

20 March 2018

Ceres Power Holdings plc

Half-yearly report for the six months ended 31 December 2017

CONTINUED COMMERCIAL PROGRESS WITH NEW GLOBAL PARTNERS

Ceres Power Holdings plc ("Ceres Power", the "Company" or the "Group") (AIM: CWR.L), a world leading developer of the SteelCell®, a low cost, next generation fuel cell technology, announces its half-yearly report for the six months ended 31 December 2017.

Phil Caldwell, CEO of Ceres Power said:

"We continue to hit our targets with five world class partners now in place and more in the pipeline. We are building momentum with strong revenue growth from new and existing partners. We expect this trend to continue for the full year and beyond.

Global manufacturers are increasingly looking for alternatives to conventional combustion engine and power generation technologies as the trend towards electrification continues. Demand for technologies such as batteries and fuel cells such as our SteelCell® is growing as can be seen from our commercial progress.

As we approach commercialisation we are positioning the business for future growth through investment in our core technology and additional manufacturing capacity. These are essential steps in scaling the business to meet the high standards required by our partners through early stage volumes while also maintaining our technology leadership position."

Highlights

Continued commercial progress: new partners and repeat business driving revenue growth

- Revenue and other operating income for first half year doubled to £3.1 million;
- Fifth partner signed with major European manufacturer achieving key company milestone, adding to partners including Cummins, Honda & Nissan;
- Strong pipeline with two new significant OEMs signed at Technology Assessment Agreement stage.

Delivery of key customer contract milestones

- Completed technology transfer with confidential customer to develop a multi-kW CHP product;
- Achieved major technical milestone with first development of larger format SteelCell® for Cummins and US Dept. of Energy;
- Secured follow-on agreements with Nissan following delivery of major milestones on the Electric Vehicle Range Extender programme;
- Completed UK field trials supported by the European wide ene.field programme which confirmed the efficiency, flexibility and reliability of the SteelCell® in real-world conditions.

Maintaining our technology leadership position

- V5 SteelCell® development results show world-leading degradation rates;
- New higher power 5kW stack platform development underway to address new high volume markets such as the data centre and automotive applications.

Outlook

- Maintaining the strong performance in revenue growth for the full year;
- Field trials of the technology with OEM partner planned later this year;
- Expect to sign a second strategic partner before the end of 2018 committed to future launch programmes with SteelCell®;
- Release of the latest V5 SteelCell® technology and first 5 kW stacks to customers;
- Investment in additional UK manufacturing capacity to meet near-term customer demand and exploring longer term manufacturing partnerships.

Financial Highlights:

	Six months ended 31 December 2017 (unaudited) £'000	Six months ended 31 December 2016 (unaudited) £'000
Total revenue and other operating income, comprising:	3,082	1,551
Revenue	2,625	1,026
Other operating income	457	525
Operating loss	(6,184)	(6,242)
Equity free cash flow ¹	(4,119)	(4,176)
Net cash and short-term investments	13,165	22,174

1 Equity free cash outflow (EFCF) is the net change in cash and cash equivalents in the period (£5 million) less net cash generated from financing activities (£0.1 million) less the movement in short term investments (£9 million)

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The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

About Ceres Power

Ceres Power is a world leader in low cost, next generation fuel cell technology for use in distributed power products that reduce operating costs, lower CO₂, SO_x and NO_x emissions, increase efficiency and improve energy security. The Ceres Power unique patented SteelCell® technology generates power from widely available fuels at high efficiency and is manufactured using standard processing equipment and conventional materials such as steel, meaning that it can be mass produced at an affordable price for domestic and business use. Ceres Power offer its partners the opportunity to develop power systems and products using its unique SteelCell® technology and know-how, combined with the opportunity to supply the SteelCell® in volume through its manufacturing partners. For further information please visit: <http://www.cerespower.com/>

Chief Executive's statement

Summary

We have continued to grow the business in the first half of this year adding new partners and progressing with existing partners towards commercialisation. We completed the key milestone we set for the business of having five OEM partners at the development stage by the end of 2017 with final signature in early January and we expect to secure our other key objective of securing a second partner in 2018 committed to a future launch programme with the Steel Cell ® technology.

We continue to meet key customer milestones and this has led to repeat business with several of our partners, leading to revenue and other operating income approximately doubling half year on half year to £3.1 million compared with £1.6 million last year. We expect this trend to carry on to the full year. This will come from continuing to deliver against our current customer programmes and progressing new partners to the development stage and beyond.

In September we successfully completed the formal trials of Ceres Power's own prototype home system as part of the European ene.field programme. The tests demonstrated that the 1kW units delivered not only the majority of a home's power needs and hot water, offering lower energy bills

and carbon footprint, but also exported sufficient energy to charge an Electric Vehicle. These results show fuel cells could be a key enabler for localised grid reinforcement to support the roll out of electric vehicles.

Later this year we anticipate field testing the SteelCell® technology outside of the UK as we progress with OEM partners towards commercial launch programmes.

We have made significant technical progress with our V5 technology which will be released to customers later this year. The results from the in-house testing look promising enabling lower degradation rates and higher efficiencies that put us amongst the best in the industry. The new 5kW stack platform development is underway and this is a key new platform supporting our work with Nissan and Cummins to address higher power high volume markets such as the data centre and automotive applications. The 5kW stack should deliver higher volumetric power density and lower costs through economies of scale compared with our existing 1kW stack platform.

Due to the increased demand, we have started to invest in additional manufacturing capacity to meet near term demand from our growing customer volumes while also enabling us to develop the manufacturing processes and capability for larger area cells and stacks for our 5kW programme. This is a key step in maximising the value we have in our manufacturing IP. We are exploring opportunities to scale the business through manufacturing partners to realise the full potential of the SteelCell® technology and we are discussing manufacturing partnerships with several potential partners.

At the half year we have a good cash position and we continue to grow revenues from our OEM engineering programmes at good margins, but we are at a stage where we will look for further growth capital to meet the Group's funding requirements and support our investment in near term manufacturing capacity to help facilitate customer launch programmes. We are therefore considering, amongst other means, strategic investment from potential partners to accelerate the business to commercialisation.

Macro environment

We are benefiting from two major industries being disrupted simultaneously which is leading to a convergence of our energy systems and a need to adopt new distributed power generation technologies.

The first disruption is in the conventional utility sector. With the cost of renewable energy and battery storage falling it has become increasingly difficult to justify the levels of investment in large scale central power generation, which are often expensive and have to be government backed. This is driving more interest in countries such as Japan, South Korea, Germany and China towards highly efficient distributed generation that can balance the intermittency of renewables without relying on large investments and lengthy paybacks.

The second major disruption is in the automotive sector. Here we are seeing regulation increasing pressure to move away from conventional petrol and diesel engines towards electrification. This is predominantly driven by the need to improve air quality for health issues and this is particularly being driven by regulation at regional levels in large cities such as Paris and London and at national levels in places such as China. This is a significant threat to the established players in the industry

who are having to innovate and adopt new technologies such as electrochemical devices like batteries and fuel cells, which convert fuel to power with very high efficiency and near zero SOx, NOx and particulates.

As we move towards a higher renewables mix and more vehicle electrification we start to see that these trends will place more pressure on the existing power grid. The SteelCell® is one of the few technologies that can provide high efficient, low to near zero emission power generation that can reinforce the grid, offering a practical cost-effective way to reinforce power distribution locally. It could also provide a hybrid solution to help decarbonise larger EV's such as light commercial vehicles.

The SteelCell® technology is increasingly attractive to OEMs in the power generation and automotive sectors as it provides a fuel flexible alternative to combustion engine technologies that can run with our existing fuel infrastructure such as Natural Gas, LPG, Biofuels and also use future fuels such as hydrogen. It becomes a “no regrets” option as a potential alternative to the combustion engine for our targeted markets of automotive and power generation applications. Using a modular approach with our 5kW stack platform we can now address applications in the power range from 5kW to several hundred kW which has significantly opened up the market opportunities for the SteelCell®.

Commercial

Fifth OEM partner

As a company we set ourselves the target of signing five global OEM partners by the end of 2017 and it was therefore particularly pleasing to meet this milestone by signing our fifth partner, our first European based OEM, early in the New Year. This strategic relationship is the first step in a potential collaboration which could include joint system development, stack development and manufacturing. The initial focus is on developing prototype multi-kilowatt power systems for several potential applications.

Delivery of key customer contract milestones

During the period Ceres completed the technology transfer with its commercially confidential customer on time and on budget. This has enabled the OEM partner to develop a multi-kW combined heat and power product.

As part of our work for Cummins and the US Department of Energy, where we are developing a 10kW power-only system, initially to target data centres, we achieved a key milestone in the period - the development of a larger format of the SteelCell® and the 5kW stack platform, both of which are applicable for higher power applications.

Ceres continues to meet milestones on the Electric Vehicle Range Extender programme we announced in June 2016, and we have secured follow-on agreements with Nissan.

In September we completed the formal programme of field trials in the UK which were supported by the European wide ene.field programme. These successful trials confirmed the efficiency, flexibility and reliability of the SteelCell® in real-world conditions and this has further enhanced our reputation with customers.

As we progress with OEM customers we are planning further field trials of the SteelCell® technology in the second half of 2018.

We continue to grow our commercial pipeline and have signed two new global OEMs at the Technology Assessment stage in the past few months and we are confident of signing additional partners this year.

Technology

In order to support the business strategy of targeting higher power high growth applications such as data centres, commercial scale power and automotive applications, the business has invested in the past year in both its core cell technology V5 and a new stack platform at the 5kW power level which is modular and enables power systems from 5kW to several hundred kW to be developed by OEM partners.

With more than a doubling in power density – the amount of power generated per unit volume - the 5kW configuration of the SteelCell® has better economies of scale compared with Ceres Power's 1kW platform. Additionally, with the latest V5 SteelCell® technology, target system efficiencies of ~60% from fuel in to AC power out can be achieved while steady state degradation rates have reduced to approximately <0.2% for every thousand hours of operation. These results put Ceres Power in-line with the best in the world but with a highly robust and cost-effective platform.

The unique properties of the SteelCell® enable rapid start-up times, robustness to vibration and repeatedly withstanding thousands of cycles. These make it commercially viable for Automotive applications such as range extenders for electric vehicles and this is not possible with conventional solid oxide fuel cell technology. This opens up significant opportunities for global OEMs that need to convert to combustion-free technologies. These latest advancements are due for customer release later this year.

Operations

We now have partners in all four of our target sectors and are beginning to add additional partners in each sector which in turn is generating more potential volume which is attractive for future high-volume manufacturing partners.

Due to demand for the SteelCell® and the simultaneous development of larger area cells and stacks the Group is increasing its near-term manufacturing capacity in the UK and investing further in its operational capability. This is an interim step to high volume plants which we still intend to do through licensing and possibly Joint Ventures and we are in discussions with a number of potential manufacturing partners.

The intention is to add manufacturing capability at a new site in the UK, initially at 1MW annual production which can be added to in phases up to 10MW to match customer demand. We are currently identifying suitable premises and have placed orders on long lead time equipment. This initial capacity will be brought up to volume over the next 18 months. The level of investment in the first phase of capacity is approximately £4m.

Financial

Revenue and other operating income growth over the period has nearly doubled to £3.1m compared to the same period last year. Of this, income from grants has remained flat and the growth is coming from revenue from customer programmes which has more than doubled from £1m to £2.6m. We expect this uplift to continue into the full year.

The Group's operating loss of £6.2m is the same as H1 last year and, looking forward to the full year, we expect the operating loss to be approximately flat compared to the prior year as we invest the contribution from customer programmes into the growth of the business. Our operating costs are influenced by the investment in people - enhancing the Group's operations quality and manufacturing throughput capabilities.

Our equity free cash outflow¹ of £4.1 million in the period is similar to that in H1 last year (£4.2m) and would have been lower but includes £0.4 million of additional capital expenditure we decided to invest in this half year as we prepare to expand our manufacturing into additional premises in the second part of the financial year. We expect the cash outflow for the full year to increase slightly from that in 2017, primarily due to expected investments of up to £2 million in the new manufacturing facility, as we will have to invest in advance of the capacity coming on line.

At 31 December 2017 the Group had £13.2m of net cash and short-term investments on the balance sheet, which is sufficient for us to make our initial investment in the new manufacturing facility and secure key commercialisation agreements by the end of 2018. The Group intends to secure additional equity funds before this time.

The directors are confident that we can access growth capital when we need to in order to continue to deliver against our strategy. As well as the Group's strong existing shareholder backing, we are in discussions with a number of global OEMs, which could include strategic equity investment into the Company, as well as significant commercial deals. As set out in note 1 to the statements, the directors believe that the going concern basis is appropriate for the preparation of these financial statements.

1 Equity free cash outflow (EFCF) is the net change in cash and cash equivalents in the period (£5 million) less net cash generated from financing activities (£0.1 million) less the movement in short term investments (£9 million)

Outlook

For the year ahead we expect to announce progress in all areas of the business as we progress towards commercialisation of the SteelCell[®] with several of our OEM partners. In particular we are targeting:

- Maintaining the strong performance in revenue growth for the full year;
- Field trials of the technology with OEM partner later in 2018;
- Securing a second strategic partner in 2018 committed to future launch programmes with the SteelCell[®];
- Release of the latest V5 SteelCell[®] technology and first 5 kW stacks to customers;
- Investment in additional UK manufacturing capacity to meet near-term customer demand and exploring longer term manufacturing partnerships.

Philip Caldwell

Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 31 December 2017

	Note	Six months ended 31 December 2017 (Unaudited) £'000	Six months ended 31 December 2016 (Unaudited) £'000	Year ended 30 June 2017 (Audited) £'000
Revenue		2,625	1,026	3,119
Cost of sales		(1,417)	(406)	(1,334)
Gross profit		1,208	620	1,785
Other operating income		457	525	957
Operating costs	2	(7,849)	(7,387)	(14,264)
Operating loss		(6,184)	(6,242)	(11,522)
Finance income		43	30	89
Loss before taxation		(6,141)	(6,212)	(11,433)
Taxation credit		952	1,044	2,025
Loss for the financial period / year and total comprehensive loss		(5,189)	(5,168)	(9,408)
Losses per £0.01 ordinary share expressed in pence per share:				
Basic and diluted loss per share	3	(0.51)p	(0.63)p	(1.00)p

All activities relate to the Group's continuing operations and the loss for the financial period is fully attributable to the owners of the parent.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	31 December 2017 (Unaudited) £'000	31 December 2016 (Unaudited) £'000	30 June 2017 (Audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		1,989	2,053	1,913
Total non-current assets		1,989	2,053	1,913
Current assets				
Inventories		486	-	595
Trade and other receivables and assets		2,496	2,071	2,462
Derivative financial instrument		40	14	8
Current tax receivable		891	825	1,805
Short-term investments	6	5,000	16,000	14,000
Cash and cash equivalents	6	8,165	6,174	3,158
Total current assets		17,078	25,084	22,028
Liabilities				
Current liabilities				
Trade and other payables		(2,367)	(2,217)	(2,654)
Derivative financial instrument		(1)	(110)	(8)
Total current liabilities		(2,368)	(2,327)	(2,662)
Net current assets		14,710	22,757	19,336
Non-current liabilities				
Provisions for other liabilities and charges		(838)	(806)	(828)
Total non-current liabilities		(838)	(806)	(828)
Net assets		15,861	24,004	20,451
Equity				
Share capital	4	10,158	10,080	10,124
Share premium account		107,441	107,222	107,349
Capital redemption reserve		3,449	3,449	3,449
Merger reserve		7,463	7,463	7,463
Accumulated losses		(112,650)	(104,210)	(107,934)
Total equity		15,861	24,004	20,451

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

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 December 2017

		Six months ended 31 December 2017 (Unaudited) £'000	Six months ended 31 December 2016 (Unaudited) £'000	Year ended 30 June 2017 (Audited) £'000
	Note			
Cash flows from operating activities				
Cash used in operations	5	(5,277)	(6,082)	(10,822)
Taxation received		1,866	2,216	2,217
Net cash used in operating activities		(3,411)	(3,866)	(8,605)
Cash flows from investing activities				
Purchase of property, plant and equipment		(726)	(333)	(863)
Movement in short-term investments		9,000	(15,000)	(13,000)
Finance income received		43	30	89
Net cash generated from / (used in) investing activities		8,317	(15,303)	(13,774)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		126	20,038	20,209
Net expenses from issuance of ordinary shares		-	(635)	(635)
Net cash generated from financing activities		126	19,403	19,574
Net increase / (decrease) in cash and cash equivalents		5,032	234	(2,805)
Exchange (losses) / gains on cash and cash equivalents		(25)	(7)	16
		5,007	227	(2,789)
Cash and cash equivalents at beginning of period		3,158	5,947	5,947
Cash and cash equivalents at end of period	6	8,165	6,174	3,158

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2017

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 July 2016	7,779	90,120	3,449	7,463	(99,524)	9,287
Comprehensive income						
Loss for the financial year	-	-	-	-	(5,168)	(5,168)
Total comprehensive loss	-	-	-	-	(5,168)	(5,168)
Transactions with owners						
Issue of shares, net of costs	2,301	17,102	-	-	-	19,403
Share-based payments charge	-	-	-	-	482	482
Total transactions with owners	2,301	17,102	-	-	482	19,885
At 31 December 2016	10,080	107,222	3,449	7,463	(104,210)	24,004
Comprehensive income						
Loss for the financial year	-	-	-	-	(4,240)	(4,240)
Total comprehensive loss	-	-	-	-	(4,240)	(4,240)
Transactions with owners						
Issue of shares, net of costs	44	127	-	-	-	171
Share-based payments charge	-	-	-	-	516	516
Total transactions with owners	44	127	-	-	516	687
At 30 June 2017	10,124	107,349	3,449	7,463	(107,934)	20,451
Comprehensive income						
Loss for the financial year	-	-	-	-	(5,189)	(5,189)
Total comprehensive loss	-	-	-	-	(5,189)	(5,189)
Transactions with owners						
Issue of shares, net of costs	34	92	-	-	-	126
Share-based payments charge	-	-	-	-	473	473
Total transactions with owners	34	92	-	-	473	599
At 31 December 2017	10,158	107,441	3,449	7,463	(112,650)	15,861

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

Notes to the financial statements for the six months ended 31 December 2017

1. Basis of preparation

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The consolidated financial statements of the Group are prepared on a going concern basis, in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, the IFRS Interpretations Committee (IFRS-IC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss.

The financial information contained in this half-yearly report is unaudited and does not constitute statutory financial statements as defined by in Section 434 of the Companies Act 2006. The financial statements for the year ended 30 June 2017, on which the auditors gave an unqualified audit opinion, have been filed with the Registrar of Companies.

The Directors confirm that, to the best of their knowledge, this condensed set of consolidated financial statements have been prepared in accordance with the AIM Rules.

The accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2017, as described in those financial statements.

The Group has reported a loss after tax for the 6 months ended 31 December 2017 of £5,189,000 and net cash used in operating activities of £3,411,000. At 31 December 2017, it held cash and cash equivalents and short-term investments of £13,165,000. The directors have prepared annual budgets and cash flow projections that extend beyond 12 months from the date of this report. Those projections show that, without securing future funds, the Group may not have sufficient cash reserves to meet its liabilities as they fall due and continue as a going concern. Nevertheless, based on discussions with potential investors, the directors expect that the Group will raise sufficient equity funds from new strategic investors and/or financial investors during 2018 to have sufficient resources to continue for at least 12 months from the date of approval of these financial statements. The directors have concluded that the ability to raise additional funds represents a material uncertainty that may cast significant doubt upon the Group and Company’s ability to continue as a going concern. For all the above reasons the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Notes to the financial statements for the six months ended 31 December 2017 (continued)

2. Operating costs

Operating costs are split as follows:

	Six months ended 31 December 2017 (Unaudited) £'000	Six months ended 31 December 2016 (Unaudited) £'000	Year ended 30 June 2017 (Audited) £'000
Research and development costs	5,906	5,434	10,516
Administrative expenses	1,943	2,059	3,907
	7,849	7,493	14,423
Reversal of provision relating to onerous lease and property dilapidations	-	(106)	(159)
	7,849	7,387	14,264

3. Loss per share

	Six months ended 31 December 2017 (Unaudited) £'000	Six months ended 31 December 2016 (Unaudited) £'000	Year ended 30 June 2017 (Audited) £'000
Loss for the financial period attributable to shareholders	(5,189)	(5,168)	(9,408)
Weighted average number of shares in issue	1,013,765,612	824,447,210	939,762,048
Loss per £0.01 ordinary share (basic & diluted)	(0.51)p	(0.63)p	(1.00)p

4. Share capital

Ceres Power Holdings plc has called-up share capital totalling 1,015,769,929 £0.01 ordinary shares as at 31 December 2017 (1,012,419,929 ordinary shares of £0.01 each at 30 June 2017).

During the period 3,350,000 ordinary shares of £0.01 each were issued on the exercise of employee share options.

Notes to the financial statements for the six months ended 31 December 2017 (continued)

5. Cash used in operations

	Six months ended 31 December 2017 (Unaudited) £'000	Six months ended 31 December 2016 (Unaudited) £'000	Year ended 30 June 2017 (Audited) £'000
	_____	_____	_____
Loss before taxation	(6,141)	(6,212)	(11,433)
Adjustments for:			
Other finance income	(43)	(30)	(89)
Depreciation of property, plant and equipment	650	589	1,259
Share-based payments	473	482	998
Net foreign exchange losses/(gains)	25	(110)	(16)
Net change in fair value of financial instruments at fair value through profit and loss	(39)	117	21
Operating cash flows before movements in working capital	(5,075)	(5,164)	(9,260)
	_____	_____	_____
Increase in trade and other receivables and assets	(34)	(948)	(1,353)
Decrease/(increase) in inventories	109	-	(595)
(Decrease)/increase in trade and other payables	(287)	168	502
Increase/(decrease) in provisions	10	(138)	(116)
Increase in working capital	(202)	(918)	(1,562)
	_____	_____	_____
Cash used in operations	(5,277)	(6,082)	(10,822)
	=====	=====	=====

Notes to the financial statements for the six months ended 31 December 2017 (continued)

6. Net cash, short-term investments and financial assets

	Six months ended 31 December 2017 (Unaudited) £'000	Six months ended 31 December 2016 (Unaudited) £'000	Year ended 30 June 2017 (Audited) £'000
Cash at bank and in hand	2,055	3,716	1,354
Money market funds	6,110	2,458	1,804
Cash and cash equivalents	8,165	6,174	3,158
Short-term investments (bank deposits > 3 months)	5,000	16,000	14,000
Net cash and short-term investments	13,165	22,174	17,158

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

INDEPENDENT REVIEW REPORT TO CERES POWER HOLDINGS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 December 2017 which comprises Consolidated statement of profit and loss and other comprehensive income, Consolidated statement of financial position, Consolidated cash flow statement, Consolidated statements of changes in equity and the related explanatory notes.

Based on our review, apart from the material uncertainty documented below, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 December 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the AIM Rules.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the Group is dependent on raising additional equity funds in the 2018 calendar year in order to finance the Group's operations and to continue as going concern. However, there can be no assurance that the Group will be able to obtain adequate finance through a fundraising in the future. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Gemma Hancock

for and on behalf of KPMG LLP

Chartered Accountants

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20/03/2018