17 March 2021

Ceres Power Holdings plc

Final Results for the 18 months ended 31 December 2020

STRATEGIC PARTNERSHIPS CONTINUE TO DELIVER COMMERCIAL GROWTH

Ceres Power Holdings plc ("Ceres Power", "Ceres", the "Company" or the "Group") (AIM: CWR.L), a global leader in fuel cell and electrochemical technology, announces its final results for the 18 months ended 31 December 2020.

Financial highlights

- Strong progress on major contracts has driven an increase in revenue and other operating income to £33.0m for the 18 months ended 31 December 2020 (12 months ended 30 June 2019: £16.4m)
- On a comparable calendar year basis, revenue and other operating income for the 12 months ended 31 December 2020 (CY2020) has increased 15% to £21.9m (12 months ended 31 December 2019 (CY2019): £19.1m)
- Increased gross profit of £21.3m for the 18 months ended 31 December 2020 (12 months ended 30 June 2019: £11.5m) at sector leading gross margin of 67% (12 months ended 30 June 2019: 75%)
- Increased equity investment by Bosch and Weichai, of £49m, supports strong cash and investments of £110m as at 31 December 2020
- Order book* of £54.3m and strong pipeline* of £44.4m as at 31 December 2020

Operating highlights

- Doosan signed a manufacturing licence with a target annual production capacity of 50MW in 2024 and extended its systems partnership with Ceres to target higher power utility scale applications
- Bosch strengthened its partnership with Ceres having passed a key development milestone in December 2020. Now preparing to scale up to mass manufacture and targeting annual production capacity of 200MW in 2024
- Weichai continues its bus trials employing Ceres' SteelCell® due to complete in H1 2021 as a key step towards establishing a Joint Venture between Weichai and Ceres in China in mid-2021
- Strategic collaboration with engineering consultancy AVL List to accelerate OEM system licensing business
- Good progress with Miura's combined heat and power ("CHP") system in the Japanese market
- R&D to investigate SteelCell® use as an electrolyser to produce green hydrogen has delivered positive results, triggering further investment in the technology
- 2MW advanced manufacturing pilot facility commissioned, built and running in Redhill, UK

Post year end highlights

- Proposed equity fund raise of [£180m] announced today to finance opportunities to significantly increase the market for Ceres technology, both in fuel cells and in electrolysis, backed by major partners Weichai and Bosch
- Planning to move up to the London Stock Exchange Main Market Premium Listing by mid 2022

Covid-19

The outbreak of Covid-19, coinciding with the commissioning of our new facility at Redhill, meant that some revenues were deferred from this reporting period. Nonetheless, Ceres successfully continued its operations and delivered revenue growth with good progress on our customer programmes and increased manufacturing output.

Phil Caldwell, CEO of Ceres Power commented:

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

Ceres has established itself as world leader in solid oxide technology and with the recent fundraising we intend to capitalise on recent progress by accelerating our activity in key areas such as electrolysis for green hydrogen and expansion of our power systems business into new applications and markets to meet global demand for our technology to enable a net zero future.

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

Financial Summary:	Statutory IFRS Results[1]		Calendar Year Results[2]	
	18 months ended 31 December 2020 Audited £'000	**12 months ended 30 June 2019 Audited £'000**	**12 months ended 31 December 2020 CY2020 Unaudited £'000**	**12 months ended 31 December 2019 CY2019 Unaudited £'000**
Total revenue and other operating income, comprising:	**32,987**	16,365	**21,947**	19,139
Licence fees	10,519	7,412	7,748	5,059
Engineering services revenue	10,866	6,437	5,970	8,360
Provision of technology hardware	10,297	1,451	7,953	3,780
Other operating income	1,305	1,065	276	1,940
Gross margin %	**67%**	75%	**67%**	67%
Adjusted EBITDA loss [3]	**(11,368)**	(5,881)	**(9,955)**	(5,288)
Operating loss	**(17,634)**	(7,924)	**(14,788)**	(7,784)
Net cash used in operating activities	**(5,824)**	(3,058)	**(2,257)**	(3,440)
Net cash and investments	**110,186**	71,267	**110,186**	64,606

1 The basis of preparation for the Group's Statutory IFRS results is set out on note 1 of this announcement. Following the change of accounting period from 30 June to 31 December, the statutory IFRS current reporting period covers the 18 months ended 31 December 2020, with the comparative period covering the 12 months ended 30 June 2019.

2 To assist users of the accounts with understanding the underlying business trading, the Group is presenting a set of unaudited calendar year results on a like-for-like basis with the current reporting period covering the 12 months ended 31 December 2020 (CY2020) and the comparative period covering the 12 months ended 31 December 2019 (CY2019).

3 Adjusted EBITDA loss is calculated as the operating loss for the 18 months ended 31 December 2020 of £17,634k (12 months ended 30 June 2019: £7,924k; 12 months ended 31 December 2020: £14,788k; 12 months ended 31 December 2019: £7,784k) excluding depreciation and amortisation charges of £4,804k (12 months ended 30 June 2019: £1,025k; 12 months ended 31 December 2020: £3,809k; 12 months ended 31 December 2019: £1,609k), share-based payment charges of £1,378k (12 months ended 30 June 2019: £909k; 12 months ended 31 December 2020: £942k; 12 months ended 31 December 2019: £894k) and unrealised losses on forward contracts of £139k (12 months ended 30 June 2019: £67k; 12 months ended 31 December 2020: £30k; 12 months ended 31 December 2019: £254k) and exchange gains of £55k (12 months ended 30 June 2019: £42k loss; 12 months ended 31 December 2020: £52k loss; 12 months ended 31 December 2019: £261k gain). Management believes that adjusted EBITDA loss provides a better understanding of the underlying performance of the Group by removing non-recurring, irregular and one-off costs.

Analyst presentation

Ceres Power Holdings plc will be hosting a live webcast for analysts and investors on 18 March 2021 at 09.30 (GMT). To register your interest in participating, please go to: https://kvgo.com/IJLO/Ceres_Power_Preliminary_Results

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

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About Ceres Power

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

Chief Executive's Statement

I am pleased to report another successful period for the Company, which has performed strongly in spite of the current pandemic conditions across the globe. This achievement is testament to the calibre of our people, who have responded to the challenges to our business with renewed commitment and professionalism. Indeed, during this time of upheaval to normal life, our purpose as a business has never resonated more clearly among our stakeholders. Our mission is to help make our planet a better place using our technology to deliver clean energy anywhere in the world.

Market dynamics

As governments around the world look beyond the current pandemic, the world's leading economies have made new commitments to tackling the causes of climate change. This has been catalysed by the desire to put in place post-COVID economic stimulus packages with green initiatives at their heart. In turn, this provides further impetus to the energy transition societies need to make as they move away from fossil fuels to clean, zero emissions fuels such as hydrogen or ammonia. The challenge is to achieve this transition at the same time as continuing to meet growing global demand for power capacity, with the global installed capacity set to increase from 7,566GW currently to an estimated 20,391GW in 2050, according to Bloomberg NEF's New Energy Outlook 2020.

South Korea's Green New Deal has committed KRW73.4 trillion (£46 billion) of green funding to drive its economic recovery after the pandemic. It is targeting 15GW of fuel cell power generation by 2040, with 2.1GW of that total for stationary fuel cells in buildings.

China, the largest producer of carbon dioxide in the world currently, has also made a significant decarbonisation pledge. Emphasising the need for a 'Green Revolution' in September 2020, China committed to carbon neutrality by 2060 with peak emissions taking place before 2030.

This follows the European Union's €550 billion pledge to support green initiatives between 2021 and 2027 as it targets zero net emissions by 2050. The EU's biggest single economy, Germany, also reiterated its intention to achieve carbon neutrality by 2050 and is targeting 5GW of hydrogen production capacity by 2030, with another 5GW a decade later. As momentum behind green energy builds, other European nations including Italy, Spain and the UK have followed suit.

The US re-joined the Paris Climate Agreement upon President Biden's inauguration and his administration is introducing a substantial Build Back Better package of incentives and subsidies to stimulate the US move towards zero carbon emissions, investing US$2 trillion, aiming for 100% clean electricity production by 2035 and for the nation to achieve net zero emissions by 2050.

As societies come to terms with the scale of the journey to net zero emissions, many of the existing players that are active in the power markets are examining their technologies and how well equipped they are to making this transition. The benefits of SteelCell® in both the stationary power and transportation markets are becoming better recognised and some of our early adopter partners have deepened their relationships with us as they scale up their businesses towards mass manufacturing our fuel stacks under licence in their own factories.

Commercial progress and partnerships

Building on the achievements of 2019, we reached key strategic milestones with two of our most important manufacturing partners during the period, which further validates our licensing business. For the first time these milestones provide visibility to the important royalty revenues that will be the main driver of the future profitability of the business.
In our systems business, we announced a collaboration with AVL List, one of the world's leading fuel cell engineering consultancies to accelerate OEM uptake and create demand for fuel stacks from our manufacturing partners and add further momentum to royalty revenue streams.

Bosch

We have been working with Bosch since 2018, on an initial two-year SteelCell® technology transfer programme that paved the way to initial manufacture in this period under licence in its factory at Bamberg, Germany.

In parallel with the technology transfer process, Bosch also deepened its corporate relationship with Ceres by increasing its equity holding through the acquisition of existing and new shares in March 2020. Ceres issued 15.4 million new shares to raise an aggregate £49.2 million in new funding from existing shareholders Bosch and Weichai, with Bosch increasing its holding in the Company's equity to 18% and Weichai exercising its anti-dilution rights to maintain its shareholding at 20%.

After working closely with the Bosch engineering team during 2020 in the prototype manufacturing phase, we passed a key milestone at the end of the year which triggered the next stage of the licensing agreement. In December 2020 we announced that Bosch was now preparing to start volume production of fuel cell systems incorporating Ceres' proprietary SteelCell® SOFC technology in 2024, aiming to achieve an initial annual production of around 200MW from its own manufacturing facilities in Germany. The value of this next stage of the licensing agreement to Ceres from 2021 to 2023 is around £23 million, of which c.£6 million is conditional on meeting certain KPIs based on performance.

This is a significant step forward for the business, validating our licensing model by paving the way for kW-based royalty revenues from 2024 onwards. The stacks will initially satisfy demand for Bosch's products for decentralised power provision in cities, factories, trade and commerce, data centres and electric vehicle charging infrastructure: markets that Bosch believes may be worth around €20 billion by 2030.

Bosch has stated that currently 'more than 250 Bosch associates are supporting the development and manufacture' of SteelCell® based systems and it estimates that it will invest 'hundreds of millions of euros by 2024' in its German manufacturing facilities.

Doosan
Fuel cell market leader Doosan of South Korea is also an important partner for Ceres. We started working with Doosan in July 2019 after it signed an £8 million systems licensing agreement to develop a low-carbon 5-20kW power system. This progressed quickly and in October 2020 we announced that Doosan had also signed a manufacturing licence to produce SteelCell® fuel cell stacks in South Korea.

The agreement is worth up to £43 million to Ceres, with licence fee, technology transfer and joint development revenues of £36 million over three years to 2024 plus an additional £7 million contingent on meeting KPIs. Doosan is initially targeting 50MW of annual capacity by 2024, but we believe this could ramp up quickly given Doosan's plans to develop utility-scale SOFC power stations using our technology.

Doosan is also looking to develop other applications for fuel cell stacks. In November it signed a Memorandum of Understanding with Singaporean shipping company Navig8 to investigate whether SOFC technology can be used to provide electric power for commercial tankers. This is likely to be a multi-year project but does give our technology a foothold in the large shipping market that is taking steps towards decarbonisation.

Weichai
In early 2020 we started a field trial of our 30kW electric bus range extender unit with Weichai. However, this coincided with the start of the COVID-19 pandemic and we experienced a short delay as working practices in both China and the UK were impacted. We moved swiftly to implement socially distanced operating processes to mitigate the effects and returned to full support capability shortly afterwards. We expect that we will complete this in the coming months and will validate the technology for automotive applications.

Once the trial completes, we hope to announce the establishment of a joint venture fuel cell manufacturing company in Shandong Province, China, in mid-2021 to produce SteelCell® SOFC systems. As previously disclosed, the joint venture is intended to provide a staged path to high-volume manufacturing potentially for buses, commercial vehicles and other applications in China.

AVL List
Capping off a busy end to 2020, Ceres announced a Strategic System Collaboration with AVL List, a globally recognised consulting engineering firm based in Austria with over 20 years of experience in fuel cell systems. The company currently generates around €2 billion in turnover and operates from 26 offices around the world, employing more than 11,500 people. AVL List has existing systems designs in commercial CHP; industrial prime power; automotive and marine; and large-scale power systems (100kW+), so brings a wealth of diverse experience and expertise to the new relationship.
The collaboration creates an engineering services practice to offer customers state-of-the-art systems designs incorporating our SOFC stack. Ceres and AVL List will work together on customer acquisition and to identify and exploit the growing interest in SOFC technology in new applications and regions. By pooling our respective systems' IP we will create a significantly stronger IP position in the market to expand the applications accessible to Ceres' technology. Revenues generated from engineering services and systems licence fees for customers created by the collaboration will be shared in an equitable manner. The core SteelCell® stack IP is outside the scope of the collaboration and will continue to be developed and licensed independently by Ceres.

Working with AVL List brings us important strategic benefits. Combining its expertise and market presence with our own IP and systems know-how enables us to reach into more end-market applications than we could on our own. New OEM customers will drive demand for stacks from our manufacturing partners, adding further momentum to royalty revenue streams and enabling us to position SteelCell® stacks as an industry standard for SOFCs.

Operations
During the first half of 2020 our pilot production facility at Redhill in the UK was commissioned, built and successfully commenced production of SteelCells® for our 1kW and 5kW stacks. In particular, the 5kW stacks are meeting the demand for our internal R&D activities and to supply our licence partners for their testing and trials.

By the end of the year we achieved capacity of 2MW per annum. This initial production capacity is now being increased to 3MW as we scale up to support our manufacturing partners Bosch and Doosan in their progression towards their mass market launches. We will also continue to supply systems licensees with stacks until our manufacturing partners come on-stream and we can migrate them across to this supply.

Ceres continued to expand its development capabilities and capacity during the period, aiming to ensure that the functional performance targets and expected lifetime of the stacks can be met. Our partners intend to take our technology into higher-power applications, further focusing on our 5kW fuel stack as their core module for their larger arrays. To support this development we have expanded the capabilities of our test infrastructure and included trial units from our licence partners for evaluation within our testing programme.

Throughout the period our engineering teams have continued to work closely with our partners, transferring the technology required for them to set up their own manufacturing facilities. As we have deepened our engagement with partners we have jointly developed further enhancements around our IP for the benefit of both partners and ourselves in engineering and manufacturing operations.

Technology developments

Ceres' SteelCell® technology is highly differentiated from other SOFC technology families, allowing us to execute a licensing business model that sets us apart in the clean energy sector. This technology leadership is maintained through a well-funded internal R&D programme, as well as using digital techniques to maximise our productivity and to identify and evaluate new system applications and markets. We also continue to build strong external academic collaborations with universities to ensure we remain at the leading edge of SOFC innovation.

One area of focused innovation is the use of SOFCs beyond traditional fuels like natural gas and hydrogen. Our stacks can operate using a range of different fuels and we are currently evaluating systems to optimise new operating modes for future fuels (such as ammonia and hydrogen/methane blends) to ensure partners can fully unlock their potential. Existing and new partners can reduce their time to market by licensing our IP across core materials and stack design, system design or manufacturing technologies. Simply put, by embracing SteelCell® technology they can make better products with higher efficiency, at lower cost, with longer life and better dynamic response.

We have also started our Green Hydrogen programme where we are extending the use of our technology beyond fuel cells. Operating a SteelCell® stack in reverse converts it into a solid oxide electrolysis cell (SOEC), a device that can be used to produce green hydrogen and, ultimately, other green chemicals. The higher operating temperature allows our SOEC to utilise waste steam from industrial processes or be thermally integrated with them to produce hydrogen at very high electrical efficiencies of 80% to 90%.

Last year, we set aside £5 million in seed R&D funding for this Green Hydrogen programme to benchmark the electrolyser's performance and to confirm the production efficiency potential. This is a key differentiator of the technology because green hydrogen is expensive to produce today, with around 80% of the cost determined by the input energy costs. By delivering higher efficiency, our SOEC technology could significantly lower the cost of hydrogen production in the future. We are now planning to build a megawatt-scale demonstration electrolyser that will allow our licensees to validate the performance, cost and operational flexibility of our technology.

Financial position and post year-end fundraising

During the period we raised finance from the issue of new shares to our partners Bosch and Weichai. As hydrogen economies around the world start to develop we see new, attractive and high-value opportunities for our technology, both in the current power generation markets as well as in green hydrogen production as I have highlighted above.
[The commercial and technical progress of the last year has presented further opportunities to accelerate our development. To take advantage of these opportunities we are today proposing to raise additional equity financing of [£180m] to be used to access further SOFC markets in higher power applications and future fuels. We are also intending to develop new SOEC opportunities to access the significant new green hydrogen market for fuels and industrial applications. Finally, we are investing in the core business to accelerate innovation and development to maintain our technology leadership. The broader financial base of the business will further strengthen our ability to execute for our stack partners as they scale up their manufacturing capabilities.]

Financial Review

During 2020 we announced we would change our accounting period end from 30 June to 31 December, and as a result we have prepared these financial statements for the 18 months ended 31 December 2020. To assist with understanding the underlying results of the business, we have also prepared a set of unaudited results for the 12 months to 31 December 2020 (CY2020) to compare with the 12 months ended 31 December 2019 (CY2019), which the commentary of the results below also reflects.

During the 18-month period, the Group reported revenue of £31.7 million at a gross margin of 67%, and an overall loss after tax of £14.8 million. The strong commercial progress drove good revenue growth of 26% in CY2020, whilst maintaining a gross margin of 67% (CY2019: 67%). Gross margin remained stable although the revenue mix changed with more higher margin licence fees and engineering services offset by a greater supply of lower-margin hardware as our manufacturing facility came online and we provided some parts for our manufacturing partner in the period. Consequentially, in CY2020, the absolute gross profit increased 26% from £11.6 million to £14.6 million. As we have stated previously, gross margin percentage will vary period on period based on timing and quantum of licence revenue recognition and revenue mix.

Investing in the future: people and technology

We continued to invest in building the business for the opportunities we see ahead. Operating costs for the business in the 18-month period were £40.3 million and throughout the period we increased the team size as planned, employing 325 people as at 31 December 2020 (240 as at 31 June 2019). We have added people across all aspects of the business, including in manufacturing and mechanical engineering and the testing teams to support existing and expected commercial projects, as well as in R&D to continue to drive innovation. Our pilot manufacturing facility began production in Q1 2020 and its running costs, which include £2.0 million additional depreciation, also contributed to our increased operating costs of £29.7 million in CY2020 (40% up from CY2019).

The Group reported an operating loss of £17.6 million in the 18-month period and £14.8 million in CY2020 (CY2019: £7.8 million) as a result of the above factors.

Solid financial position: the foundation for continued progressive growth

The Group ends the period with a strong cash position of £110 million in cash and investments as at 31 December 2020 with net cash used in operating activities in the period of £5.8 million. In CY2020 net cash used in operating activities was £2.3 million (CY2019: £3.4 million), which benefitted from favourable working capital movements, including higher than expected customer cash collections.

We invested £9.3 million in property, plant and equipment in the 18 month period, of which £6.7 million was in CY2020 (CY2019: £8.9 million) on manufacturing improvement, including planned investment to expand capacity further, as well as building out our test infrastructure to accommodate new products including the Green Hydrogen electrolysis programme. We capitalised £3.8 million of eligible development costs in the 18-month period, with £2.7 million capitalised in CY2020 and £4.9 million to date, and we expect greater amortisation of this from H1 2021. The Group's equity free cash outflow (reconciled to net cash from operating activities at the end of this report) for the period, reflecting this investment into the business, was £19.1 million, of which £11.8 million was in CY2020 (CY2019: £14.8 million).

In the 18-month period we also raised £50.9 million of proceeds from issuing new share capital, £49.2 million of which was from our strategic partners Bosch and Weichai in Q1 2020, and the remainder from the exercise of employee options. During the 18 month period the Group adopted IFRS 16, resulting in right-of-use assets of £4.0 million being recognised as at 31 December 2020 (30 June 2019: £nil), in addition to lease liabilities of £4.4 million; these primarily relate to leases of premises. The Group's inventory balance increased to £2.1 million (30 June 2019: £1.4 million) reflecting the increased operations of the manufacturing facility.

Other significant movements to liabilities in the 18 month period included net contract liabilities (primarily deferred income) increasing to £6.6 million (30 June 2019: £2.3 million) primarily due to timing differences between raising invoices and recognising revenue on the Group's long-term contracts and the dilapidation provision increasing to £1.6 million (30 June 2019: £1.0 million), which followed a review of the Group's dilapidation obligations.

Outlook

We finished the period strongly with good momentum in the business. A key focus for the year ahead will be on ensuring we deliver for our manufacturing partners as they work towards scaling up their production capabilities. We will also seek to develop new systems relationships through the new collaboration with AVL List, which broadens our presence across multiple new application areas.

Technology remains at the heart of our business and we will deploy capital from the proposed equity fund raise announced today in both our core power generation IP and in the adjacent electrolysis market, accelerating our time to market. We are well positioned to provide clean energy technology into multiple applications across society to meet the increasing urgency to address climate change providing long-term growth opportunities for our business and look forward to the year ahead with confidence.

Philip Caldwell
Chief Executive Officer

Calendar Year Results (unaudited)

The Group has prepared the following Calendar Year results to enable a more consistent like-for-like review of the trading performance of the business. The Calendar Year results are an Alternative Performance Measure and cover the trading period for the 12 months ended 31 December 2020 (CY2020) compared with the 12 months ended 31 December 2019 (CY2019). The basis of preparation applied to the Calendar Year results together with a reconciliation to the Group's Statutory IFRS Results are provided at the end of this report.

Consolidated statement of profit and loss – Calendar Year
for 12 months ended 31 December 2020

Unaudited	**CY2020 £'000**	CY2019 £'000
Revenue	**21,671**	17,199
Cost of sales	**(7,085)**	(5,612)
Gross profit	**14,586**	11,587
Other operating income	**276**	1,940
Operating costs	**(29,650)**	(21,311)
Operating loss	**(14,788)**	(7,784)
Finance income	**698**	670
Finance expense	**(434)**	(230)
Loss before taxation	**(14,524)**	(7,344)
Taxation credit	**1,353**	2,732
Loss for the financial year	**(13,171)**	(4,612)
Adjusted EBITDA	**(9,955)**	(5,288)

Consolidated cash flow statement – Calendar Year
for the 12 months ended 31 December 2020

Unaudited	**CY2020 £'000**	CY2019 £'000
Loss before income tax	**(14,524)**	(7,344)
Adjustments	**4,732**	1,906
Movements in working capital	**5,075**	(148)
Income tax received	**2,460**	2,146
Net cash used in operating activities	**(2,257)**	(3,440)
Investing activities		
Purchase of property, plant and equipment	**(6,656)**	(8,875)
Capitalised development expenditure	**(2,719)**	(2,293)
Increase in long-term investments	**(8,000)**	-
Net (increase)/decrease in short-term investments	**(29,231)**	15,700
Finance income received	**669**	474
Net cash (used in) / generated from investing activities	**(45,937)**	5,006
Financing activities		
Proceeds from issuance of ordinary shares	**50,249**	903
Expenses from issuance of ordinary shares	**(344)**	58
Cash received on behalf of employees on sale of share options	**7,490**	-
Repayment of lease liabilities	**(389)**	(134)
Finance interest paid	**(434)**	(230)
Net cash generated from financing activities	**56,572**	597
Net increase in cash and cash equivalents	**8,378**	2,163
Exchange losses on cash and cash equivalents	**(29)**	(254)
Cash and cash equivalents at beginning of year	**24,606**	22,697
Cash and cash equivalents at end of year	**32,955**	24,606
Cash, short and long-term investments	**110,186**	64,606

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the 18 months ended 31 December 2020

	Note	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
Revenue	3	31,682	15,300
Cost of sales		(10,355)	(3,804)
Gross profit		**21,327**	**11,496**
Other operating income[1]		1,305	1,065
Operating costs	4	(40,266)	(20,485)
Operating loss		**(17,634)**	**(7,924)**
Finance income	5	989	552
Finance expense on lease liabilities		(664)	-
Loss before taxation		**(17,309)**	**(7,372)**
Taxation credit	6	2,493	2,538
Loss for the financial period/year and total comprehensive loss		**(14,816)**	**(4,834)**
Loss per £0.10 ordinary share expressed in pence per share:			
Basic and diluted loss per share	7	(9.12)p	(3.43)p

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

1 Other operating income relates to grant income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	31 December 2020 £'000	30 June 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	14,979	9,769
Right-of-use assets	9	3,971	-
Intangible assets	10	4,909	1,322
Long-term investments	14	8,000	-
Other receivables	12	741	741
Total non-current assets		**32,600**	**11,832**
Current assets			
Inventories	11	2,107	1,403
Contract assets	3	864	722
Other current assets	13	1,002	1,497
Derivative financial instruments		59	28
Current tax receivable		3,124	2,292
Trade and other receivables	12	5,570	4,204
Short-term investments	14	69,231	63,700
Cash and cash equivalents	14	32,955	7,567
Total current assets		**114,912**	**81,413**
Liabilities			
Current liabilities			
Trade and other payables	15	(9,112)	(2,365)
Contract liabilities	3	(7,505)	(3,061)
Other current liabilities	16	(2,675)	(1,838)
Derivative financial instruments		(43)	(66)
Lease liabilities	17	(823)	-
Provisions	18	(612)	(158)
Total current liabilities		**(20,770)**	**(7,488)**
Net current assets		**94,142**	**73,925**
Non-current liabilities			
Other non-current liabilities	16	-	(323)
Lease liabilities	17	(3,622)	-
Provisions	18	(1,610)	(992)
Total non-current liabilities		**(5,232)**	**(1,315)**
Net assets		**121,510**	**84,442**
Equity attributable to the owners of the parent			
Share capital	19	17,217	15,277
Share premium		227,682	179,116
Capital redemption reserve		3,449	3,449
Merger reserve		7,463	7,463
Accumulated losses		(134,301)	(120,863)
Total equity		**121,510**	**84,442**

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

CONSOLIDATED CASH FLOW STATEMENT
For the 18 months ended 31 December 2020

	Note	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
Cash flows from operating activities			
Loss before taxation		(17,309)	(7,372)
Adjustments for:			
Finance income		(989)	(552)
Finance expense		664	-
Depreciation of property, plant and equipment		3,820	1,025
Depreciation of right-of-use assets		776	-
Amortisation of intangible assets		208	13
Net foreign exchange losses		139	67
Net change in fair value of financial instruments at fair value through profit and loss		(55)	42
Share-based payments charge		1,378	909
Operating cash flows before movements in working capital		**(11,368)**	**(5,868)**
Increase in trade and other receivables		(2,338)	(1,412)
Increase in inventories		(704)	(3)
Increase/(decrease) in trade and other payables		752	(559)
Increase in contract assets		(142)	(722)
Increase in contract liabilities		4,444	3,061
Increase in provisions		1,072	299
Net cash used in operations		**(8,284)**	**(5,204)**
Taxation received		2,460	2,146
Net cash used in operating activities		**(5,824)**	**(3,058)**
Investing activities			
Purchase of property, plant and equipment		(9,256)	(7,693)
Capitalised development expenditure		(3,795)	(1,288)
Increase in long-term investments		(8,000)	-
Increase in short-term investments[1]		(74,380)	(75,700)
Repayment of short-term investments[1]		68,849	12,000
Finance income received		1,123	193
Net cash used in investing activities		**(25,459)**	**(72,488)**
Financing activities			
Proceeds from issuance of ordinary shares		50,851	77,926
Net expenses from issuance of ordinary shares		(344)	(1,141)
Cash received on behalf of employees on the sale of share options		7,490	-
Repayment of lease liabilities		(523)	-
Finance interest paid		(664)	-
Net cash generated from financing activities		**56,810**	**76,785**
Net increase in cash and cash equivalents		**25,527**	**1,239**
Exchange losses on cash and cash equivalents		(139)	(67)
Cash and cash equivalents at beginning of period/ year		7,567	6,395
Cash and cash equivalents at end of period/ year	**14**	**32,955**	**7,567**

1. Increase in and repayment of short-term investments in 2019 have been corrected to present the amounts gross, as they did not meet the criteria for net presentation. In the prior year the amounts were presented as a net increase of short-term investments of £63,700,000.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 18 months ended 31 December 2020

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total £'000
At 1 July 2018	**10,163**	**107,445**	**3,449**	**7,463**	**(116,938)**	**11,582**
Comprehensive income						
Loss for the financial year	-	-	-	-	(4,834)	**(4,834)**
Total comprehensive loss	-	-	-	-	(4,834)	**(4,834)**
Transactions with owners						
Issue of shares, net of costs	5,114	71,671	-	-	-	**76,785**
Share-based payments charge	-	-	-	-	909	**909**
Total transactions with owners	**5,114**	**71,671**	**-**	**-**	**909**	**77,694**
At 30 June 2019	**15,277**	**179,116**	**3,449**	**7,463**	**(120,863)**	**84,442**
Comprehensive income						
Loss for the financial period	-	-	-	-	(14,816)	**(14,816)**
Total comprehensive loss	-	-	-	-	(14,816)	**(14,816)**
Transactions with owners						
Issue of shares, net of costs	1,940	48,566	-	-	-	**50,506**
Share-based payments charge	-	-	-	-	1,378	**1,378**
Total transactions with owners	1,940	48,566	-	-	1,378	**51,884**
At 31 December 2020	**17,217**	**227,682**	**3,449**	**7,463**	**(134,301)**	**121,510**

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

1. Basis of preparation

The financial information presented in this preliminary announcement has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the EU. The principal accounting policies adopted in the preparation of the financial information in this preliminary announcement are unchanged from those used in the company's statutory financial statements for the year ended 30 June 2019, except for those relating to IFRS 16 Leases, and are consistent with those that the company has applied in its financial statements for the 18 month period ended 31 December 2020. Whilst the financial information included in this announcement has been computed in accordance with the recognition and measurement requirements of IFRS, as adopted by the EU, this announcement does not itself contain sufficient disclosures to comply with IFRS.

The financial information contained in this final announcement does not constitute statutory financial statements as defined by in Section 434 of the Companies Act 2006. The financial information has been extracted from the financial statements for the 18 months ended 31 December 2020 which have been approved by the Board of Directors, and the comparative figures for the 12 months ended 30 June 2019 are based on the financial statements for that year.

The financial statements for 2019 have been delivered to the Registrar of Companies and the 2020 financial statements will be delivered after the Annual General Meeting on 17 June 2021.

The Auditor has reported on both sets of accounts without qualification, did not draw attention to any matters by way of emphasis without qualifying their report, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

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

Going Concern

The Group has reported a loss after tax for the 18 month period ended 31 December 2020 of £14.8m and net cash used in operating activities of £5.8m. At 31 December 2020, it held cash and cash equivalents and investments of £110.2m. The directors have prepared annual budgets and cash flow projections that extend beyond 12 months from the date of approval of this report. These projections were supported by stress testing forecast cash flows considering the impact of different scenarios including the Group's expectation of the potential future impact of Covid-19. In each case the projections demonstrated that the Group will have sufficient cash reserves to meet its liabilities as they fall due and to continue as a going concern. For the above reasons, the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

2. Changes in accounting policies and standards

New standards and amendments applicable for the reporting period

Since the beginning of the financial period the Group has adopted the following mandatory standards and interpretations amended or newly issued by the IASB. Their adoption has not had a material effect on the financial statements unless otherwise indicated:

- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 16 'Leases'
- Amendments to IAS 28 – Long term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle:
  Amendments to IFRS 3 Business Combinations
  IFRS 11 Joint Arrangements
  IAS 12 Income Taxes
  IAS 23 Borrowing Costs

2. Changes in accounting policies and standards (continued)

IFRS 16 – 'Leases'

The Group adopted IFRS 16 with effect from 1 July 2019. IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

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

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

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

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

Leases classified as operating leases under IAS 17

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

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

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- For leases with a remaining term of less than one year at the date of initial application, the Group does not recognise any right-of-use assets and lease liabilities, in line with exercising the exception for short term leases with lease terms of twelve months or less.
- Accounting for the entire contract for property leases as a lease. (i.e. including service charges).
- Hindsight is used in determining the lease term of contracts containing options to extend or terminate the lease.

When measuring lease liabilities, the Group discounted lease payments using the incremental borrowing rate as at the 1 July 2019. This is estimated by management to be 10%, based on information provided by a third-party financial institution.

Impact on the financial statements.

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

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

	Land and Buildings	**Other**	**Total**
	£'000	**£'000**	**£'000**
Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	3,812	29	3,841
Recognition of period from break clause to lease end[1]	3,469	-	3,469
Discounted using the incremental borrowing rate at 1 July 2019	(2,328)	(2)	(2,330)
Less short-term leases recognised as an expense on a straight-line basis	-	(9)	(9)
Lease liabilities recognised 1 July 2019	4,953	18	4,971

1 Under the previous accounting policy the lease commitment was disclosed for the non-cancellable element of the lease, that is, until the first break clause. IFRS 16 requires companies to consider the economic benefits and penalties which would be incurred in order to determine the likelihood of extending the lease term past any enforceable period. The Group has undertaken significant leasehold improvements at both properties which are expected to continue to have significant economic benefit for the Group when the option becomes exercisable and the lease liability has therefore been recognised until the expiry of the full lease term as it is considered reasonably certain that the Group will take up these options.

3. Revenue

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

Geographical market

	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
Europe	14,228	10,553
Asia	16,613	4,441
North America	841	306
	31,682	15,300

Major product/service lines

	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
Engineering services	10,866	6,437
Provision of technology hardware	10,297	1,451
Licenses	10,519	7,412
	31,682	15,300

Timing of transfer of goods and services

	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
Products and services transferred at a point in time	15,280	7,057
Products and services transferred over time	16,402	8,243
	31,682	15,300

The contract-related assets and liabilities are as follows:

		31 December 2020 £'000	30 June 2019 £'000
Trade receivables	12	3,328	2,404
Contract assets – accrued income		837	306
Contract assets – deferred costs		27	416
Total contract assets		864	722
Contract liabilities – deferred income		(7,505)	(3,061)

4. Operating costs

Operating costs are split as follows:

	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
Research and development costs	27,820	13,799
Administrative expenses	10,060	4,618
Commercial	2,386	2,068
	40,266	20,485

5. Finance income

	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
Interest received	989	552

6. Taxation

	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
UK corporation tax	(3,124)	(2,292)
Foreign tax suffered	798	-
Adjustment in respect of prior periods	(167)	(246)
	(2,493)	(2,538)

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

A tax credit has arisen as a result of expenditure surrendered and claimed under the SME R&D tax credit regime in the current and prior years. Foreign tax relates to withholding tax arising on license income from China and South Korea.

7. Loss per share

	18 months ended 31 December 2020 £'000	12 months ended 30 June 2019 £'000
Loss for the financial period/year attributable to shareholders	(14,816)	(4,834)
Weighted average number of shares in issue	162,474,146	140,956,490
Loss per £0.10 ordinary share (basic and diluted)	**(9.12)p**	**(3.43)p**

8. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Motor vehicles £'000	Total £'000
Cost							
At 1 July 2018	2,090	9,311	995	69	348	-	12,813
Additions	132	1,535	463	-	6,455	12	8,597
At 30 June 2019	2,222	10,846	1,458	69	6,803	12	21,410
Additions	708	5,904	603	35	1,780	-	9,030
Transfers	2,958	4,659	-	210	(7,827)	-	-
Disposals	(5)	-	-	-	-	-	(5)
At 31 December 2020	5,883	21,409	2,061	314	756	12	30,435
Accumulated depreciation							
At 1 July 2018	2,028	7,680	839	69	-	-	10,616
Charge for the year	68	798	159	-	-	-	1,025
At 30 June 2019	2,096	8,478	998	69	-	-	11,641
Charge for the period	621	2,718	400	80	-	1	3,820
Disposals	(5)	-	-	-	-	-	(5)
At 31 December 2020	2,712	11,196	1,398	149	-	1	15,456
Net book value							
At 31 December 2020	**3,171**	**10,213**	**663**	**165**	**756**	**11**	**14,979**
At 30 June 2019	126	2,368	460	-	6,803	12	9,769

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

Assets under construction primarily consist of plant and machinery and leasehold improvements relating to the new manufacturing site which started production in January 2020. Leasehold improvements of £2,958k, Plant and Machinery of £4,659k and Office equipment of £210k relating to the new factory have been transferred to the relevant categories within the period.

9. Right of use assets

	Land and Buildings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 July 2019	-	-	-
Additions as a result of IFRS16	4,729	18	4,747
At 31 December 2020	4,729	18	4,747
Accumulated depreciation			
At 1 July 2019	-	-	-
Charge for the period	766	10	776
At 31 December 2020	766	10	776
Net book value			
At 31 December 2020	**3,963**	**8**	**3,971**
At 30 June 2019	-	-	-

10. Intangible assets

	Internal developments in relation to manufacturing site £'000	Customer and internal development programmes £'000	Patent costs £'000	Total £'000
Cost				
At 1 July 2018	47	-	-	47
Additions	187	1,101	-	1,288
At 30 June 2019	234	1,101	-	1,335
Additions	177	3,323	295	3,795
At 31 December 2020	**411**	**4,424**	**295**	**5,130**
Accumulated depreciation				
At 1 July 2018	-	-	-	-
Charge for the year	-	13	-	13
At 30 June 2019	-	13	-	13
Charge for the period	82	126	-	208
At 31 December 2020	**82**	**139**	-	**221**
Net book value				
At 31 December 2020	**329**	**4,285**	**295**	**4,909**
At 30 June 2019	234	1,088	-	1,322

Capitalised intangible assets are amortised over their useful economic lives, as follows:

Capitalised development costs – 2 to 7 years

Capitalised patent costs – 3 to 10 years

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

11. Inventories

	31 December 2020 £'000	30 June 2019 £'000
Raw materials including work in progress	1,854	1,284
Finished goods	253	119
Total inventory	2,107	1,403

Inventories in raw materials and finished goods have increased in line with the Group's increased manufacturing capacity in the period.

12. Trade and other receivables

	31 December 2020	30 June 2019
Current:	**£'000**	**£'000**
Trade receivables	3,328	2,404
Other receivables	2,242	1,800
	5,570	4,204
Non-current:		
Other receivables	741	741

13. Prepayments and accrued income

	31 December 2020	30 June 2019
Current:	**£'000**	**£'000**
Prepayments	648	523
Prepayments of capital expenditure	-	409
Accrued interest	129	359
Accrued grant income	225	206
	1,002	1,497

14. Net cash and cash equivalents, short-term and long-term investments

	31 December 2020 £'000	30 June 2019 £'000
Cash at bank and in hand	20,684	1,502
Money market funds	12,271	6,065
Cash and cash equivalents	32,955	7,567
Short-term investments (bank deposits > 3 months)	69,231	63,700
Long-term investments	8,000	-
Cash and cash equivalents and investments	110,186	71,267

The Group typically places surplus funds into pooled money market funds with same day access and bank deposits with durations of up to 24 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-mf (Moody's) and AAAmmf (Fitch) and deposits with banks with minimum long-term rating of A-/A3/A and short-term rating of A-2/P-2/F-1 for banks which the UK Government holds less than 10% ordinary equity.

15. Trade and other payables

Current:	31 December 2020 £'000	30 June 2019 £'000
Trade payables	1,752	2,255
Taxation and social security	713	-
Other payables	6,647	110
	9,112	2,365

Other payables include timing differences on payments relating to the exercise of certain share options in December 2020. These amounts were paid in January 2021.

16. Accruals and deferred income

Current:	31 December 2020 £'000	30 June 2019 £'000
Accruals	1,464	1,838
Deferred grant income	1,211	-
	2,675	1,838
Non-current:		
Accruals	-	323

17. Lease Liabilities

	£'000
Balance as at 1 July 2019	-
Finance leases recognised as a result of IFRS16	4,971
Lease payments	(1,190)
Interest expense	664
Balance as at 31 December 2020	**4,445**
Current	823
Non-current	3,622

18. Provisions

	Property Dilapidations £'000	Warranties £'000	Contract Losses £'000	Total £'000
At 1 July 2019	992	93	65	1,150
Movements in the Consolidated Statement of Profit and Loss:				
Amounts used	-	-	(65)	(65)
Increase in provision	618	325	194	1,137
At 31 December 2020	1,610	418	194	2,222
Current	-	418	194	612
Non-current	1,610	-	-	1,610
At 31 December 2020	1,610	418	194	2,222

19. Share capital

	2020		2019		
	Number of £0.10 Ordinary shares	**£'000**	**Number of £0.01 Ordinary shares**	**Number of £0.10 Ordinary shares**	**£'000**
Allotted and fully paid					
At 1 July	152,769,812	15,277	1,016,269,193	-	10,163
Allotted £0.01 Ordinary shares on exercise of share options	-	-	6,041,441	-	60
27 July 2018 – Allotted £0.01 Ordinary shares on cash placing	-	-	260,952,296	-	2,609
7 August 2018 – 1-for-10 share consolidation	-	-	(1,283,262,930)	128,326,293	-
Allotted £0.10 Ordinary shares on exercise of employee share options	4,024,665	402	-	926,155	93
Allotted £0.10 Ordinary shares on cash placing (see below)	15,377,050	1,538	-	23,517,364	2,352
At 31 December 2020 / 30 June 2019	**172,171,527**	**17,217**	**-**	**152,769,812**	**15,277**

During the 18 months ended 31 December 2020 4,024,665 ordinary £0.10 shares were allotted for cash consideration of £1,581,148 on the exercise of employee share options. On the 12 March 2020, the Company completed an allotment of 11,888,070 ordinary £0.10 shares in respect of the Bosch strategic investment, announced via the Regulatory News Service (RNS) on 22 January 2020 for £38,041,824 and on the 15 April 2020 the Company completed an allotment of 3,488,980 ordinary £0.10 shares for £11,164,736 in respect of Weichai exercising its anti-dilution rights, this was announced via the RNS on 23 March 2020.

20. Events after the reporting date

On 17 March 2021, the same date as this announcement, the Group proposed to raise additional funding of [£180m] from the equity markets to invest in our SOFC business for growth into new applications and expanding to electrolysis.

21. Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £1,142,000 as at 31 December 2020 (30 June 2019: £1,116,000), in respect of the acquisition of property, plant and equipment.

22. Related party transactions

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

Alan Aubrey and Robert Trezona continued to serve in their roles as Non-Executive Directors until 28 September 2020. Transactions with IP Group plc during the period 1 July 2019 until 11 June 2020 amounted to £60,978 (2019: £83,000) comprising primarily of Non-Executive Director fees of £37,912 (2019: £40,000), disbursements and other expenses of £8,065 (2019: £3,000), recruitment fees £15,000 (2019: £20,000), and corporate finance fees of £nil (2019: £20,000). There was no outstanding balance due as at 31 December 2020 (31 June 2019: £nil). As at 31 December 2020, the Group owed £3,858,851 to Phil Caldwell and £1,185,943 to Richard Preston in respect of share options which had been exercised and sold during the period.

Non-GAAP Alternative Performance Measures – Calendar Year results reconciliation to Statutory IFRS Results (unaudited)

The tables on the following pages set out the reconciliation between the Statutory IFRS Results (which the Group defines as comprising the Consolidated Statement of Profit and Loss and Other Comprehensive Income, and the Consolidated Cash flow statement) and the unaudited Calendar Year results (which the Group defines as comprising the Consolidated Statement of Profit and Loss – Calendar Year and the Pro-forma Consolidated Cash Flow Statement – Calendar Year).

The basis of preparation for the Group's Statutory IFRS Results is set out in note 1. The Calendar Year results have been determined as follows:

Calendar Year results for the 12 months ended 31 December 2020 (CY2020)

The CY2020 results for the 12 months ended 31 December 2020 have been derived from the Statutory IFRS Results for the 18 months ended 31 December 2020, less the results for the six months ended 31 December 2019 (as presented in the interim announcement dated 16 March 2020).

Calendar Year results for the 12 months ended 31 December 2019 (CY2019)

The CY2019 results for the 12 months ended 31 December 2019 have been derived from the Statutory IFRS Results for the 12 months ended 30 June 2019, less the results for the six months ended 31 December 2018 (as presented in the interim announcement dated 28 March 2019), and adding back the results for the six months ended 31 December 2019 (as presented in the interim announcement dated 16 March 2020).

Reconciliation of the consolidated statement of profit and loss and other comprehensive income between the 18 month period ending 31 December 2020 and the 12 month period ending 31 December 2020.

	18 months ended 31 Dec 2020 Audited £'000	Less 6 months ended 31 Dec 2019 Unaudited £'000	12 months ended 31 Dec 2020 CY2020 Unaudited £'000
Revenue	**31,682**	10,011	**21,671**
Cost of sales	**(10,355)**	(3,270)	**(7,085)**
Gross profit	**21,327**	6,741	**14,586**
Other operating income	**1,305**	1,029	**276**
Operating costs	**(40,266)**	(10,616)	**(29,650)**
Operating loss	**(17,634)**	(2,846)	**(14,788)**
Finance income	**989**	291	**698**
Finance expense	**(664)**	(230)	**(434)**
Loss before taxation	**(17,309)**	(2,785)	**(14,524)**
Taxation credit	**2,493**	1,140	**1,353**
Loss for the financial year and total comprehensive loss	**(14,816)**	(1,645)	**(13,171)**
Adjusted EBITDA	**(11,368)**	(1,413)	**(9,955)**

Non-GAAP Alternative Performance Measures – Calendar Year results reconciliation to Statutory IFRS Results (unaudited)

Reconciliation of the consolidated cashflow statement between the 18 month period ending 31 December 2020 and the 12 month period ending 31 December 2020.

	18 months ended 31 Dec 2020 Audited £'000	Less 6 months ended 31 Dec 2019 Unaudited £'000	**12 months ended 31 Dec 2020 CY2020 Unaudited £'000**
Loss before income tax	**(17,309)**	(2,785)	**(14,524)**
Adjustments	**5,941**	1,209	**4,732**
Movements in Working Capital	**3,084**	(1,991)	**5,075**
Income tax received	**2,460**	-	**2,460**
Net cash generated from / (used) in operating activities	**(5,824)**	(3,567)	**(2,257)**
Investing activities			
Purchase of property, plant and equipment	**(9,256)**	(2,600)	**(6,656)**
Capitalised development expenditure	**(3,795)**	(1,076)	**(2,719)**
Increase in long-term investments	**(8,000)**	-	**(8,000)**
Net (increase)/decrease in short-term investments	**(5,531)**	23,700	**(29,231)**
Finance income received	**1,123**	454	**669**
Net cash used in investing activities	**(25,459)**	20,478	**(45,937)**
Financing activities			
Proceeds from issuance of ordinary shares	**50,851**	602	**50,249**
Expenses from issuance of ordinary shares	**(344)**	-	**(344)**
Cash received on behalf of employees on sale of share options	**7,490**	-	**7,490**
Repayment of lease liabilities	**(523)**	(134)	**(389)**
Finance interest paid	**(664)**	(230)	**(434)**
Net cash generated from financing activities	**56,810**	238	**56,572**
Net increase in cash and cash equivalents	**25,527**	17,149	**8,378**
Exchange losses on cash and cash equivalents	**(139)**	(110)	**(29)**
Cash and cash equivalents at beginning of year	**7,567**	7,567	**24,606**
Cash and cash equivalents at end of year	**32,955**	24,606	**32,955**

Reconciliation of the consolidated statement of profit and loss and other comprehensive income between the 12 month period ending 30 June 2019 and the 12 month period ending 31 December 2019.

	12 Months ended 30 Jun 19 Audited £'000	Less 6 months ended 31 Dec 18 Unaudited £'000	Add 6 months ended 31 Dec 19 Unaudited £'000	**12 Months ended 31 Dec 2019 CY2019 Unaudited £'000**
Revenue	**15,300**	8,112	10,011	**17,199**
Cost of sales	**(3,804)**	(1,462)	(3,270)	**(5,612)**
Gross profit	**11,496**	6,650	6,741	**11,587**
Other operating income	**1,065**	154	1,029	**1,940**
Operating costs	**(20,485)**	(9,790)	(10,616)	**(21,311)**
Operating loss	**(7,924)**	(2,986)	(2,846)	**(7,784)**
Finance income	**552**	173	291	**670**
Finance expense	**-**	-	(230)	**(230)**
Loss before taxation	**(7,372)**	(2,813)	(2,785)	**(7,344)**
Taxation credit	**2,538**	946	1,140	**2,732**
Loss for the financial year and total comprehensive loss	**(4,834)**	(1,867)	(1,645)	**(4,612)**
Adjusted EBITDA	**(5,881)**	(2,006)	(1,413)	**(5,288)**

Non-GAAP Alternative Performance Measures – Calendar Year results reconciliation to Statutory IFRS Results (unaudited)

Reconciliation of the consolidated cashflow statement between the 12 month period ending 30 June 2019 and the 12 month period ending 31 December 2019.

	12 Months ended 30 Jun 19 Audited £'000	Less 6 months ended 31 Dec 18 Unaudited £'000	Add 6 months ended 31 Dec 19 Unaudited £'000	**12 Months ended 31 Dec 2019 CY2019 Unaudited £'000**
Loss before income tax	**(7,372)**	(2,813)	(2,785)	**(7,344)**
Adjustments	**1,504**	807	1,209	**1,906**
Movements in Working Capital	**664**	(1,179)	(1,991)	**(148)**
Income tax received	**2,146**	-	-	**2,146**
Net cash generated used in operating activities	**(3,058)**	(3,185)	(3,567)	**(3,440)**
Investing activities				
Purchase of property, plant and equipment	**(7,693)**	(1,418)	(2,600)	**(8,875)**
Capitalised development expenditure	**(1,288)**	(71)	(1,076)	**(2,293)**
Increase in short-term investments	**(63,700)**	(55,700)	23,700	**15,700**
Finance income received	**193**	173	454	**474**
Net cash used in investing activities	**(72,488)**	(57,016)	20,478	**5,006**
Financing activities				
Proceeds from issuance of ordinary shares	**77,926**	77,625	602	**903**
Expenses from issuance of ordinary shares	**(1,141)**	(1,199)	-	**58**
Repayment of lease liabilities	**-**	-	(134)	**(134)**
Finance interest paid	**-**	-	(230)	**(230)**
Net cash generated from financing activities	**76,785**	76,426	238	**597**
Net increase in cash and cash equivalents	**1,239**	16,225	17,149	**2,163**
Exchange losses on cash and cash equivalents	**(67)**	77	(110)	**(254)**
Cash and cash equivalents at beginning of year	**6,395**	6,395	7,567	**22,697**
Cash and cash equivalents at end of year	**7,567**	22,697	24,606	**24,606**

Reconciliation between net cash from operating activities and equity-free cash flow

The Group defines equity-free cash flow as net cash from operating activities plus capital expenditure and adjusted for interest payments and receipts and exchange rate movements. The table below reconciles net cash from operating activities to equity-free cash flow for each period.

	18 months ended 31 Dec 2020 £'000	**12 months ended 30 Jun 2019 £'000**	**12 months ended 31 Dec 2020 CY2020** £'000	**12 months ended 31 Dec 2019 CY2019 £'000**
Net cash from operating activities	**(5,824)**	**(3,058)**	**(2,257)**	**(3,440)**
Capital expenditure (total)	(13,051)	(8,981)	(9,375)	(11,168)
Interest payments (net)	(64)	193	(154)	110
Exchange rate movements	(139)	(67)	(29)	(254)
Equity-free cash flow	**(19,078)**	**(11,913)**	**(11,815)**	**(14,752)**