on an international level, technical development in the area of fuel cells, automation of production processes, sales, building up distribution networks, customer project management and finance on a corporate finance and operational finance level. All Directors have suitable and relevant professional and business experience, keep up to date on all relevant developments and attend seminars as is necessary.

Any issues, which may be adversely curtailing board effectiveness are addressed in Board Meetings. Additionally the non-executive Chairman takes an active role in monitoring the effectiveness of the executive board members, and visits the German subsidiary, at least once a year in addition to the quarterly board meetings, in order to evaluate management effectiveness and the match of the culture within the group to the corporate objectives and to the business model. Quarterly staff meetings are held by executive management, subsequent to each quarterly board meeting, in order to communicate the decisions and direction of the Board.

INDEPENDENCE OF NED

The current non-executive Chairman was appointed as NED in January 2009 and to Chairman in December 2017, and the other non-executive Director was appointed in August 2021. The Board regards that it is essential that the Group retains, in the current critical phase of the development of the group, the deep and relevant level of expertise and professional experience, of which the Chairman avails, inspite of the over ten year service duration as NED. The Board therefore recommends that the non-executive Chairman is re-elected to this position at the Annual General Meeting to be held in June 2021.

DIRECTORS´ DUTIES S.172 COMPANIES ACT

The Board concluded that its key stakeholders are as follows:

Our customers, who buy the Company's product.

Our employees.

Our partners in the supply chain, who are suppliers and subcontractors to the Company's business operations.

Our shareholders, who invest in the Company.

The communities in which the Company operates.

In addition, the Board also specifically took into account the potential impact of the Company's operations on:

The health and safety of its employees, customers and visitors to its sites and offices.

The environment.

Within this context it is necessary to take into account that Proton Motor has one operational site in Puchheim, Germany and employs over 100 staff.

How the Directors engage:

CUSTOMERS	We engage directly with customers as the Proton Motor product is generally customised directly to customer requirements. The customer may have an influence on the Proton Motor´s development programme.
EMPLOYEES	The Directors engage with the employees, as they contribute to the development programme, reach the customers, produce the product for delivery to the customer and support the company structure. Information meetings are held quarterly for the employees subsequent to the quarterly Board Meetings. Annual appraisals are conducted with each employee, during which training requirements are also evaluated. The health and safety of our employees, and equally of any external visitors to the company location, remain paramount at all times.
SUPPLY CHAIN	As the company has many suppliers for key components, the company actively seeks to build up long term and fair relationships with its suppliers.
SHAREHOLDERS AND POTENTIAL INVESTORS	The company engages with these parties in providing official communications via RNS statements. The company website contains a dedicated E-mail account for investor relations in order to provide quick and appropriate responses to their enquiries.

RISK MANAGEMENT

Operational and financial risks are identified primarily by executive management. Executive management members sitting on the board will communicate major identified risks with the Board. The Board convenes once per quarter at the German subsidiary location in Puchheim. All Board meetings in 2021 and to date in 2022 have been conducted virtually due to the travel restrictions associated with COVID-19. Measures to manage and mitigate identified risks will be determined by the board, conveyed and implemented by executive management. Evaluation of implemented risk management measures will be reviewed at the subsequent Board meeting. Additionally the Non-Executive Chairman visits the German subsidiary at least once a year to review operations and to address any management issues.

PRINCIPAL RISKS AND UNCERTAINTIES

Operating revenues and future funding

Although the Directors have confidence in the Group's future revenue earning potential, there can be no certainty that the Group will achieve or sustain significant revenues, profitability or positive cash flow from its operating activities. This could impair the Group's ability to sustain operations or secure any required funding. To date, the Group has incurred substantial losses and expects losses and cash expenditure to continue until it achieves volume sales production at commercial unit prices, and/or license fee and cooperation related income. The Directors constantly monitor operational cash flows and prepare projections to identify cash flow shortages. Loans to cover operating cash flow shortages have been provided by the Group's principal shareholder and Falih Nahab and it is expected that these loan agreements will be extended or renewed as required for the foreseeable future. Whilst support has been committed from the shareholders for at least the next 12 months, the Board recognises that the Group must show improved financial performance to warrant further financial support.

Further development activities

Continuing development of the Group's technology may be required and there can be no assurance that any of the Group's future technology will be commercially successful. The Group may encounter delays and incur additional research and development costs and expenses over and above those anticipated or allowed for by the Directors. A core component within the Group's product offering is its fuel cell module. This is now fully validated according to its product specifications and has gone through all necessary legislative certification processes, so that it is now commercially available. Systems have also gone through a number of internal validation processes and meet their specifications. However, as with any new technology, there are risks associated with the long-term operational life of the product above the proven 10,000 hours.

The Group's current activities are focused on transferring from a purely project based company into a manufacturing company. In order to achieve this, a production planning process is currently in place with the focus on reducing manufacturing time and costs. Future decisions regarding what will be transferred to an external manufacturer, or licensed and when, will be based purely on costs.

OTHER BUSINESS RISKS

In addition to the current principal risks identified above and general business risks, the Group's business is subject to risks inherent in the energy sector, development and production activities. There are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. The Company has identified certain risks pertinent to its business including:

CATEGORY	RISK
COMPETING POWER TECHNOLOGIES	As the Group's fuel cell technology has the potential to replace existing power products, competition for the Group's products will come from current power technologies, from improvements to current power technologies and from new alternative power technologies, including batteries, other types of fuel cells or other self-contained energy systems. Each of the Group's target markets is currently serviced by existing manufacturers with existing customers and suppliers. These manufacturers use proven and widely accepted technologies such as internal combustion engines, turbines, batteries and overhead contact lines. The Directors believe this risk has reduced during 2021 and will continue to reduce during 2022. Additionally, there are competitors working on development of technologies other than fuel cells (such as advanced batteries, ultracapacitors and hybrid battery/internal combustion engines) in each of the Group's targeted markets. Some of these technologies may be as capable of fulfilling the existing and proposed regulatory requirements as the Group's fuel cell technology. The Directors believe this risk has reduced during 2021 and will continue to reduce during 2022.
GOVERNMENTAL REGULATION	There may be a change in government regulations or policies, which could have a material adverse effect on the Group's activities. The Directors see government activities, especially at the EU level and also in Germany and UK improving for hydrogen technology.
COMMERCIAL RELATIONSHIPS	The success of the Group will depend on its ability to integrate the Group's fuel cell technology into products manufactured by OEMs. There is no guarantee that OEMs will manufacture appropriate products or, if they do manufacture such products, that they will choose to use the Group's fuel cell technology. Any integration, design, manufacturing or marketing problems encountered by OEMs could adversely affect the market for the Group's fuel cell technology and the Group's financial results.
DEPENDENCE ON KEY PERSONNEL	In order to implement the Group's anticipated growth successfully, the Group will be dependent on its ability to hire and retain additional skilled and qualified personnel, particularly in relation to sales, sales support, technological development, management, and marketing. There can be no assurance that the Group will be able to retain or hire necessary personnel.
CURRENCY EXCHANGE RATE FLUCTUATIONS	The Group intends to conduct much of its business overseas in currencies other than sterling and as such its financial performance is subject to the effects of fluctuations in foreign exchange rates.
COVID-19	The outbreak of the pandemic can engender any of the following risk areas for the Group: supply chain disruption, liquidity shortages, compliance with health and safety and other regulations. The management of Proton Motor has implemented all protective measures as required, and is in full compliance with all current issued regulatory statements. The Directors regularly assess the likely effects on the performance of Group in an attempt to mitigate the risk as far as possible.

The Group's exposure to credit risk, liquidity and cash flow risk and foreign exchange risk are disclosed in notes 27 to 30.

SCOPE OF COMMITTEES

The Board has established an Audit Committee, a Nominations Committee and a Remuneration Committee with formally delegated duties and responsibilities.

The Audit Committee receives and reviews reports from management relating to the annual and interim accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee has unrestricted access to the Company's auditor.

The Nominations Committee reviews the balance and effectiveness of the Board and identifies the skills and needs of the Board and those individuals who might best provide them. It also ensures that the Board has formal and transparent appointment procedures.

The Remuneration Committee reviews the scale and structure of the executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the non-executive Directors are set by the Board. The Remuneration Committee also administers the Group's share option scheme, the Employees Share Purchase Scheme and the Key Person Stock Award Scheme.

PRODUCT AND THE ENVIRONMENT

Proton Motor´s product, the fuel cell system is widely regarded as a potential alternative to internal combustion engines, power from fossil fuels and battery technology. Fuel cell systems produce no noxious gases and pure hydrogen fuel cells produce no harmful emissions such as carbon dioxide.

Our approach therefore considers environmental, social and governance (ESG) factors and their impact. An area of major focus has been "CleanTech" where we focus on developing and building outstanding, science-based products that mitigate the impacts of climate change and other environmental challenges.

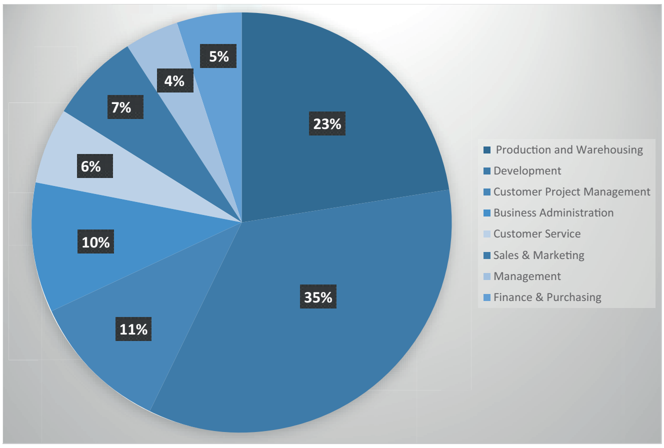
CORPORATE AND SOCIAL RESPONSIBILITY

The Group has a continuing commitment to act ethically and to contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

The Group´s operational business location situated within Germany is in strict compliance with all applicable labour relations laws. The company has no presence in any areas which present a known material risk of the exploitation of men, women or children in the workplace.

The Group seeks to fulfil the career aspirations and potential of all colleagues. The Board seeks to create an environment in which every colleague enjoys coming to work, feels motivated in everything that they do and takes pride in their contribution to the Group. The enthusiasm and dedication of colleagues is a vital factor in the Group's success.

EMPLOYEE FUNCTION AREAS



The Group's aim is to attract and retain the best people while observing best practice in employment policies and procedures through a commitment to:

Offering equal opportunities in recruitment and promotion;

The continuous development of all colleagues;

Encouraging internal promotion;

Using progressive, consistent and fair selection methods;

Ensuring colleagues are treated with respect and dignity in an environment where no form of intimidation or harassment is tolerated. All appointments are made solely based on a person's suitability for a particular post, without reference to gender, sexual orientation, age, ethnic origin, religion or disability (except when there is a genuine occupational requirement). The principle of equality also applies to career development opportunities and training.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort will be made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

SAFETY, HEALTH AND ENVIRONMENT

It is Group policy to minimise risks to employees and other stakeholders associated with the Group's activities. The Chief Executive is accountable to the Board for the performance of the Group's safety programme. During the last year the Group had no major or minor accidents or dangerous occurrences. There have also been no reportable environmental or loss of containment incidents.

Helmut Gierse
Non-Executive Chairman

Date: 10 June 2022

The Company recognised that the Board should be structured to reflect the requirements for listed companies in accordance with the QCA Corporate Governance Code.

On 5 November 2008 the Company's Articles of Association were amended to permit any person who is solely and beneficially interested in at least 15% of the issued share capital of the Company to nominate a person to act as a Director. Such a shareholder may appoint a separate Director for each complete multiple of 15% interest in the Company. Dr. Faiz Nahab is the nominee appointee of the current majority shareholder SFN Cleantech Investment Ltd.

The Nominations Committee is chaired by Dr. Faiz Nahab. Its other member is Roman Kotlarzewski.

The Nominations Committee convened in 2021 in order to deliberate on the appointment of Antonio Bossi, who was appointed to the Board on 5 August 2021 as Non Executive Director.

Dr. Faiz Nahab
Chairman of the Nominations Committee

Date: 10 June 2022

THE REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Dr. Faiz Nahab and its other member is Roman Kotlarzewski. The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and corporate governance and seeks advice where appropriate. The legal firm Ince has been appointed as external adviser to the Remuneration Committee, and in this capacity advises on appropriate remuneration levels and on the Stock Option Scheme Ince also provides legal services in connection with relevant legal matters. The Committee has appropriate policies and procedures to monitor the size of potential remuneration awards.

The Remuneration Committee's remit is set out in its terms of reference. Its delegated responsibilities include setting the remuneration of all executive Directors. The remuneration of the non-executive Directors (including the Chairman is determined by the Board and is made up of an annual fee for acting as non-executive Directors and fees for chairing and for membership of a Board committee. The non-executive Directors do not take part in discussions on their own remuneration. The fees are set to reflect the time which the non-executive Directors are required to commit to their duties, their experience and the amounts paid to non-executive Directors in comparable companies.

REMUNERATION POLICY

The Company's policy is to provide competitive remuneration packages that will attract, retain and motivate Directors and other individuals of the quality required to successfully drive the business forward. The remuneration policy is designed to support the business strategy, align executives' interests with shareholders and be cost effective. In constructing the remuneration packages, the Committee aims to achieve an appropriate balance between fixed and variable compensation for each executive. Accordingly, a significant proportion of the remuneration package depends on the attainment of demanding performance objectives, both short and long-term. The annual bonus is designed to incentivise and reward the achievement of demanding financial and non-financial corporate and individual objectives. Long-term share plans are designed to align the interests of executives with the longer-term interests of shareholders. The Remuneration Committee considers it important that this approach to remuneration should be maintained so far as possible.

BASIC SALARY

The Committee will normally review the executive Directors' and other senior executives' remuneration annually against companies similar in size and sector. The Committee sets salaries at levels that reflect the individual's position, responsibilities, experience and performance. The Committee also considers executive salary increases in the context of salary increases across the Group's wider employee population.

LONG-TERM SHARE PLANS

The Company gained approval in advance of admission to AIM to put in place certain long-term share plans, details of which are set out below in the section headed Proton Motor Power Systems plc's Share Option Scheme.

The Remuneration Committee has discretion to grant awards under the Proton Motor Power Systems plc Share Option Scheme. When exercising their discretion to grant awards, the Remuneration Committee will take into consideration the overall quantum and structure of the compensation package.

PROTON MOTOR POWER SYSTEMS PLC SHARE OPTION SCHEME (THE "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.

Share options will normally become exercisable following the end of a period of two years from the date of grant. The maximum number of shares over which options may be granted to an employee 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.

Performance conditions attach to some option awards covering technological and product development milestones, finance raising and financial performance of the Group. Conditions are employee specific.

PROTON MOTOR EMPLOYEE SHARE PURCHASE SCHEME

In 2019 Proton Motor introduced an Employee Share Purchase Scheme, where under subject to predetermined thresholds, employees can acquire shares whereby one share for every three acquired is gifted.

PROTON MOTOR KEY PERSON STOCK AWARD SCHEME

In 2018 Proton Motor introduced the Key Person Stock Award Scheme whereby key staff members can build up an entitlement to target amounts of shares over three-ten years. 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 number of Ordinary 1p shares issued in the year having vested was 400,000 (2020: nil).

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

It is the Company's policy to minimise the termination obligations of Directors' contracts recognising, however, the market requirements for executive Directors' contracts. The arrangements set out below reflect the Company's policy.

The appointments of non-executive Directors may be terminated by either party without notice and are subject to the provisions of the Company's Articles. The terms of appointment of the non-executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM.

The Remuneration Committee has considered the financial consequences of early termination of Directors' service contracts. If the Company terminates the employment of an executive Director by exercising its right to pay in lieu of notice, or terminates the employment other than in accordance with the terms of his service agreement, the Company is required to make a payment equal to the aggregate of the executive Director's basic salary and the value of his contractual benefits for the notice period.

DIRECTORS' EMOLUMENTS

Information on the remuneration of each Director for the full year is set out in the following table:

Name	Salary £'000	Share-based payments £'000	Total 2021 £'000	Total 2020 £'000
Dr Faiz Nahab	–	–	–	–
Helmut Gierse	–	62	62	54
Sebastian Goldner	90	22	112	98
Roman Kotlarzewski	90	22	112	203
Manfred Limbrunner	90	25	115	127
Antonio Bossi	–	23	23	–
Total	270	154	424	482

Details of the Directors' interests in the Company´s shares and the SOS are given in the Directors' Report.

On behalf of the Board

Dr. Faiz Nahab
Chairman of the Remuneration Committee

Date:10 June 2022

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INTERNAL AUDIT

In the opinion of the Board the Group is not of a size where an internal audit function can be justified and operated in any meaningful way. The Directors consider their involvement in the day-to-day operation of the Group mitigates any risks associated with not having an internal control function, but will continue to assess this regularly.

NON-AUDIT SERVICES

The fees payable to RMT Accountants and Business Advisors Ltd ("RMT") and associates for audit and non-audit services are set out in note 6 to the financial statements.

The Audit Committee has developed a policy on the provision by the external auditor of non-audit services. The objective of the Audit Committee's policy is to ensure that the provision of such services does not impair the external auditors' independence or objectivity. In this context, the Audit Committee will consider:

- whether the skills and experience of the audit firm make it a suitable supplier of the non-audit service;
- whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
- the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate, relative to the audit fee; and
- the criteria which govern the compensation of the individuals performing the audit.

The policy covers amongst other things:

- monitoring the external auditors' independence (e.g. that the auditors and their immediate family have no family, financial or employment relationship with the Company), and checking that the Group engagement partner and audit senior manager do not work on the audit for a period in excess of that permitted;
- the identification of three categories of accounting services: audit-related services, which the Company's auditor provide (such as interim and full-year reporting); prohibited services, which the Company's auditor may never provide; and potential services, which the Company's auditor may in certain circumstances provide, subject to the policy (such as tax advisory services or services where the auditor is acting as the Company's reporting accountants). Prohibited services are those which would result in:
- the external auditor auditing their own firm's work;
- the external auditor making management decisions for the Company;
- a mutuality of interest being created; or
- the external auditor being put in the role of advocate for the Company.
- reporting at each meeting of the Audit Committee on non-audit services being provided by the auditor.

The Audit Committee convened twice in 2021, attended by The Chairman of the Audit Committee and the Audit Engagement Partner of RMT. All findings of the auditors in relation to the audit of the 2020 financial statements were addressed and it was determined that there were no major adverse issues, which required the attention of the Board. In the second meeting the Audit planning for the audit of the 2021 financial statements were reviewed.

Helmut Gierse
Chairman of the Audit Committee — Date: 10 June 2022

Independent auditors' report to the members of Proton Motor Power Systems plc

OPINION

We have audited the financial statements of Proton Motor Power Systems plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Group and Company balance sheets, Group and Company statements of changes in equity, Group and Company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

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 2021 and of the Group's and the parent company's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 are independent of the 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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

In forming our opinions on the Group and parent company financial statements, which are not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's and the parent company's ability to continue as a going concern. The Group and the parent company are dependent on the continuing support of SFN Cleantech Investment Ltd and Mr Falih Nahab, in order to meet their day to day working capital commitments. Due to the uncertainty of his continued ability to service such requirements, as explained in note 2 to the financial statements, this indicates the existence of a material uncertainty which may cast significant doubt about the Group's and the parent company's ability to continue as a going concern. The group financial statements do not include the adjustments that would result if the Group and the parent company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

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) we identified, including those which had the greatest effect on: the overall 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.

Revenue recognition

Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Group revenue is recognised at the point that the goods or services have been provided to the customer, which exposes the Group to the risk of incomplete and incorrect cut-off of revenue recognised in the period. The Group's revenue recognition policy is shown in note 2 to the financial statements.

How the matter was addressed in the audit

To address the risk of improper revenue recognition, our audit work included, but was not restricted to:

- performed substantive testing to determine whether the accounting policy had been correctly applied, taking into account the timing of goods or services being provided to the customer;
- reviewed a sample of sales transactions around the year end to ensure cut-off was correct and sales had been recognised in the correct period;
- considered the appropriateness and application of the Group's accounting policy for revenue recognition; and
- considered the disclosures in the financial statements regarding revenue.

Key observations

The results of our testing were satisfactory and no significant issues were identified from our work over revenue recognition.

Management override

In preparing the financial statements management are required to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about the carrying value of assets and liabilities that are not available from other sources.

How the matter was addressed in the audit

During the course of our audit we performed the following procedures to address the risk of management override:

- assessed the appropriateness of accounting policy choices made by management and the basis of key judgements, estimates and assumptions;
- reviewed manual journal entries posted within the period for indicators of management bias, transactions outside the normal course of business or indicators of fraudulent activity; and
- considered the value, nature and cause of misstatements identified during the course of the audit to identify indicators of bias.

Key observations

The results of our testing were satisfactory and we consider the disclosure surrounding accounting policy choices and key accounting judgements to be appropriate.

Independent auditors’ report to the members of Proton Motor Power Systems plc

Going concern

The Group has historically been dependent on the continuing financial support of its main investors to meet its day-to-day working capital requirements. We therefore identified the going concern of the Group as a significant risk. See the material uncertainty relating to going concern paragraph above.

OUR APPLICATION OF MATERIALITY

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement we determined materiality for the Group financial statements as a whole to be £973,000, based on the Group’s adjusted results before tax. Performance materiality of £487,000 was applied for testing which is 50% of Group materiality.

The Group’s significant component was also audited, with a component materiality of £217,000 used.

We agreed with the Audit Committee to report to it all identified errors considered to be above a trivial level, being 5% of Group materiality at £49,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls and the industry in which they operate.

The Group operates through a significant component trading subsidiary, based in Germany. This comprises the Group’s operating business and centralised functions. The head office in Germany maintains all accounting records and controls for all entities.

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 this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors’ report.

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 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 on page 10, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Discussions with and enquiries of management and those charged with governance were held with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

The following laws and regulations were identified as being of significance to the entity:

Those laws and regulations considered to have a direct effect on the financial statements including International Financial Reporting Standards, Company Law, Tax and Pensions legislation, and distributable profits legislation.

Those laws and regulations for which non-compliance may be fundamental to the operating aspects of the business and therefore may have a material effect on the financial statements include the health and safety regulations.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; review of board minutes; testing the appropriateness of journal entries; and the performance of analytical review to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

A further description of our responsibilities for the audit of the financial statements is located 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Maxine Pott (Senior Statutory Auditor)
for and on behalf of RMT Accountants & Business Advisors Ltd
Statutory Auditors
Newcastle upon Tyne

Date: 13 June 2022

Consolidated income statement
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	4	**2,771**	1,893
Cost of sales		**(2,346)**	(1,976)
Gross profit / (loss)		**425**	(83)
Other operating income		**501**	492
Administrative expenses		**(10,047)**	(7,537)
Operating loss		**(9,121)**	(7,128)
Finance income	9	**3**	3
Finance income / (costs)	10	**3,222**	(8,638)
(Loss) for the year before embedded derivatives		**(5,896)**	(15,763)
Fair value gain / (loss) on embedded derivatives	22	**609,201**	(386,870)
Profit / (Loss) for the year before tax	5	**603,305**	(402,633)
Tax	8	**–**	–
Profit / (Loss) for the year after tax		**603,305**	(402,633)
Profit / (Loss) per share (expressed as pence per share)			
Basic	11	**78.1**	(57.0)
Diluted	11	**78.1**	(26.4)
Loss per share excluding embedded derivative (expressed as pence per share)			
Basic	11	**(0.8)**	(2.2)
Diluted	11	**(0.8)**	(1.0)

Consolidated statement of comprehensive income for the year ended 31 December 2021

	2021 £'000	2020 £'000
Profit/(Loss) for the year	**603,305**	(402,633)
Other comprehensive income / (expense)		
Items that may not be reclassified to profit and loss		
Exchange differences on translating foreign operations	**(586)**	(761)
Total other comprehensive (expense)	**(586)**	(761)
Total comprehensive income / (expense) for the year	**602,719**	(403,394)
Attributable to owners of the parent	**602,719**	(403,394)

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Consolidated Statement of Financial Position as at 31 December 2021

	Note	Group 2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	12	**78**	64
Property, plant and equipment	13	**1,619**	1,484
Right-of-use assets	14	**111**	285
Fixed asset investments	15	**11**	11
		1,819	1,844
Current assets			
Inventories	16	**1,835**	1,790
Trade and other receivables	17	**1,624**	348
Cash and cash equivalents	18	**2,152**	2,739
		5,611	4,877
Total assets		**7,430**	6,721
Liabilities			
Current liabilities			
Trade and other payables	19	**4,498**	4,389
Lease debt	20	**111**	196
Borrowings	21	**517**	814
		5,126	5,399
Non-current liabilities			
Lease debt	20	**8**	104
Borrowings	21	**83,956**	79,238
Embedded derivatives on convertible interest	22	**–**	609,201
		83,964	688,543
Total liabilities		**89,090**	693,942
Net liabilities		**(81,660)**	(687,221)
Equity			
Equity attributable to equity holders of the parent company			
Share capital	24	**11,023**	10,598
Share premium		**20,390**	19,574
Merger reserve		**15,656**	15,656
Reverse acquisition reserve		**(13,861)**	(13,861)
Share option reserve		**2,187**	949
Foreign translation reserve		**11,745**	11,038
Capital contributions reserves		**1,143**	1,215
Accumulated losses			
At 1 January 2021		**(732,390)**	(328,996)
Profit / (Loss) for the year attributable to the owners		**603,305**	(402,633)
Other changes in retained earnings		**(858)**	(761)
Total equity		**(81,660)**	(687,221)

These financial statements on pages 26 to 52 were approved and authorised for issue by the Board of Directors on 10 June 2022 and were signed on its behalf by:

Roman Kotlarzewski ACA
Director

# of Financial Position as at 31 December 2021

	Note	Company 2021 £'000	2020 £'000
Assets			
Current assets			
Trade and other receivables	17	**366**	209
Cash and cash equivalents	18	**20**	5
		386	214
Total assets		**386**	214
Liabilities			
Current liabilities			
Trade and other payables	19	**780**	364
Lease debt		**–**	–
Borrowings		**–**	–
		780	364
Non-current liabilities			
Lease debt		**–**	–
Borrowings	21	**83,956**	79,238
Embedded derivatives on convertible interest	22	**–**	609,201
		83,956	688,439
Total liabilities		**84,736**	688,803
Net liabilities		**(84,350)**	(688,589)
Equity			
Equity attributable to equity holders of the parent company			
Share capital	24	**11,023**	10,598
Share premium		**20,390**	19,574
Merger reserve		**15,656**	15,656
Share option reserve		**2,187**	949
Accumulated losses			
At 1 January 2021		**(735,366)**	(332,560)
Profit/(loss) for the year attributable to the owners		**602,032**	(402,806)
Other changes in retained earnings		**(272)**	–
Total equity		**(84,350)**	(688,589)

These financial statements on pages 26 to 52 were approved and authorised for issue by the Board of Directors on 10 June 2022 and were signed on its behalf by:

Roman Kotlarzewski ACA
Director

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

Group	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Reverse Acquisition Reserve £'000	Share Option Reserve £'000	Foreign Translation Reserve £'000	Capital Contribution Reserves £'000	Accumulated Losses £'000	Total Equity £'000
Balance at 1 January 2020	**9,970**	**18,704**	**15,656**	**(13,861)**	**968**	**10,437**	**1,151**	**(328,996)**	**(285,971)**
Share based payments	–	–	–	–	(19)	–	–	–	(19)
Proceeds from share issues	628	870	–	–	–	–	–	–	1,498
Transactions with owners	**628**	**870**	**–**	**–**	**(19)**	**–**	**–**	**–**	**1,479**
Loss for the year	–	–	–	–	–	–	–	(402,633)	(402,633)
Other comprehensive income:									
Currency translation differences	–	–	–	–	–	601	64	(761)	(96)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**601**	**64**	**(403,394)**	**(402,729)**
Balance at 31 December 2020	**10,598**	**19,574**	**15,656**	**(13,861)**	**949**	**11,038**	**1,215**	**(732,390)**	**(687,221)**
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
Transactions with owners	**425**	**816**	**–**	**–**	**1,238**	**–**	**–**	**(272)**	**2,207**
Profit for the year	–	–	–	–	–	–	–	603,305	603,305
Other comprehensive income:									
Currency translation differences	–	–	–	–	–	707	(72)	(586)	49
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**707**	**(72)**	**602,719**	**603,354**
Balance at 31 December 2021	**11,023**	**20,390**	**15,656**	**(13,861)**	**2,187**	**11,745**	**1,143**	**(129,943)**	**(81,660)**

Company	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Option Reserve £'000	Accumulated Losses £'000	Total Equity £'000
Balance at 1 January 2020	**9,970**	**18,704**	**15,656**	**968**	**(332,560)**	**(287,262)**
Share based payments	–	–	–	(19)	–	(19)
Proceeds from share issues	628	870	–	–	–	1,498
Transactions with owners	**628**	**870**	**–**	**(19)**	**–**	**1,479**
Loss for the year	–	–	–	–	(402,806)	(402,806)
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(402,806)**	**(402,806)**
Balance at 31 December 2020	**10,598**	**19,574**	**15,656**	**949**	**(735,366)**	**(688,589)**
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
Transactions with owners	**425**	**816**	**–**	**1,238**	**(272)**	**2,207**
Profit for the year	–	–	–	–	602,032	602,032
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**602,032**	**602,032**
Balance at 31 December 2021	**11,023**	**20,390**	**15,656**	**2,187**	**(133,606)**	**(84,350)**

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.

Consolidated Statement of cash flows for the year ended 31 December 2021

	Group	
	Year ended 31 December	
	2021 £'000	2020 £'000
Cash flows from operating activities		
Profit / (Loss) for the year	**603,305**	(402,633)
Adjustments for:		
Depreciation and amortisation	**641**	574
Interest income	**(3)**	(3)
Interest expense	**1,498**	5,192
Share based payments	**966**	(19)
Movement in inventories	**(45)**	618
Movement in trade and other receivables	**(1,276)**	(108)
Movement in trade and other payables	**109**	1,340
Movement in fair value of embedded derivatives	**(609,201)**	386,870
Effect of foreign exchange rates	**(4,720)**	3,446
Net cash (used in) / generated from operating activities	**(8,726)**	(4,723)
Cash flows from investing activities		
Purchase of intangible assets	**(44)**	(56)
Purchase of property, plant and equipment	**(633)**	(373)
Interest received	**3**	3
Net cash used in investing activities	**(674)**	(426)
Cash flows from financing activities		
Proceeds from issue of loan instruments	**7,962**	5,776
Proceeds from issue of new shares	**1,241**	1,498
Repayment of other borrowings	**(297)**	–
New obligations of lease debt	**21**	–
Repayment of obligations under lease debt	**(202)**	(187)
Net cash generated from financing activities	**8,725**	7,087
Net increase/(decrease) in cash and cash equivalents	**(675)**	1,938
Effect of foreign exchange rates	**88**	(227)
Opening cash and cash equivalents	**2,739**	1,028
Closing cash and cash equivalents	**2,152**	2,739

Statements of cash flows – Company
for the year ended 31 December 2021

	Company	
	Year ended 31 December	
	2021 £'000	2020 £'000
Cash flows from operating activities		
Loss for the year	**602,032**	(402,806)
Adjustments for:		
Impairment of investment	**8,877**	6,912
Interest income	**(12)**	(45)
Interest expense	**1,476**	5,148
Share based payments	**966**	(19)
Movement in trade and other receivables	**(156)**	(109)
Movement in trade and other payables	**415**	200
Movement in fair value of embedded derivatives	**(609,201)**	386,870
Effect of foreign exchange rates	**(4,720)**	3,446
Net cash (used in) / generated from operating activities	**(323)**	(403)
Cash flows from investing activities		
Capital contribution to subsidiaries	**(8,877)**	(6,912)
Interest received	**12**	45
Net cash used in investing activities	**(8,865)**	(6,867)
Cash flows from financing activities		
Proceeds from issue of loan instruments	**7,962**	5,776
Proceeds from issue of new shares	**1,241**	1,498
Repayment of short-term borrowings	**–**	–
Net cash generated from financing activities	**9,203**	7,274
Net increase/(decrease) in cash and cash equivalents	**15**	4
Effect of foreign exchange rates	**–**	(1)
Opening cash and cash equivalents	**5**	2
Closing cash and cash equivalents	**20**	5

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: Aldgate Tower, 2 Leman Street, London, E1 8QN. The Company was admitted to the AIM of the London Stock Exchange on 31 October 2006 and its shares are quoted on this exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies have been applied consistently, other than where new standards have been adopted during the year.

Development of the Group

Proton Motor Power Systems plc was incorporated on 7 February 2006 and on 31 October 2006 acquired the entire share capital of Proton Motor Fuel Cell GmbH. As a result of this transaction, the shareholders in Proton Motor Fuel Cell GmbH received shares in the Company.

In preparing the consolidated financial statements, Proton Motor Fuel Cell GmbH has been deemed to be the acquirer and the Company, the legal parent, has been deemed to be the acquiree. Under IFRS 3 "Business Combinations", the acquisition of Proton Motor Fuel Cell GmbH by the Company has been accounted for as a reverse acquisition and the consolidated IFRS financial information of the Company is therefore a continuation of the financial information of Proton Motor Fuel Cell GmbH.

On 7 February 2013 Group acquired 100% of the share capital of SPower Holding GmbH with its subsidiary SPower GmbH. On 1 January 2015 the trade and assets of SPower GmbH were transferred to Proton Motor Fuel Cell GmbH, whilst SPower Holding GmbH was merged into SPower GmbH at the same date.

Subsidiary	Registered Office
Proton Motor Fuel Cell GmbH	Benzstraße 7, 82178 Puchheim, Germany
SPower GmbH	Benzstraße 7, 82178 Puchheim, Germany

Although the parent Company has produced its own income statement for approval by the Board, as permitted by Section 408 of the Companies Act 2006, no separate income statement is presented in respect of the parent Company. The gain for the financial year dealt within the financial statements of the parent Company was £602,032k (Loss 2020: £ 402,806k).

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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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 €26.1m and also a loan facility with Mr. Falih Nahab of €50.6m. 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 2021 year end the following changes to the existing loan facilities were made:

Lender:	Facility at 31 December 2021	Drawn down as at 31 December 2021	Increase of facility	Facility at the date of this report
SFN Cleantech Investment Ltd	€26.1m **(£21.9m)*	€23.6m **(£19.8m)*	€6.2m **(£5.2m)*	€32.3m **(£27.1m)*
SFN Cleantech Investment Ltd	€2.4m **(£2.0m)*	€2.4m **(£2.0m)*	€ nil	€2.4m **(£2.0m)*
Mr. Falih Nahab	€50.6m **(£42.5m)*	€48.7m **(£40.9m)*	€6.3m **(£5.3m)*	€56.9m **(£47.8m)*
Total	**€79.1m** **(£66.4m)*	**€74.7m** **(£62.7m)*	**€12.5m** **(£10.5m)*	**€91.6m** **(£76.9m)*

*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 €91.6m 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 2023. 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 2023. 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.

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it has power over an entity, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Acquisition costs are expensed as incurred. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually, or more frequently where circumstances suggest an impairment may have occurred. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Share-based payments

The Company issues equity-settled share-based payments to certain employees of the Group as consideration for equity instruments (share awards and options) of the Group. A fair value for the equity settled share awards/options is measured at the date of grant. The Group measures the fair value using the valuation technique most appropriate to value each class of award being a Black-Scholes pricing model. The fair value of the employee services received in exchange for the grant of the share award/options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions; (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of share awards/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.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency is the Euro. The consolidated financial statements are presented in British Pounds ("Sterling"), which is the Group's presentation currency. Given the Company's listing on the AIM Market of the London Stock Exchange, the Directors consider that it is appropriate to present the financial statements in Sterling.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets, liabilities and equity for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as other comprehensive income.

Cost of investment

The cost of an acquisition is measured at the fair values, on the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued. At each balance sheet date, the Company reviews the carrying amount of the investment to determine whether there is any indication that the investment has suffered an impairment loss. Any impairment loss is recognised as an expense immediately.

Property, plant and equipment

Property, plant and equipment are stated at acquisition cost or, as the case may be, production cost, reduced by accumulated depreciation and impairment losses. Costs of acquisition / costs of production include the expenses directly attributable to the acquisition. All repairs and maintenance are reported in the income statement as expenditure in the financial year in which they were incurred. The costs of production include all directly attributable costs, as well as the appropriate proportion of the overheads relating to production.

Depreciation is charged on the basis of the economic life of the assets on a straight line basis as follows:

- Office & other equipment — 10% - 33%
- Technical equipment & machinery — 10% - 20%
- Leasehold property improvements — over the life of the lease, or useful economic life where shorter
- Self constructed plant and machinery — transferred when complete and depreciated according to the above
- Right-of-use assets — over the life of the lease

Additions in the financial year are depreciated from the time of their acquisition.

The residual values and the useful lives of property, plant and equipment are reviewed at each financial year-end and, if applicable, are adjusted. When the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount.

Gains and losses arising from the disposal of assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement.

Intangible assets

Intangible assets are capitalised at acquisition cost and amortised over their estimated economic life of the assets of three years, on a straight-line basis.

A self-developed intangible asset is recognised if the following criteria are fulfilled:

- identification of the self-developed asset is possible;
- the technical feasibility of completing the self-developed asset so that it will be available for use or sale;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell;
- probability that the expected future economic benefits that are attributable to the self-developed intangible asset will flow to the entity; and
- the development costs of the asset can be measured reliably.

Self-developed intangible assets are amortised over the assumed economic life of the assets, on a straight-line basis. If a self-developed intangible asset is not recognized in accordance with IAS 38, the development costs are expensed in the period in which they are incurred.

Amortisation starts when the asset is available for use. The capitalised costs include all directly attributable costs, as well as reasonable parts of the overheads relating to production.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables
Trade and other receivables are recorded at the time of their initial recognition at fair value and subsequently at amortized cost less any impairment in value that may be necessary. An impairment in value in the case of trade and other receivables is recognized if there are objective indications that the amount of the debt due cannot be collected in full. The impairment in value is recognized in the income statement. Insofar as the reasons for value adjustments made in previous periods no longer exist, corresponding write-ups shall be made.

Cash and cash equivalents
Deposits with financial institutions are initially measured at their fair value. There are no cash equivalents.

Share capital
Share capital represents the nominal value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade and other payables
Trade and other payables, payables in respect of shareholders as well as other payables, are initially valued at fair value and subsequently at amortised cost.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Where it is deemed that a host debt instrument contains an embedded derivative, the embedded derivative is recognised separately, initially at fair value, and subsequently fair valued through the income statement.

Current and deferred income taxes
Tax expenses are the aggregate amount of current taxes and deferred taxes. Current taxes are measured in respect of the taxable profit (tax loss) for a period. Current tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are the future tax expense (tax income) on the differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part, or all, of that deferred tax asset to be utilized. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred taxes are recognized in the income statement, except to the extent that it relates to items previously charged or credited to equity.

Employee benefits
The Company makes discretionary contributions to the personal pension plans of employees. The contributions are expensed on an accruals basis. The Group has no further payment obligations once the contributions have been paid.

Recognition of revenue and expenses
Revenue comprises the sales value of goods and the rendering of services in line with IFRS 15. Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT, rebates and trade discounts. Revenue is recognised at the point that the goods or services have been provided to the customer. Recognition of revenues from interest and interest expenses is made on an accruals basis. Financing costs are recorded as expenses in the period in which they are incurred. Research costs are expensed in the

period in which they are incurred. Expenses for development costs that fulfil the intangible assets policy are capitalised in the year incurred (see Intangible assets above).

Government grants
Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants for expenses already incurred are recognized as income in the period in which the corresponding claim is created. If applicable, received government grants are deducted from the capitalised development costs in accordance with IAS 20.24.

Leases
At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

Derivative financial instruments
Embedded derivatives recognised in the financial statements relate to the conversion features attached to convertible interest as disclosed under note 21. The derivatives are initially recognised at fair value and fair valued at each subsequent accounting reference date. The annual movement on the embedded derivatives is a non-cash expense or income, and is recognised through the income statement.

Conversion of debt instruments
On conversion of debt instruments the total consideration is deemed to be the fair value of the liabilities extinguished in accordance with the Companies Act.

Implementation of new accounting standards
During the year ended 31 December 2021, the Group has not adopted any new IFRS, IAS or amendments issued by the IASB, and interpretations by the IFRS Interpretations Committee which have been adopted in the United Kingdom, which have had a material impact on the Group's financial statements.

Impact of standards issued but not yet applied
The Group currently adopts all relevant accounting standards that have been endorsed by and adopted in the United Kingdom. There are various standards that are expected to be endorsed in 2022. The Group believes these standards will have no material impact on the financial statements.

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.

Classification and fair value of financial instruments

The Group uses judgement to determine the classification of certain financial instruments, in particular convertible loans advanced during the year. Judgement is applied to determine whether the instrument is a debt, equity or compound instrument and whether any embedded derivatives exist within the contracts.

Judgements have been made regarding whether the conversion feature meets the "fixed for fixed" test in each instrument. In the case of each instrument it is deemed it is not met on the basis that the loan is in Euros and shares are in Sterling.

The fair values of the embedded derivatives were determined using the Black-Scholes valuation model. The valuation was performed by an independent expert and significant inputs into the calculation include the share price of the Company at the valuation date and the estimate of total accrued interest as at the exercise date. The underlying expected volatility of share price and risk-free rate of interest were determined by reference to the historical data of the Company. In applying these valuation techniques, management use estimates and assumptions that are, as far as possible, consistent with observable market data. Where applicable market data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

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.

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

	2021 £'000	2020 £'000
United Kingdom	**149**	–
Germany	**913**	900
Rest of Europe	**1,705**	515
Rest of the World	**4**	478
	2,771	1,893

Sales to Linsinger and Shell represented 42.5% of the Group's revenue in 2021 (2020: Apex and E-Trucks Europe 42.5%).

The results as reviewed by the CODM for the only identified segment are as presented in the financial statements with the exception of the 2021 revaluation gain on the fair value of the embedded derivative of £609,201k (2020: £386,870k loss) and the associated impact on the balance sheet.

5. LOSS FOR THE YEAR BEFORE TAX

	2021 £'000	2020 £'000
Loss on ordinary activities before taxation is stated after charging		
Depreciation and amortisation	**641**	574
Hire of other assets – operating leases exempt from IFRS 16	**84**	106
Pension contributions	**85**	76
Loss in fair value of embedded derivatives	**–**	386,870
Foreign exchange losses	**–**	3,446
After crediting		
Gain in fair value of embedded derivatives	**(609,201)**	–
Amortisation of grants from public bodies	**(408)**	(37)
Foreign exchange gains	**(4,720)**	–

6. AUDITORS' REMUNERATION

	2021 £'000	2020 £'000
Audit services		
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	**25**	28
Fees payable to the Company's auditor and its associates for other services:		
Other services	**9**	2
	34	30

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:

	2021	2020
Development and construction	**59**	47
Administration and sales	**45**	41
	104	88

The aggregate payroll costs of these persons were as follows:

	Group	
	2021 £'000	2020 £'000
Wages and salaries	**5,094**	4,252
Share based payments	**1,319**	169
Social security costs	**954**	777
Other pension costs	**85**	76
	7,452	5,274

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 £154k (2020: £188k).

Share based payments

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Share options	**(64)**	(19)	**(64)**	(19)
Share awards	**1,318**	–	**1,318**	188
Shares	**65**	188	**65**	188
	1,319	169	**1,319**	169

At 31 December 2021 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:

	2021		2020	
	Number 000´s	**Weighted average exercise price £**	Number 000´s	Weighted average exercise price £
Opening balance	**46,197**	**0.048**	49,635	0.228
Exercised	**–**	**0.000**	(2,250)	(0.030)
Forfeited	**(6,585)**	**(0.042)**	(1,188)	(0.076)
Closing balance	**39,612**	**0.046**	46,197	0.048

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 *(2020:34 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 2021 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 1p shares issued under the scheme in the year having vested was 400,000 (2020: nil). The total number of outstanding awards yet to vest at reporting date is 38.75m Ordinary 0.5p shares (2020: 19.78m Ordinary 1p shares). The weighted average of time to vest for outstanding awards is 5.2 years (2020: 6.2 years) and weighted average fair value of outstanding awards is 0.32p (2020: 0.32p).

Directors' remuneration

Details of Directors' remuneration are given in the Remuneration report.

The remuneration of key management of the Group was as follows:

	2021 £'000	2020 £'000
Short-term employee benefit	**270**	294
Share-based payment charge	**154**	188
	424	482

The Group has no key management other than the Directors.

8. TAX

	Group	
	2021 £'000	2020 £'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:

	2021 £'000	2020 £'000
Tax reconciliation		
Profit / (Loss) before tax	**603,305**	(402,633)
Expected tax charge/(credit) at 19% (2020: 19%)	**114,628**	(76,500)
Effects of different tax rates on foreign subsidiaries	**(457)**	(404)
Expenses not deductible for tax purposes	**285**	74,492
Income not taxable for tax purposes	**(115,748)**	–
Tax losses carried forward	**1,292**	2,412
Tax charge	**–**	–

9. FINANCE INCOME

	Group 2021 £'000	2020 £'000
Interest	**3**	3
	3	3

10. FINANCE COSTS

	Group 2021 £'000	2020 £'000
Interest	**1,498**	5,192
Exchange (gain) / loss on shareholder loans	**(4,720)**	3,446
	(3,222)	8,638

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 convertible debt; however, dilutive ordinary shares have not been included in the calculation of loss per share because they are non-dilutive for these periods.

	2021		2020	
	Basic £'000	**Diluted £'000**	Basic £'000	Diluted £'000 As restated
Loss before embedded derivative	**(5,896)**	**(5,896)**	(15,763)	(15,763)
Fair value gain / (loss) on embedded derivatives	**609,201**	**609,201**	(386,870)	(386,870)
Gain / (Loss) attributable to equity holders of the Company	**603,305**	**603,305**	(402,633)	(402,633)
Weighted average number of Ordinary shares in issue (thousands)	**772,677**	**772,677**	706,344	706,344
Effect of dilutive potential Ordinary shares from convertible debt (thousands)	**–**	**–**	–	816,749
Adjusted weighted average number of Ordinary shares	**772,677**	**772,677**	706,344	1,523,093
	Pence per share	**Pence per share**	Pence per share	Pence per share
Gain/(loss) per share (pence per share)	**78.1**	**78.1**	(57.0)	(26.4)
(Loss) per share before embedded derivatives (pence per share)	**(0.8)**	**(0.8)**	(2.2)	(1.0)

The diluted comparative for 2020 has been restated to reflect the dilutive potential of the shares on eligible interest conversion.

12. INTANGIBLE ASSETS – GROUP

	Goodwill £'000	Copyrights, trademarks and other intellectual property rights £'000	Development costs £'000	Total £'000
Cost				
At 1 January 2020	2,126	229	–	2,355
Exchange differences	–	13	–	13
Additions	–	56	–	56
Transfers	–	–	–	–
Disposals	–	–	–	–
At 31 December 2020	**2,126**	**298**	**–**	**2,424**
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**
Accumulated Amortisation				
At 1 January 2020	2,126	198	–	2,324
Exchange differences	–	10	–	10
Charged in year	–	26	–	26
Disposals	–	–	–	–
At 31 December 2020	**2,126**	**234**	**–**	**2,360**
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**
Net book value				
At 31 December 2021	**–**	**78**	**–**	**78**
At 31 December 2020	–	64	–	64
At 1 January 2020	–	31	–	31

Self-developed intangible assets in the amount of £26,000 (2020: £56,000) 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 2020	644	1,179	702	184	2,709
Exchange differences	36	66	39	10	151
Additions	–	100	142	131	373
Transfers	–	174	–	(174)	–
Disposals	–	–	(32)	–	(32)
At 31 December 2020	**680**	**1,519**	**851**	**151**	**3,201**
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**
Accumulated Depreciation					
At 1 January 2020	365	664	274	–	1,303
Exchange differences	21	38	16	–	75
Charge for year	66	148	139	–	353
Disposals	–	–	(14)	–	(14)
At 31 December 2020	**452**	**850**	**415**	**–**	**1,717**
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**
Net book value					
At 31 December 2021	**192**	**723**	**350**	**354**	**1,619**
At 31 December 2020	**228**	**669**	**436**	**151**	**1,484**
At 1 January 2020	279	515	428	184	1,406

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 2020	584	74	658
Additions	–	–	–
At 31 December 2020	**584**	**74**	**658**
At 1 January 2021	584	74	658
Additions	–	21	21
At 31 December 2021	**584**	**95**	**679**
Accumulated Depreciation			
At 1 January 2020	167	13	180
Charge for year	167	26	193
At 31 December 2020	**334**	**39**	**373**
At 1 January 2021	334	39	373
Charge for year	167	28	195
At 31 December 2021	**501**	**67**	**568**
Net book value			
At 31 December 2021	**83**	**27**	**111**
At 31 December 2020	250	35	285
At 1 January 2020	417	61	478

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

15. FIXED ASSET INVESTMENTS

	2021 £'000	2020 £'000
Shares in associate undertaking – Group		
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	**–**	**–**
At end of year	**7**	**7**
Net book value		
At end of year	**11**	**11**

In Q3 2019 Proton signed a joint venture agreement to establish Nexus-e GmbH, a company registered in Achern, Germany. Proton owns 50.00% of the share capital of Nexus-e GmbH.

Company	2021 £'000	2020 £'000
Shares in Group undertaking		
Cost		
At beginning of year	**89,524**	82,612
Additions	**8,877**	6,912
At end of year	**98,401**	89,524
Impairment		
At beginning of year	**89,524**	82,612
Charge for the year	**8,877**	6,912
At end of year	**98,401**	89,524
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 £8,877k (2020: £6,912k) the Board has determined the recoverable amount on a value in use basis using a discounted cash flow model.

16. INVENTORIES

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Work in progress	**157**	295	**–**	–
Consumable stores	**–**	–	**–**	–
Raw materials	**1,678**	1,495	**–**	–
	1,835	1,790	**–**	–

The cost of goods sold during 2021 is £2,346k (2020: £1,976k). It includes £77k impairment loss for slow moving inventories and goods anticipated to be sold at a loss.

Notes to the consolidated financial statements (continued)

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade receivables	**811**	181	**179**	–
Other receivables	**479**	122	**33**	–
Amounts due from Group companies	**–**	–	**126**	197
Prepayments and accrued income	**334**	45	**27**	12
	1,624	348	**366**	209

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	
	2021 £'000	2020 £'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	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cash at bank and in hand	**2,152**	2,739	**20**	5
	2,152	2,739	**20**	5

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

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade payables	**505**	276	**–**	–
Other payables	**3,130**	3,371	**203**	1
Amounts due to Group companies	**–**	–	**259**	132
Accruals and deferred income	**863**	742	**318**	231
	4,498	4,389	**780**	364

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 £'000	Interest £'000	Total 2021 £'000	2020 £'000
Less than 1 year	116	(5)	**111**	196
Between 2 and 5 years	8	–	**8**	104
Over 5 years	–	–	**–**	–
	124	**(5)**	**119**	**300**

The carrying value of assets held under lease within right-of-use assets is £111k (2020: £285k). 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank overdraft	**517**	814	**–**	–
Loans				
Current	**–**	–	**–**	–
Non-current	**83,956**	79,238	**83,956**	79,238
Current and total borrowings	**84,473**	80,052	**83,956**	79,238

Included within non-current borrowings as at year end are amounts of £30,320k (2020: £27,144k) due to SFN Cleantech Investment Limited which includes a principal loan of €23.6m (2020: €18.4m) and accrued interest thereon. The principal loan attracts interest of EURIBOR+3% per annum (2020: 10%). At the end of 2020 SFN Cleantech Investment Limited had the option to convert the accrued interest at any time into Ordinary shares in the parent company at varying rates per share. At the end of 2021 SFN Cleantech Investment Limited waived its right to convert interest on their loan. Subsequent to the year end it was agreed to extend this loan facility by a further €6.2m, from €26.1m to €32.3m.

Also included within non-current borrowings as at year end are amounts of £2,235k (2020: £2,345k) due to SFN Cleantech Investment Limited which includes a principal loan of €2.3m (2020: €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 £51,401k (2020: £49,749k) due to Mr Falih Nahab, a brother of Dr Faiz Nahab, a director of the Company. This balance includes principal loan advances of €48.7m (2020: €43.5m) and accrued interest thereon. The principal loan attracts interest of EURIBOR+3% per annum (2020: 10%). At the end of 2020 Mr. Falih Nahab had the option to convert the accrued interest at any time into Ordinary shares in the parent company at varying rates per share. At the end of 2021 Mr. Falih Nahab waived his right to convert interest on his loan. Subsequent to the year end it was agreed to extend this loan facility by a further €6.3m, from €50.6m to €56.9m.

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Embedded derivatives on convertible interest	–	609,201	–	609,201

At the end of 2020 the embedded derivatives related to the conversion features attached to convertible interest as disclosed under note 21. Due to the waivers of convertible interest signed by SFN Cleantech Investment Limited and Mr. Falih Nahab, which were executed upon the confirmation of the subdivision of shares noted in Note 24, the embedded derivative on convertible interest is no longer applicable at the end of 2021 and thus was reversed in the income statement. The derivatives were initially recognised at fair value and fair valued at each subsequent accounting reference date.

The previous fair values of the embedded derivatives were determined using the Black-Scholes valuation model. The valuation was performed by an independent expert and significant inputs into the calculation include the share price of the Company at valuation date and the estimate of total accrued interest as at the exercise date. The underlying expected volatility of share price and risk-free rate of interest were determined by reference to the historical data of the Company.

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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 £25,072k (2020: £23,398k) in respect of losses amounting to £10,291k (2020: £7,279k) and €95,053k (2020: €86,251k).

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 (2020: £0.01) and Deferred Ordinary shares with a par value of £0.01 (2020: £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 2021, 66,667 Ordinary shares of 1p each were issued each at a price of 92p per share in settlement of a Director´s annual fee for the period ended 31 January 2021. Additionally 5,000 Ordinary shares of 1p each were issued as part of the Employee Share Purchase Scheme during 2021 toa Director at a price of 66p.

On 29 December 2021 a resolution was passed by shareholders at a General Meeting to subdivide all of the Company's Ordinary shares in issue at that date. This resulted in an additional 774,370,274 Ordinary shares being issued to existing shareholders, with the nominal value of all Ordinary shares restated to 0.5p each, from 1p per share.

The number of shares in issue at the balance sheet date is 1,548,740,548 Ordinary shares of 0.5p each (2020: 731,828,107 Ordinary shares of 1p each) and 327,963,452 (2020: 327,963,452) Deferred Ordinary shares of 1p each (2020: 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.

	2021 Ordinary shares		**2021 Deferred ordinary shares**		2020 Ordinary shares		2020 Deferred ordinary shares	
	No. ´000	**£'000**	**No. '000**	**£'000**	No. '000	£'000	No. '000	£'000
Shares authorised, issued and fully paid								
At the beginning of the year	**731,828**	**7,318**	**327,963**	**3,280**	669,008	6,690	327,963	3,280
Share issue	**142**	**1**	**–**	**–**	570	6	–	–
Share issue – under share award/option schemes	**400**	**4**	**–**	**–**	2,250	22	–	–
Share issue – conversion on loan interest	**42,000**	**420**	**–**	**–**	60,000	600	–	–
Share subdivision	**774,370**	**–**	**–**	**–**	–	–	–	–
	1,548,740	**7,743**	**327,963**	**3,280**	731,828	7,318	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:

Group	**2021 Land and buildings £'000**	**2021 Other £'000**	2020 Land and buildings £'000	2020 Other £'000
Operating leases payable:				
Within one year	**11**	**229**	17	105
In the second to fifth years inclusive	**–**	**17**	3	12
After more than five years	**–**	**–**	–	–
	11	**246**	20	117

26. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2021 the Group and Company entered into the following related party transactions:

	Group Year ended 31 December		**Company Year ended 31 December**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
(Expenses) / Income				
SFN Cleantech Investment Limited effective loan interest	**(452)**	(1,093)	**(452)**	(1,093)
Falih Nahab effective loan interest	**(993)**	(2,815)	**(993)**	(2,815)
SFN Cleantech Investment Limited other loan interest	**(30)**	(40)	**(30)**	(40)
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 2021 the Group and Company had the following balances with related parties:

	Group Year ended 31 December		Company Year ended 31 December	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Amounts due (to) / from				
SFN Cleantech Investment Limited borrowings and embedded derivatives (see Notes 21 and 22)	**(30,320)**	(342,846)	**(30,320)**	(242,195)
SFN Cleantech Investment Limited bank guarantee	**(1,933)**	(2,055)	**–**	–
SFN Cleantech Investment Limited loans to SPower GmbH	**(2,235)**	(2,345)	**–**	–
Falih Nahab borrowings and embedded derivatives (See Notes 21 & 22)	**(51,401)**	(343,247)	**(51,401)**	(443,897)

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. During the year the Company made capital contributions to Proton Motor Fuel Cells GmbH of £8,877,000 (2020: £6,912,000) and to SPower GmbH of £nil (2020: £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 2021		Year ended 31 December 2020	
	€'000	**£'000**	€'000	£'000
Financial assets	**4,835**	**4,063**	3,744	3,345
Financial liabilities	**(107,161)**	**(90,052)**	(770,752)	(688,667)
Short-term exposure	**(102,326)**	**(85,989)**	(767,008)	(685,322)

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 +/- 7.97% change of the Sterling/Euro exchange rate for the year ended 31 December 2021 (2020: 12.78%). 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 7.97% (2020: 12.87%) then this would have had the following impact:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Net result for the year	**(6,853)**	(87,584)
Equity	**(6,853)**	(87,584)

If the Euro had weakened against Sterling by 7.97% (2020: 12.78%) then this would have had the following impact:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Net result for the year	**6,853**	87,584
Equity	**6,853**	87,584

Exposures to foreign exchange rates vary during the year depending on the value of Euro denominated loans. 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**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cash and cash equivalents	**2,152**	2,739	**20**	5
Trade and other receivables	**1,624**	348	**238**	12
Short-term exposure	**3,776**	3,087	**258**	17

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 2021, the Group's liabilities have contractual maturities which are summarised below:

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

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

	Within 6 months £'000	6 to 12 months £'000	1 to 5 years £'000
Trade payables	276	–	–
Other short term financial liabilities	4,113	–	–
Lease debt	–	196	104
Borrowings	–	814	79,238

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:

	Group			Company		
As at 31 December 2021	**Loans and receivables £'000**	**Non-financial assets / financial assets not in scope of IAS 39 £'000**	**Total £'000**	**Loans and receivables £'000**	**Non-financial assets / financial assets not in scope of IAS 39 £'000**	**Total £'000**
Intangible assets	–	78	78	–	–	–
Property, plant and equipment	–	1,619	1,619	–	–	–
Right-of-use assets	–	111	111	–	–	–
Fixed asset investments	–	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**

	Group			Company		
As at 31 December 2020	Loans and receivables £'000	Non-financial assets / financial assets not in scope of IAS 39 £'000	Total £'000	Loans and receivables £'000	Non-financial assets / financial assets not in scope of IAS 39 £'000	Total £'000
Intangible assets	–	64	64	–	–	–
Property, plant and equipment	–	1,484	1,484	–	–	–
Right-of-use assets	–	285	285	–	–	–
Investment in subsidiary	–	11	11	–	–	–
Inventories		1,790	1,790	–	–	–
Trade and other receivables	348	–	348	209	–	209
Cash and cash equivalents	2,739	–	2,739	5	–	5
	3,087	**3,634**	**6,721**	**214**	**–**	**214**

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

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

As at 31 December 2020	Group Financial liabilities at amortised cost £'000	Group Financial liabilities valued at fair value through the income statement £'000	Group Liabilities not within the scope of IAS 39 £'000	Group Total £'000	Company Financial liabilities at amortised cost £'000	Company Financial liabilities valued at fair value through the income statement £'000	Company Liabilities not within the scope of IAS 39 £'000	Company Total £'000
Trade and other payables	4,389	–	–	4,389	364	–	–	364
Lease debt	300	–	–	300	–	–	–	–
Borrowings	80,052	–	–	80,052	79,238	–	–	79,238
Embedded derivatives on convertible loans	–	609,201	–	609,201	–	609,201	–	609,201
	84,741	**609,201**	**–**	**693,942**	**79,602**	**609,201**	**–**	**688,803**

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.

The embedded derivatives fall within the fair value hierarchy level 2.

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 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Total liabilities	**89,090**	693,942	**84,736**	688,803
Less: cash and cash equivalents	**(2,152)**	(2,739)	**(20)**	(5)
Adjusted net debt	**86,938**	691,203	**84,716**	688,798

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.

SHAREHOLDER INFORMATION

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