



100% Energy

Zero Emission

Annual Report & Financial Statements
Registered number 05700614
31 December 2023



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OUR VISION

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

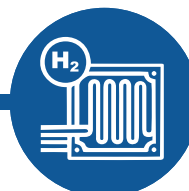
With our Cleantech Competence, we enable our customers to develop energy-sustainable products and use modern technologies.

OUR PROMISE

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

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

Fuel Cells



KEY STATISTICS

£2.512m
Total order intake 2023

+83%
growth in system sales

£2.471m
Sales value production backlog

Progress
in the delivery of our new production facility

96%
of order intake derived from stationary applications

Stationary



Automotive



Maritime



Rail





We are pleased to report our results for the year ended 31 December 2023.

OVERVIEW:

Proton Motor Power Systems plc ("Proton Motor") has made further progress this year in proving and maturing its technology and wide product offering, and building up capacity to deliver complete zero-emission power supply solutions for stationary, heavy duty transport, marine and rail applications

The Company's focus is now on achieving economies of scale by increasing production capacity, and seeking strategic partnerships to provide new channels to market.

HIGHLIGHTS:

- Total order intake in 2023 of £2,512k (2022: £2,653k), including a mix of repeat and new customer orders, supporting current and future revenue.
- At the year end the production backlog was £2,471k (2022: £2,659k). Fulfilment of this backlog will result in deliveries of varying configurations of fuel cell systems and also service maintenance charges to customers both in 2024 and 2025.
- There was a notable shift in demand during the year to stationary applications which comprised 96% of order intake in 2023 (2022: 59%). Notable orders announced throughout the year included:
 - o DB Bahnbau Gruppe, part of Deutsch Bahn AG for an indoor emergency power unit including HyCabinet S24 with 3 HyModule S8s
 - o Redexis HyShelter a combined heat and power source from renewable onsite hydrogen production for an Iberostar hotel in Majorca
 - o University Stuttgart a HyShelter 215 Power as combined heat and power source from renewable onsite hydrogen
- Sales in 2023 were £2,122k (2022: £2,088k), representing an annual increase of 1.7%.
- The number of system sales in 2023 increased by 83% to 42 (2022: 23 system sales).
- The operating loss in 2023 was £10,368k (2022: £10,542k), resulting principally from further investment in the technical development area, staff and infrastructure.
- Progress in the delivery of the new production facility with production planned to commence from the new facility in 2025.

Cash utilisation from operating activities has increased during the period to £9,959k (2022: £9,056k) in-line with increased investment in staff and technology development and in preparation for our move to new premises. Cash flow is the Group's key financial performance target and our objective is to achieve positive cash flow in the shortest time possible by increasing sales and reducing costs. Current contracts are quoted with up-front payments, reducing reliance on working capital as we continue to invest in our manufacturing capability. The cash position as of 31 December 2023 was £2,741k (31 December 2022: £2,720k).

Post year end developments included:

- Introduction of the new HyModule S4 fuel cell system in early 2024, a smaller version of our S8 zero-emission heat and power generator to replace diesel and gas alternatives.
- Introduction of the new HyModule S4 fuel cell system in early 2024, a smaller version of our S8 zero-emission heat and power generator to replace diesel and gas alternatives.
- A restructuring programme to match the business plan for the new year, based on a headcount of 93. The Board continues to monitor the Company's cost structure to ensure that this remains aligned with growth expectations in the short to medium term.
- During the period to June 2024, the Company utilised the loan facility it has in place with its principal shareholder, as announced on 20 June 2023, in excess of its limit by approximately €6 million. This was necessitated by the decision to accelerate payments on sums due for the new production facility and the delayed receipt of a payment due from a customer.
- A new shareholder loan facility of up to €12 million to ensure operational and investment financing from July 2024 to the end June 2025 has been entered into.
- Order intake during the first five months of 2024 to the end of May was lower than expected at £0.5 million (same period in 2023: £1.4 million) and this is likely to be reflected in lower sales for the full year.

Proton Motor Power Systems plc continues to make progress in its strategy to commercialise its comprehensive suite of hydrogen fuel cell systems, covering all the key application markets of stationary, heavy-duty transport, marine and rail. This includes a focus on developing near-term sales from existing customers, moving them from product testing to regular repeat orders, development of new customer relationships, and initiation of strategic partnerships to provide new channels to market.

The Company's strategy is to meet expected fuel cell demand, and to invest in additional production capacity and sales and marketing, in order to grow volumes and reap the benefit of economies of scale.

OPERATIONS

Central to meeting supply is the investment Proton is making through a new and far more efficient production facility, having signed a 15-year lease on a new and larger premise in 2022. The Company hosted various clients and media at an introduction ceremony for the new facility in August and is currently making good progress with its move from the existing facility. Requisite planning permission is anticipated to be received in summer 2024 to permit the installation of hydrogen storage facilities, which, once installed, will enable production to start at the new facility in 2025. Much of the focus for 2023 was on planning for the move across to the new facility. This included planning for the installation of the stacking robot, which will be installed shortly, and progressing regulatory approvals for hydrogen storage and infrastructure.

On the sales side, the Company's strategy is to develop near-term sales through existing customers, as they transition from testing and approvals to commercial orders and developing the customer base, via targeted marketing initiatives at industry events and direct engagement. With a number of customers having now been through the testing period for the Company's products, we are already seeing the number of repeat orders grow, as reflected in 2023 sales. We would expect to see further repeat order as additional clients gain

comfort and understanding of the technology. In addition, in February the Company signed an MOU with WILO SE, through which it expects to derive synergies from access to WILO's extensive distribution and customer network, while cooperating with them on decentralised and decarbonised energy supply.

RESULTS & FINANCING

The Company delivered results for the year in line with budget. This saw revenue of £2.1m and an operating loss of £10.4m. Proton ended the year with cash of £2.7m, reflecting the continued support of our principal shareholder, with whom it was agreed to further extend the loan facility by €17.5m during the year. This ensures operational financing for the Company in 2024. The principal on the new facility is not convertible and interest is charged at EURIBOR +3%. The revenue line reflects a 40% increase in system sales to £2m, offset by lower revenue from maintenance activities. This is an encouraging change, reflecting a further development of the Company's customer base. In terms of quantity, the increase in systems sales represents the delivery of 42 systems in 2023, compared to 23 in the prior year, and an increase in megawatt terms of 40% to 0.7MW.

The operating loss for the period is the result of an increase in operational expenses, on the back of the increase in headcount, sales and marketing expenditure, and additional development costs, which were not capitalised. The Company ended the year with a sales order backlog of £2.5m. This was supported by an order intake for the year of £2.5m, from a combination of existing and new customers, representing a total of 42 systems of varying sizes. The order intake included a further 15 systems from GKN Hydrogen Germany, 18 systems from UMSTRO and 3 systems from WILO SE, among other orders. The order of a further 15 systems from GKN Hydrogen Germany, brings the total number of systems ordered by the company to 46. These additional systems were successfully delivered in November 2023.

Towards the end of the year, the Company secured a grant from the German Ministry for Economics and Climate to help develop modular renewable and self-sufficient energy supply using hydrogen technology, as part of a consortium, which includes GKN Hydrogen. The basis of the grant is to match the Company's investments by 50%, over a period of 36 months. In addition to the financial benefit, working within the consortium will help support and develop existing customer and developer relationships.

MARKET OUTLOOK

Hydrogen as a zero-emission energy carrier will undoubtedly play a major role in the success of the energy transition, and a significant number of hydrogen generation projects are in development. Fuel cells represent the most efficient way of using hydrogen to create electricity for transport and stationary applications.

In transport, experience has confirmed the Company's long-held view that fuel cells are best for heavy duty applications such as trucks, ships and rail.

What we are seeing currently is earlier adoption across the stationary application market. This alone represents a very significant and growing opportunity, on the back of the increasing need for back-up power, critical power systems and off-grid solutions. Much of this market is currently served by diesel generators, which are highly polluting and expensive to run and maintain, making fuel cells an attractive alternative, with identical usability characteristics.

Adoption will inevitably take time, as customers need to get comfortable and gain confidence in the technology. That said, we are increasingly seeing repeat orders, from multiple blue-chip clients that have now

gone through that process. That includes companies such as DB Bahnbaugruppe GmbH, a subsidiary of Deutsche Bahn AG, Germany's leading full-service provider for rail infrastructure.

BOARD AND MANAGEMENT

I agreed to assume the role of Chairman in May 2024, to fill the vacancy created by the retirement of longstanding chairman Mr. Helmut Gierse, and to assist the Company in its search for suitable strategic partnerships. I have over 20 years' experience of Climate Technology investments, including helping the Company in 2007 negotiate to bring in its current main shareholder.

The Board would like to thank Mr. Helmut Gierse for the tremendous contribution he has made to the business over the last 15 years and wish him a healthy and long retirement.

During the year, Mr Manfred Limbrunner, a long standing senior member of Proton Motor, assumed the role of Director of Investor Relations and Communications. This is a key role in the development of the business, as it seeks to widen its shareholder base and expands its pipeline of opportunities, through sales, marketing and wider communication.

OUTLOOK

The Company has a diverse range of products covering stationary, heavy duty transport, marine and rail which it will continue to maintain and develop in line with market demand.

Reflecting the increasing interest in liquid cooled fuel cell technology and combined heat and power applications, the Company introduced the HyModule S4 system in January. This is a smaller version of the Company's S8 product, aimed at competing directly in the diesel and natural gas generator market, for those looking for a "plug and play" emission free alternative for combined heat and power applications. It is a product that is in-line with the Company's near-term focus on the stationary market, in response to market demand, which we look forward to developing further over the coming years.

Proton Motor is also looking forward to progressing several grant funding options to support its near and longer term strategy and technology development. These initiatives will also support existing relationships, including among the existing customer base, forming part of the Company's drive to grow its sales pipeline.

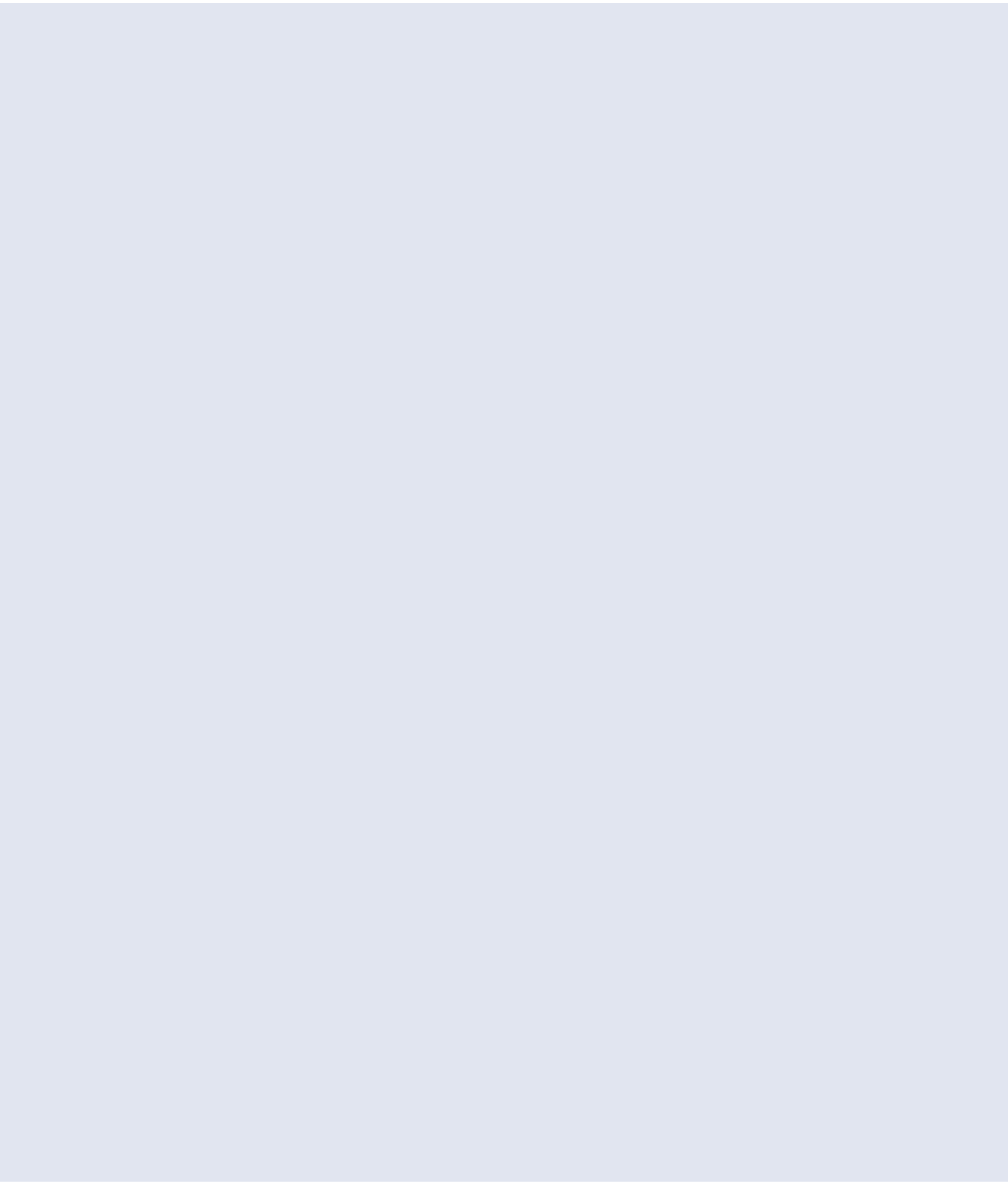
We are encouraged to witness market adoption taking place as customers seek solutions to meet emission reduction and energy storage targets and the wishes of their investors and customers, and discover the benefits of Proton's track record as one of Europe's longest established fuel cell development companies.

Proton Motor is well placed to take advantage of the opportunities that lay ahead.

Ali Naini

Non-Executive Chairman

Date: 27 June 2024



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BUSINESS REVIEW

Proton Motor Power Systems plc (“Proton Motor”) and its subsidiaries’ (the “Group”) principal activity is the development and production of hydrogen low temperature proton exchange membrane (“PEM”) fuel cells and fuel cell systems and hybrid systems through its German subsidiary Proton Motor Fuel Cell GmbH (“PM”).

A low temperature PEM fuel cell is a device that converts the chemical energy of a hydrogen and an oxidant into electric and thermal power, with only water as a by-product. In principle, it’s functionality is like a combustion engine, but without any harmful emissions and does not require recharging as long as an ongoing hydrogen source is available. Operating fuel cells in combined heat and power mode increases the system efficiency significantly.

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

Proton Motor has made further progress this year in proving its technology, building up capacity. The Group sees a strong market trend to focus on hydrogen as a renewable energy carrier to manage the energy transmission process, especially in stationary applications for combined power and heat generation, autonomous power supply, power to power applications and emergency power supply, where a strong market ramp up is expected over the coming years. Also, for the transition of the transport sector from combustion engines (based on fossil energy carriers) to an emission free transport sector with electric drive trains, hydrogen-based fuel cells in combination with a battery will play an important role, given the likelihood of bottlenecks caused by electricity infrastructure. In all of the above sectors and applications, the Group has significant know-how in fuel cell stacks, systems and applications.

Over the years, different applications provide good examples of Proton Motor’s in-depth know-how. These include: back-up power solutions (e.g for tetra radio stations, railway control centres or road tunnels) outdoor (HyShelter®) and indoor (HyCabinet) solutions for heat & power generation up to 215 kVA power output and autonomous power supply solutions based on a fuel cell battery hybrid solution (e.g. HyShelter® with up to 180 kW output power). In the mobility markets, the Company has also built a high level of knowledge, based on the different solutions created, including: HyRange® 43 fuel cell systems for the integration into garbage collecting trucks from E-Trucks Europe, the HyRail® fuel cell system for a rail milling machine for the Austrian company Linsinger and HyShip® inside the maritime project ZEUS from Fincantieri.

In addition to developing application and a customer specific driven sales approach, the customer base for the standardized stationary fuel cell systems HyModule® and HyFrame® has also developed. The Group’s long term customers, GKN Hydrogen, Umstro and Ostermeier, regularly order these types of fuel cell systems and integrate them in their applications.

The Group continues to see an increase in the potential order sizes from the market. To be prepared for this, Proton Motor will be expanding its production capacity to several thousand stacks, fuel cell systems and turnkey solution per year. To facilitate this, Proton has signed a lease agreement for new production site, near its headquarters in Puchheim. It is expected that the process of moving to the new facilities will gather pace, once the application to build the hydrogen storage tanks is approved, later in the summer, with the start of production from the new facility then planned for 2025.

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

The Group undertakes comprehensive business planning to define long-term strategic objectives and goals. Annual budgets and operational plans are prepared utilising financial and non-financial Key Performance Indicators (“KPIs”). Business performance is measured by KPIs which include monitoring of actual against budget and rolling forecasts, and R&D project status. These are reported to the Board on a quarterly basis and to executive management on a monthly basis.

The Company began as Magnet Motor, opening its factory in 1996. The technology and application roadmap went from the world’s first triple hybrid forklift truck to the world’s first fuel cell ship. After that Proton Motor developed the triple hybrid Skoda bus in 2008. Turnkey power solutions completed the application portfolio. All those applications are powered via our own fuel cell stacks HyStack®, with a robust design for a long lifetime. The Company established operations close

to the Munich area and was one of the first German designers and manufacturers of fuel cells.

VIEW TO THE FUTURE

The world is committed to protecting the environment. European cities and governments, supported by the European Commission, must reduce inner-city pollution drastically. Society and the economy have to switch to renewable energy sources, such as wind and solar, and combustion manufacturing industry and supply chains must be transformed towards clean technology. Renewable energy sources are only available on a fluctuating basis and therefore much more power capacity is required to be installed, than the average of demand, resulting in the need for a long term and loss free energy storage solutions and a transportable energy carrier, with hydrogen being the only possibility. In this regard fuel cells will become the ideal consumer for hydrogen. China fights against smog in its big cities. After Dieselgate in the US and Europe, electric vehicles with batteries are on the move, but electric grid restrictions have become apparent. Supply constraints on fossil fuels, due to military conflicts, such as in Ukraine, have also strengthened the need for hydrogen strategies in Europe. All this is generating a market demand for a clean power supply in all markets. Based on that development, the world market for fuel cell products and solutions is more active than ever.

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

Proton Motor has deep experience in applications for stationary power solutions, heavy duty vehicles, such as buses and trucks, ships, rail machines and material handling. With 93 staff members, it is a relatively small but regarding IP and experience a powerful company. Proton Motor has developed and continues to develop its own fuel cell stacks. Systems are designed from first simulation, prototype up to final solution for volume manufacturing. Proton Motor is cooperating with German and European based companies in the field of fuel cell technology.

MARKET DRIVERS

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

- United Nations Framework Convention on Climate Change (“UNFCCC”) COP legalisation on climate change;
- Strengthening competitiveness on cleantech technology in Europe and making Europe more independent from Asia
- Current and future air quality regulation;
- Growing industrial and consumer demand for alternative sources of energy;
- The potential long term competitiveness of the auto and transportation industries;
- Energy security concerns;
- Expansion of renewable energy sources and therefore the need of energy storage;

- Limitations of purely battery powered systems and electrical infrastructure constraints;
- Renewable energy storage systems in industrial buildings and private residencies.
- Discussions regarding hydrogen as an energy storage for green energy (power to gas);
- A growing global demand for transportation;
- Increasingly urgent demands for healthy breathable air in urban centres and for action to mitigate the adverse effects of climate change;
- The growing availability and the compelling economics of cleaner fuels; and
- Increasing political commitment to hydrogen on an EU, national and regional level.

INCREASING POLITICAL COMMITMENT TO HYDROGEN AS AN ENERGY SOURCE: EUROPEAN UNION (EU)

- The EU originated European Clean Hydrogen Alliance (ECH2A) was announced as part of the New Industrial Strategy for Europe, which was launched on 8 July 2020 within the context of the hydrogen strategy for a climate-neutral Europe.
- The European Clean Hydrogen Alliance aims at an ambitious deployment of hydrogen technologies by 2030, bringing together renewable and low-carbon hydrogen production, demand in industry, mobility and other sectors, and hydrogen transmission and distribution. With the alliance, the EU wants to build its global leadership in this domain, to support the EU’s commitment to reach carbon neutrality by 2050. <https://www.ech2a.eu/>
- Proton Motor has been participating in the ECH2A founding process.
- Proton Motor is already participating in the EU REVIVE project. REVIVE stands for ‘Refuse Vehicle Innovation and Validation in Europe’. The project has been running from the beginning of 2018. The objective of REVIVE is to significantly advance the state of development of fuel cell refuse trucks, by integrating fuel cell powertrains into 15 vehicles and deploying them across 8 sites in Europe. It aims to deliver substantial technical progress by integrating fuel cell engines from three suppliers into a mainstream DAF chassis, and developing effective hardware and control strategies to meet highly demanding refuse truck duty cycles.
- Proton Motor is also participating in the EU StasHH Project. The consortium operating together as “StasHH” (Standard-Sized Heavy-Duty Hydrogen) comprising 11 fuel cell module suppliers, 9 original equipment manufacturers and 5 research, test, engineering and/or knowledge institutes and will standardise physical dimensions, flow and digital interfaces, test protocols and safety requirements of the fuel cell modules that can be stacked and integrated in heavy duty applications like forklifts, buses, trucks, trains, ships, and construction equipment. The consortium received €7.5 million funding from the European Union, through the “Fuel Cells and Hydrogen Joint Undertaking” (FCH JU), in order to kickstart the adoption of fuel cells in the heavy duty sector. The total budget for the StasHH mission is €15.2 million.

FEDERAL REPUBLIC OF GERMANY

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

- The 'national fuel cell strategy' will support the hydrogen industry. The goal is to make Germany a global champion in the hydrogen industry. By 2030, Germany plans to install 30 Gigawatt of electrolyzers to produce green hydrogen from offshore and onshore alternative energy. Additionally, the German government is seeking to support the shift from fossil energy to hydrogen in all types of industrial processes.
- Since 2023 Proton Motor has participated in the German funded project MarrakEsH. The consortium consists of universities and institutes, the industrial companies Infineon Technologies, Würth and GKN Hydrogen as partners. The target of the project is to develop a modular, renewable, and self-sufficient energy supply based H2 technology. Proton Motor will design a new HyModule® product with a power output of around 12 kW, as an extension of the current available HyModule® product line.

UNITED KINGDOM

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

COMPANY STRATEGY AND PRODUCT OFFERING

Proton Motor's vision is to revolutionise the energy industry through clean technology innovations, aligning with EU climate goals to pave the way for a sustainable and green future. Guided by strategic goals, the Company endeavours to achieve the following objectives:

Vision: PM's vision is to create a clean world for the next generations while being economically successful and creating new added value in Europe.

Mission: As a team, PM develops, produces, and distributes emission-free, sustainable, and reliable system solutions in-line with market needs. PM has built up and will extend long-term relationships with its customers and suppliers. As quality is important to PM, it establishes high standards in purchasing, production, service and maintenance.

Strategic goals: With the vision of a sustainable future, Proton Motor aims to deploy fuel cell systems across various market sectors, ensuring widespread adoption of its cutting-edge technology. The company focuses currently with its standard Hy brand products on the stationary market with spillover effects into the mobility markets (heavy-duty, rail and maritime) with customizable systems to tailor solutions to needs of volume customers, ensuring maximum customer focus and fastest time to market. Central to the strategy is cost-effective manufacturing and superior performance parameters, even with current low production volumes that, it is hoped, will soon grow exponentially and will dramatically reduce costs. Prioritizing sustainability throughout the lifecycle of its products minimizes environmental impact while maximizing long-term value for customers.

Strategy: To achieve these goals, Proton Motor allocates a significant portion of resources to further development, leveraging innovations to reduce costs and enhance performance. Its flexibility allows the company to adapt swiftly to evolving market demands, ensuring that

solutions remain at the forefront of technological advancements. Rapidly expanding production capacities to meet growing demand, Proton Motor focuses on penetrating the market quickly to secure significant market shares across various sectors. High levels of standardization, digitization and automation drive overall market growth, while collaborating with other industry players fosters innovation and progress. The company's strategy involves developing concrete use cases for current and future customers, collaborating on concepts integrating battery systems, and other complementary technologies. While reaching breakeven is the company's main objective, the initial focus is on market penetration.

Operative Concept: Operationally, Proton Motor is implementing concrete development activities, and made an application in 2024 to participate in Innovation Fund projects and executing specific projects with customers. Pilot projects serve as winning new customers, preparing the market, informing strategic decisions, and refining offerings. Governmental affairs, marketing and sales efforts are aligned with strategic objectives, ensuring effective communication of the value proposition to target markets.

In securing financing for its initiatives, Proton Motor is now actively engaging with investors and governmental funding programs. This holistic approach to the Company's strategy positions Proton Motor as a leader in the Cleantech sector, poised to drive meaningful change and make a lasting impact on the energy and industrial landscape.

PRODUCT OFFERING

Proton Motor has demonstrated and validated a wide range of fuel-cell based zero-emission propulsion and energy systems. The Company maintains an active exchange, with national and international customers, in various applications and markets. Proton Motor has developed and extensively validated its core technology, the fuel cell stacks HyStack® 200 - and HyStack® 400 - which together offer a modular power range from 4 kW to 50 kW. These are used in the market related products:

FUEL CELL SYSTEMS FOR STATIONARY APPLICATIONS

For stationary systems, the current product range includes emergency power systems for numerous industrial applications, e.g. for secure telecommunications (BDBOS), road tunnels or railway switching stations. Especially for the railway switching stations emergency power supply systems for indoor use, with 25 kVA and 50 kVA available. Autonomous energy systems, for residential houses/apartments, e.g. power generated by solar energy is stored as hydrogen and released as needed, power supply systems (on or off grid) with large power ratings (e.g. 90 kVA-220kVA) in containers, e.g. for grid-independent energy supply of transportable hydrogen filling stations (project performed together with Shell) in containers.

The stationary market seems to have the highest near-term market potential. Not only has Europe been the fastest growing market for stationary PEM Fuel Cells over the last ten years, in terms of global market volumes and growth, indications are that PEM Fuel Cells (using graphite Bipolar Plates (with a long lifetime) have the greatest potential within stationary applications. Global market value, in megawatt, is expected to increase from 1,787 megawatt in 2026 to 22,026 megawatt in 2032, while the global market for fuel cells is expected to grow significantly by 2032, from EUR 7.5 bn. in 2026 to EUR 69.9 bn. in 2032. Proton Motor is therefore prioritising the stationary market segment in the near and medium term.

FUEL CELL DRIVE SYSTEM FOR MOBILITY

For mobile fuel cell propulsion, the zero-emission propulsion systems developed and produced by Proton Motor are: designed and produced to meet the needs of specific customers and can combine with a battery system, forming a seamless solution. In this sector Proton Motor offers the following product range: HyRange for the heavy-duty market, HyShip for the maritime market and HyRail for the rail market.

The possibility of the proposed system configuration offers a perfect combination of high performance, extended operating time, and fast refuelling, without the need of external battery charging. This setup could ensure continuous operation with minimal weight, storing all driving and heating energy in hydrogen and the battery only supplying peak power and storing breaking energy. The fuel cell hybrid system will then meet all performance requirements with zero emissions, quick refuelling, and lower costs compared to diesel or battery-only alternatives. It requires minimal maintenance and enables proactive servicing through online monitoring.

Proton Motor's technology spans various mobility sectors, including heavy duty vehicles, trains, and maritime vessels. Collaborations with leading shipbuilders, such as Fincantieri, demonstrate their commitment to sustainable transportation solutions.

PARTNERSHIPS WITH CUSTOMERS FOR CUSTOMISED ENERGY SYSTEMS

Proton Motor offers customised system solutions, based on the modular system kit and the HyStack® technology over its entire product range. Proton Motor is known for its mature and thoroughly validated fuel cell products and enjoys an excellent reputation (e.g. see follow up orders from GKN Hydrogen or DB Bahnbaubau Gruppe) in the industry for its customer orientated services in the areas of solution design, engineering, testing, integration, commissioning, servicing, and performance monitoring. The customised plant design process begins with a detailed concept development phase, defining key parameters including the application environment and use case, peak and average power requirements, system dimensions, range, duration, and operating cost targets. System design and manufacturing, followed by customer support for integration, commissioning, service- and maintenance complete the process. The customer will be trained in all supporting processes to reduce engineering and supporting Proton Motors efforts within recurring orders. Usually, negotiations for framework agreements and larger series orders result after the build-up of recurring orders.

GROUP ACTIVITIES

With the successful setting up of the production line for the standardized fuel cell systems HyModule® and HyFrame®, the Group has been focusing on selling these direct to customers or integrate this into the turnkey solutions HyCabinet and HyShelter®. At the end of January, at the HyVolution 2024 in Paris, the HyModule® S4 was presented to the market. With this additional system the Group extends the standardized fuel cell system product portfolio from 4kW to 40 kW. Through various customer projects, the offering of turnkey solutions was also extended by HyShelter® 87 and 215 and the HyCabinet S24 and S43 solution. With this, turnkey solutions of up to 215 kVA power output, with 400 VAC, can be offered as a standard for power and heat generation to the market.

For both HyShelter® versions orders are in house. A HyShelter® 87 will be supplied by mid of 2024 to the Spanish company Redexis, to supply an Imberostar hotel on the island Mallorca with green electricity and heat. A HyShelter 215 will be delivered to the University of Stuttgart in the third quarter of 2024 to be integrated into a pilot energy park, based fully on green hydrogen. In addition, the Group has increased the production of its HyModule® S8 and HyFrame® units, in response to regular orders from several customers, including GKN Hydrogen, Umstro, Ostermeier and H2PowerCell.

The Group is also working to extend the power range of its fuel cell systems into the three-digit kilowatt power range, with the product line HyScale® to be established in the second half of 2024. The HyScale® systems are designed as multistack consisting of up to four HyStack® 400 stacks. The first functional prototype has been tested successful in the Group's laboratories. With these HyScale® systems, stationary applications for autonomous power supply or power and heat generation into megawatt output power can be offered to the market.

As part of the EU funded project REVIVE, in which Proton Motor has been a member of the project consortium since 2019, a HyRange® 43 fuel cell system for integration into a garbage truck has been designed. A HyStack®400, with 144 cells, is being integrated into the HyRange® 43 fuel cell system. The integration into the truck is being carried out together with the vehicle manufacturer, E-Trucks, from Belgium. The first system was delivered in 2020. Since then, E-Trucks have repeatedly ordered HyRange® 43 fuel cell systems in two designs. One design for mounting under the driver's cabin and the second is for mounting on the roof. In total, E-Trucks has ordered 21 HyRange® 43 systems, 14 of which have been delivered to date and are operating in garbage collecting trucks.

In October 2022, the Group signed a rental agreement for a new production facility in Fürstentfeldbruck, near to Proton Motor's Puchheim headquarter. The new site will be used for the production and commissioning of fuel cell stacks, systems and containerized turnkey solutions. In October 2023 the Company filed the documents needed to gain building permission for the hydrogen storage tanks with the building department of the City of Fürstentfeldbruck. Currently the Group expects permission to be approved by mid of 2024. Post approval, construction on site will commence. The start of production from the facility is planned for 2025. The automated fuel cell stack production robot will also be integrated in the new facility, as part of the construction phase. With this new site, Proton Motor will have an immediate production capacity for up to 180 MW of fuel cell power, representing the manufacturing of up to 5,000 stacks, fuel cell systems and turnkey solutions per year.

OPERATIONAL STRATEGY

Sales and growth strategy

The following table shows the concrete commercialisation strategy by PM:

	until 2026 Market introduction EU 27	2027/28 Market expansion Start of serial production EU 27	> 2029 Market growth Eu 27 / World
Sales strategy	<ul style="list-style-type: none"> Direct sales to new customers & end users (B2B) Partnering with strategic partners/investors Identifying/winning sales partners in European countries & multipliers 	<ul style="list-style-type: none"> Tying customers and recurring order ramp up stationary market Market penetration mobility markets Supporting European customers for worldwide market Installing agents and distributors 	<ul style="list-style-type: none"> Key account management Increasing distributor and sales agent management from Europe worldwide Sales partnerships with strategic partners
Marketing strategy	<ul style="list-style-type: none"> Information to market (users, customers, integrators) on application and use potential Creating politician awareness also through associations Teaching adaptors, integrators and multipliers 	<ul style="list-style-type: none"> Expanding communication & marketing to European regions Information events and training for system integrators and OEMs Exhibition at international trade fairs worldwide 	<ul style="list-style-type: none"> Expanding communication & marketing to promising regions outside Europe Identifying new markets and customers Shift from towards direct sales Strengthening market intelligence and new market identification
Business tasks	<ul style="list-style-type: none"> Partnering with strategic partners/investors Increasing European sales & marketing power and reach Manufacturing ramp up new facility 	<ul style="list-style-type: none"> Expanding service/maintenance network European wide Partnering with multinational strategic partners/investors 	<ul style="list-style-type: none"> Expanding offerings of products and services Increasing manufacturing value and capacity Expanding service/maintenance outside Europe

The strategy is to start from the European market (DACH-Region, Benelux, Spain and France) as the initial market and address customers based in Europe (including UK). As soon as European market penetration has stabilized, manufacturing capacity has increased and funding has progressed, the Company intends to address the wider world market. The commercialisation strategy is based on the following three phases:

Phase 1 - Market introduction until 2026: Market ramp-up in Europe, with the Hy brand product range, focused on the decentralized/local stationary fuel cell power plants market. This market is seeing earlier adoption and highest levels of traction. In this phase, Proton Motor will also target European customers that export their products worldwide, despite fulfilment taking place within Europe. In this phase the first demonstrators with new customers and (end)users will be brought into the market and customers and (end)users will be trained (integration, start-up, service/maintenance) and supported. Additionally, adopters, planers and integrators will be trained so they can be seen as marketing multipliers in the market.

Phase 2 – Market Expansion 2027/28: Newly won customers and (end) users will lead to recurring orders with reduced necessary support from Proton Motor (integration, start-up, service/maintenance). Also, through the installed marketing multipliers the sales and marketing reach will be increased to win new customers which can then step by step lead (integration, start-up, service/maintenance) to additional opportunities. Expansion of the mobile fuel cell product offering will take place through further establishing Proton Motor's profile and competence in more complex and challenging markets: Road transport, rail and ships. Proton Motor expects demand growth in mobile applications to occur later, due to the more complex infrastructure

challenges. These associated markets are still in a relatively early phase of development. The standard product portfolio will be increased in the stationary market to higher power system products and standard products in the early mobile markets. Start of partnering process with strategic partners/investors to expand product offerings towards fuel cell stacks, increasing volume and reducing costs which will lead to market acceleration. Leading also into stack manufacturing and JVs and system manufacturing licensing.

Phase 3 – Market growth >2029: Expected the start of exponential growth, on the back of renewable hydrogen being available in large quantities. This will be leading to increasing orders from existing and newly won customers in the stationary sector and recurring orders without the need of integration/startup support from Proton Motor, leading to new resources for further market ramp up. Mobility markets will grow as the refilling infrastructure is widely installed and hydrogen logistics established. Standardized fuel cell product offerings will be increased, and new markets will be analysed and potentially addressed as the profitability of Proton Motor is increased. This will lead to recurring orders without the need of integration/startup support from Proton Motor, leading to new resources for further market ramp up. Proton Motor envisages having established partnerships with one or more multinational strategic partners/investors, leading towards mass manufacturing partnerships/JVs of fuel cell stacks introducing the first offerings from the Hy brand product range outside of Europe by 2030. Target regions are North America and Middle East. Proton Motor's production strategy here is to grant system manufacturing licences (no licence for the HyStacks®) to non-European partners in the relevant sales regions as volumes increase and products become established.

Specific measures to realise the commercialisation strategy include the following steps:

- (1) Reference projects and case studies**, meaning the acquisition of reference users through our existing network of contacts, as well as via general contractors and the completion of a large numbers of demonstration projects in different European countries.
- (2) Customers and partners**, meaning presenting the complete Hy brand product range to potential OEMs and general contractors, with whom Proton Motor already has established business relationships as well as publications related to the Hy brand product range, to reach potential end customers (e.g. trade journals, conference presentations).

The initial marketing is based on a pull strategy. Proton Motor will present product information at international trade fairs, conferences and associated digital channels. Proton Motor will also attend regional trade fairs, as the regional context is an important reference point within the Proton Motor culture. Proton Motor will continue to be a member of various hydrogen economy trade bodies to promote hydrogen technologies. Furthermore, it will advertise its products in trade journals and raise awareness amongst the general public. Proton Motor also intends to give interested parties and potential end customers the opportunity to attend regular webinars, at which the Hy products will be described in more detail.

In the first two marketing phases listed above, Proton Motor is focusing on Europe, for the following reasons:

- **Existing market knowledge and intelligence.** Europe is Proton Motor's home market. As part of this market study, a thorough analysis of the European market, including market segmentation and identification of target customer groups, has been conducted,
- **Market size and growth.** Europe is one of the strongest growth areas globally for fuel cells. Furthermore, it is expected that hydrogen prices will decrease.
- **Existing contractual agreements with multiple OEMs and system developers**, most of which currently are best positioned to serve the European market.
- **Important suppliers for PM located mainly in Europe (e.g. Germany and Denmark)**
- **In the third phase the USA, Middle East and Africa are identified as significant potential markets.**

Manufacturing strategy

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

- Establishing further key commercial partnerships within these target markets;
- Designing the Group's fuel cells and fuel cell systems to meet the engineering requirements for volume manufacturing;
- Switching over to a new and more cost-effective stack generation, which will lead to a decrease in production costs;
- Establishing quality control procedures;

- Installing professional commercial test benches to ensure high quality standards for the Group's fuel cells and fuel cell engines;
- Building up a new electrical infrastructure for continuous testing;
- Reviewing, risk assessed and secured supplier and component manufacturing relationships;
- Identifying second source suppliers and addressed new suppliers for critical components;
- Identifying and assessed major commercial factors, such as cost, availability, robustness and durability of components; and
- Securing and properly documenting necessary regulatory and operational approvals for each application.

Competitive advantages

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

S172(1) STATEMENT

The disclosures required for s172 reporting can be found on pages 12 and 17 of the financial statements.

OUTLOOK

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

On behalf of the Board

Dr. Faiz Nahab
Chief Executive Officer

Date: 27 June 2024

DIRECTOR'S REPORT

The Directors present their annual report and the audited financial statements of the Group and parent company ("the Company") for the year ended 31 December 2023. The Chairman's statement and the Strategic report form part of the Directors' report.

PROPOSED DIVIDEND

The Directors do not recommend the payment of a dividend (2022: *£nil*).

DIRECTORS

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

Dr. Faiz Nahab	Chief Executive ^{1,3}
Helmut Gierse (Retired on 22 May 2024)	Non-Executive Director and Former Chairman
Antonio Bossi	Non-Executive Director ²

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

Ali Naini (appointed as Chairman on 22 May 2024)	Non-Executive Director and Chairman
Sebastian Goldner	Chief Operations Officer
Roman Kotlarzewski	Chief Financial Officer and Company Secretary ^{4,5}
Manfred Limbrunner	Director Governmental Affairs and Funding
1	Chairman of the Remuneration Committee.
2	Chairman of the Audit Committee.
3	Chairman of the Nominations Committee.
4	Member of the Remuneration Committee.
5	Member of the Nominations Committee.

DIRECTORS' INTERESTS

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

	Number of options during the year				Exercise Price	Date from which exercisable	Expiry Date
	At start of year	Granted	Exercised/ Waived/ Expired	At end of year			
Helmut Gierse	1,350,000	–	–	1,350,000	£0.06 £0.10 £0.04 £0.10 £0.08	28 February 2016 23 July 2011 18 February 2017 1 July 2012 27 July 2017	27 February 2024 22 July 2024 17 February 2025 30 June 2025 26 July 2025
Faiz Nahab	10,000,000	–	–	10,000,000	£0.08	27 July 2017	26 July 2025
Roman Kotlarzewski	500,000	–	–	500,000	£0.08 £0.08	1 July 2019 14 March 2021	30 June 2027 13 March 2029
Sebastian Goldner	389,250	–	–	389,250	£0.04 £0.04 £0.04 £0.08	23 July 2016 18 February 2017 1 July 2012 27 July 2017	22 July 2024 17 February 2025 30 June 2025 26 July 2025
Manfred Limbrunner	1,370,000	–	–	1,370,000	£0.06 £0.10 £0.08 £0.04 £0.08	28 February 2016 23 July 2016 18 February 2017 1 July 2012 27 July 2017	27 February 2024 22 July 2024 17 February 2025 30 June 2025 26 July 2025
Antonio Bossi	–	–	–	–	n/a	n/a	n/a
Ali Naini	–	–	–	–	n/a	n/a	n/a

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 3 (2022 – 3).

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

	Start of year	Issues	Sales	End of year
Dr. Faiz Nahab	–	–	–	–
Helmut Gierse	8,548,502	466,395	–	9,014,897
Antonio Bossi	309,325	282,102	–	591,427
Sebastian Goldner	310,000	100,000	–	410,000
Roman Kotlarzewski	600,000	100,000	(150,000)	550,000
Manfred Limbrunner	225,000	–	–	225,000
Ali Naini	200,000	–	–	200,000
	10,192,827	948,497	(150,000)	10,991,324

Directors' attendance at various meetings was as follows:

	Board meetings (out of 4)	Audit committee meetings (out of 2)	Remuneration committee meetings (out of 3)	Nomination committee meetings (out of 1)
Dr. Faiz Nahab	4	N/A	3	1
Helmut Gierse	4	2	N/A	N/A
Antonio Bossi	4	2	N/A	N/A
Sebastian Goldner	4	N/A	N/A	N/A
Roman Kotlarzewski	4	N/A	3	1
Manfred Limbrunner	4	N/A	N/A	N/A
Ali Naini	4	N/A	N/A	N/A

SHARE CAPITAL

There have been movements in the share capital of the Company during the year. Full details of these movements are set out in note 23 to the financial statements.

MAJOR SHAREHOLDINGS

As at 31 December 2023 the following shareholders held 3% or more of the Ordinary share capital of the Company:

	Ordinary Shares	
	Number	Percentage
SFN Cleantech Investment Limited	895,700,056	56.29%
Falih Nahab	415,669,018	26.12%

CAPITAL STRUCTURE

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

GOING CONCERN CONSIDERATIONS

Until such time as the Group achieves operational cash inflows through becoming a volume producer of its products to a receptive market it will remain dependent on its ability to raise cash to fund its operations from existing and potential shareholders and the debt market. The Group has historically been dependent on the continuing financial support of its main investor to meet its day-to-day working capital requirements.

The Group had loans with SFN Cleantech Investment Limited, of €2.4m (£2.4m) and €32.3m (£32.3m), of which €29.7m (£29.7m) were drawn down at the end of 2023. The loans are repayable in December 2025.

The Group also has a loan facility with Mr. Falih Nahab of €71.4m (£61.9m), of which €69.0m (£59.8m) were drawn down at the end of 2023. Post year end the facility was extended by €6.1m (£5.3m) to accommodate further drawdowns of €6.1m (£5.3m) post year end. The loan is repayable in December 2025.

Subsequent to the 2023 year end it was agreed to set up a new loan facility with Mr. Falih Nahab of €12.0m (£10.4m), of which €nil were drawn down at the end of 2023. The loan is repayable in December 2025.

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

DIRECTORS' DUTIES

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

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

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

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

Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Governance section on pages 19 to 23.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with UK adopted international accounting standards and company financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on page 10 confirm that, to the best of their knowledge:

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

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

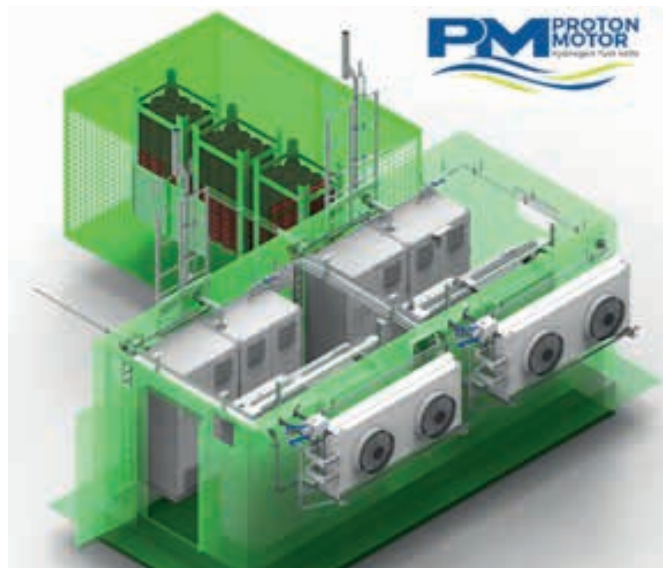
- so far as the Director is aware, there is no relevant audit information of which the Group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish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

DIRECTORS' INDEMNITIES

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

POLITICAL DONATIONS

No political donations were made by the Group in 2023 (2022: £nil).



INDEPENDENT AUDITORS

In accordance with section 489 of the Companies Act 2006, a resolution to confirm the re-appointment of Sumer Auditco Limited, as auditors of the Group and parent company will be proposed at the forthcoming Annual General Meeting.

2023 will be the seventh year that Maxine Pott has been the Responsible Individual for the audit engagement. The FRC Ethical Standard states that a Responsible Individual should not act as engagement partner for more than five years in the case of listed entities, unless in circumstances where the Audit Committee and audit firm decide that a degree of flexibility over the timing of partner rotation is necessary to safeguard the quality of the engagement. In this case the engagement partner may continue in the position for a further two years. Given the Responsible Individual's specialist knowledge of the entity and industry, it is considered necessary to utilise the additional flexibility available in order to maintain audit quality.

STRATEGIC REPORT

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

On behalf of the Board

Dr. Faiz Nahab
Director

Date: 27 June 2024

SHAREHOLDER INFORMATION

Registered number

05700614

Registered office and head office

c/o Womble Bond Dickinson (UK) LLP
4 More London Riverside
London
England
SE1 2AU

Financial advisers and stockbroker

Allenby Capital Limited
5, St Helen's Place
London
EC3A 6AB

Solicitors

Womble Bond Dickinson (UK) LLP
4 More London Riverside
London
SE1 2AU

Independent Auditors

Unit 2
Gosforth Park Avenue
Newcastle upon Tyne
NE12 8EG

Registrars

Neville Registrars Limited
Steelpark Road
Halesowen
West Midlands
B62 8HD





DR. FAIZ NAHAB (AGED 81), CHIEF EXECUTIVE OFFICER

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



HELMUT GIERSE (AGED 74), INDEPENDENT NON-EXECUTIVE CHAIRMAN (RETIRED 22 MAY 2024)

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



SEBASTIAN GOLDNER, (AGED 43), CHIEF OPERATIONS OFFICER

Sebastian has more than 15 years of experience in the design and construction of mobile, marine and stationary fuel cell applications. His experience is based on various leadership positions in sales & marketing, project management and development. Currently, he exercised the dual role of Chief Technical Officer and Chief Operations Officer responsible for technical development, customer projects, customer service and production. As from 1 June 2024 Sebastian exercises the role of Chief Operations Officer. Sebastian studied engineering computer science with a focus on electrical engineering at the University of Paderborn. As part of his studies, he completed his diploma thesis at Infineon Technologies in Munich. (Time commitment: full time).



ROMAN KOTLARZEWSKI, (AGED 65), GROUP FINANCE DIRECTOR

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



MANFRED LIMBRUNNER, (AGED 54), DIRECTOR GOVERNMENTAL AFFAIRS, FUNDING AND INVESTOR COMMUNICATION

Manfred joined Proton in November 2000 as a design engineer and project manager for various mobile and maritime projects. In his early years he was also in charge of the systems engineering and the homologation of the Fuel Cell Hybrid Systems. As Proton developed further he formed and led the design department, played a significant role in implementing the quality management system and rotated in October 2009 to the product management position, until he was appointed as CTO in March 2011. By November 2016 he took over the newly founded Mobility Business Unit and was responsible for Sales and Marketing until October 2022 when Manfred took over responsibility for the newly created role of Governmental Affairs, Funding and Investor Communication.

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



ANTONIO BOSSI, (AGED 55), INDEPENDENT NON-EXECUTIVE DIRECTOR

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



ALI NAINI, (AGED 57), INDEPENDENT NON-EXECUTIVE CHAIRMAN (APPOINTED AS CHAIRMAN 22 MAY 2024)

Further to his appointment as Independent Non-Executive Director, Ali was appointed as Chairman as from 22 May 2024. Ali is a co-founder and Managing Director of Turquoise International Limited ("Turquoise"), www.turquoise.eu, one of Europe's longest established financial advisers and investors in climate technologies. His experience includes: the set up and management of the two ERDF-backed Low Carbon Innovation Funds; work with a variety of ClimateTech companies (including Proton Motor, where he was previously the deputy chairman for two years from 2008 to 2010); 10 years as co-founder and chairman of Controlled Power Technologies (hybridisation of passenger vehicles) from establishment to trade sale; and 10 years as exclusive financial advisor to Anglo Platinum on ClimateTech matters including its fuel cell JV with Johnson Matthey and establishment of a corporate venturing fund. Previously, he worked in energy project finance and privatisation at Close Brothers, Flemings and PwC, on projects such as Thailand's first IPP solicitation programme and the Northern Ireland electricity privatisation. He holds a Master's and 1st class Bachelor's degrees from the London School of Economics. (Time commitment: 2 days per month).

The Board has chosen to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code ("QCA Code").

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

BOARD COMPOSITION AND EFFECTIVENESS

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

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

INDEPENDENCE OF NED

The current non-executive Chairman was appointed as NED in May 2023 and to Chairman in May 2024, and the other non-executive Director was appointed in August 2021.

CORPORATE GOVERNANCE STATEMENT

DIRECTORS' DUTIES S.172 COMPANIES ACT

The Board concluded that its key stakeholders are as follows:

- Our customers, who buy the Company's product.
- Our employees.
- Our partners in the supply chain, who are suppliers and subcontractors to the Company's business operations.
- Our shareholders, who invest in the Company.
- The communities in which the Company operates.

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

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

Within this context it is necessary to take into account that Proton Motor has one operational site in Puchheim, Germany and employs over 90 staff.

How the Directors engage:

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

RISK MANAGEMENT

Operational and financial risks are identified primarily by executive management. Executive management members sitting on the board will communicate major identified risks with the Board. All Board meetings since 2020 have been conducted virtually. Measures to manage and mitigate identified risks will be determined by the board, conveyed and implemented by executive management. Evaluation of implemented risk management measures will be reviewed at the subsequent Board meeting.

PRINCIPAL RISKS AND UNCERTAINTIES

Operating revenues and future funding

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

Further development activities

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

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

OTHER BUSINESS RISKS

In addition to the current principal risks identified above and general business risks, the Group's business is subject to risks inherent in the energy sector, development and production activities. There are a

number of potential risks and uncertainties which could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. The Company has identified certain risks pertinent to its business including:

CATEGORY	RISK
COMPETING POWER TECHNOLOGIES	<p>As the Group's fuel cell technology has the potential to replace existing power products, competition for the Group's products will come from current power technologies, from improvements to current power technologies and from new alternative power technologies, including batteries, other types of fuel cells or other self-contained energy systems. Each of the Group's target markets is currently serviced by existing manufacturers with existing customers and suppliers. These manufacturers use proven and widely accepted technologies such as internal combustion engines, turbines, batteries and overhead contact lines. The Directors believe this risk has reduced during 2023 and will continue to reduce during 2024.</p> <p>Additionally, there are competitors working on development of technologies other than fuel cells (such as advanced batteries, ultracapacitors and hybrid battery/internal combustion engines) in each of the Group's targeted markets. Some of these technologies may be as capable of fulfilling the existing and proposed regulatory requirements as the Group's fuel cell technology. The Directors believe this risk has reduced during 2023 and will continue to reduce during 2024.</p>
GOVERNMENTAL REGULATION	There may be a change in government regulations or policies, which could have a material adverse effect on the Group's activities. The Directors see government activities, especially at the EU level and also in Germany and UK improving for hydrogen technology.
COMMERCIAL RELATIONSHIPS	The success of the Group will depend on its ability to integrate the Group's fuel cell technology into products manufactured by OEMs. There is no guarantee that OEMs will manufacture appropriate products or, if they do manufacture such products, that they will choose to use the Group's fuel cell technology. Any integration, design, manufacturing or marketing problems encountered by OEMs could adversely affect the market for the Group's fuel cell technology and the Group's financial results.
DEPENDENCE ON KEY PERSONNEL	In order to implement the Group's anticipated growth successfully, the Group will be dependent on its ability to hire and retain additional skilled and qualified personnel, particularly in relation to sales, sales support, technological development, management, and marketing. There can be no assurance that the Group will be able to retain or hire necessary personnel.
CURRENCY EXCHANGE RATE FLUCTUATIONS	The Group intends to conduct much of its business overseas in currencies other than sterling and as such its financial performance is subject to the effects of fluctuations in foreign exchange rates.

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

SCOPE OF COMMITTEES

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

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

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

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

PRODUCT AND THE ENVIRONMENT

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

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

CORPORATE AND SOCIAL RESPONSIBILITY

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

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

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

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

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

DISABLED EMPLOYEES

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

SAFETY, HEALTH AND ENVIRONMENT

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

Ali Naini

Non-Executive Chairman

Date: 27 June 2024

NOMINATIONS COMMITTEE REPORT

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

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

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

At the one Nominations committee meeting held in March 2023, The Nomination Committee Chairman Dr. Faiz Nahab proposed to appoint Mr. Ali Naini to the Proton Power Systems PLC Board as NED. This proposal was seconded without reservation by Roman Kotlarzewski, Nomination Committee member and CFO. The proposal was put to the Board and approved.

Dr. Faiz Nahab

Chairman of the Nominations Committee

Date: 27 June 2024

THE REMUNERATION COMMITTEE

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

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

REMUNERATION POLICY

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

BASIC SALARY

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

LONG-TERM SHARE PLANS

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

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

PROTON MOTOR POWER SYSTEMS PLC SHARE OPTION SCHEME (THE "SOS")

The SOS allows the Company to grant options to acquire shares to eligible employees. Options granted under the SOS are unapproved by HM Revenue & Customs.

Share options will normally become exercisable following the end of a period of two years from the date of grant. The maximum number of shares over which options may be granted to an employee under the SOS may not be greater than 15 per cent of the Company's issued share capital at the date of grant when added to options or awards granted in the previous 10 years. The exercise of options can take place at any time after the second anniversary of the date of grant. Options cannot, in any event, be exercised after the tenth anniversary of the date of grant.

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

PROTON MOTOR EMPLOYEE SHARE PURCHASE SCHEME

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

PROTON MOTOR KEY PERSON STOCK AWARD SCHEME

In 2018 Proton Motor introduced the Key Person Stock Award Scheme whereby key staff members can build up an entitlement to target amounts of shares over three-ten years. After three years amounts of shares subject to predetermined thresholds can be drawn annually. The remaining full entitlement can be drawn after ten years. The number of Ordinary 0.5p shares issued in the year having vested was 3,650,000 (2022: 2,425,000 Ordinary 0.5p shares)

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

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

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

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

REMUNERATION COMMITTEE REPORT

DIRECTORS' EMOLUMENTS

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

Name	Salary £'000	Share based payments £'000	Total 2023 £'000	Total 2022 £'000
Dr Faiz Nahab	–	–	–	–
Helmut Gierse	–	62	62	58
Antonio Bossi	–	37	37	38
Sebastian Goldner	93	4	97	93
Roman Kotlarzewski	93	4	97	93
Manfred Limbrunner	93	4	97	93
Ali Naini	–	–	–	–
Total	279	111	390	375

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

On behalf of the Board

Dr. Faiz Nahab

Chairman of the Remuneration Committee

Date: 27 June 2024

INTERNAL AUDIT

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

NON-AUDIT SERVICES

The fees payable to Sumer Auditco Limited and associates for audit and non-audit services are set out in note 6 to the financial statements.

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

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

The policy covers amongst other things:

- monitoring the external auditors' independence (e.g. that the auditors and their immediate family have no family, financial or employment relationship with the Company), and checking that the Group engagement partner and audit senior manager do not work on the audit for a period in excess of that permitted;

- the identification of three categories of accounting services: audit-related services, which the Company's auditor provide (such as interim and full-year reporting); prohibited services, which the Company's auditor may never provide; and potential services, which the Company's auditor may in certain circumstances provide, subject to the policy (such as tax advisory services or services where the auditor is acting as the Company's reporting accountants). Prohibited services are those which would result in:
 - the external auditor auditing their own firm's work;
 - the external auditor making management decisions for the Company;
 - a mutuality of interest being created; or
 - the external auditor being put in the role of advocate for the Company.
- reporting at each meeting of the Audit Committee on non-audit services being provided by the auditor.

The Audit Committee convened twice in 2023, attended by The Chairman of the Audit Committee and the Audit Responsible Individual. All findings of the auditors in relation to the audit of the 2022 financial statements were addressed and it was determined that there were no major adverse issues, which required the attention of the Board. In the second meeting the Audit planning for the audit of the 2023 financial statements were reviewed.

Antonio Bossi
Chairman of the Audit Committee

Date: 27 June 2024

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

OPINION

We have audited the financial statements of Proton Motor Power Systems plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Group and Company statements of financial position, Group and Company statements of changes in equity, Group and Company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2023 and of the Group's and the parent company's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

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

KEY AUDIT MATTERS

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

Revenue recognition

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

How the matter was addressed in the audit

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

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

Key observations

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

Management override

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

How the matter was addressed in the audit

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

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

Key observations

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

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

Key Person Stock Award scheme valuation

Given there are significant accounting estimates involved in the valuation of the Key Person Stock Award scheme, this exposes the Group to the risk of material misstatements in the fair value of financial instruments. As such, the Key Person Stock Award scheme valuation was highlighted as a significant risk.

How the matter was addressed in the audit

To address the risk of potential misstatement of the fair value of the Key Person Stock Award scheme, our audit work included, but was not restricted to:

- assessed the key assumptions used in the valuation for reasonableness; and
- verified key base information used in the valuation to supporting documentation.

Key observations

The results of our testing were satisfactory and we consider the fair value of the Key Person Stock Award scheme to be appropriate and free from material misstatement.

Going concern

As there is a material uncertainty relating to the going concern assumption noted above, this key audit matter has not been included within this key audit matters section. This is in accordance with the guidance set out within ISA (UK) 701.

OUR APPLICATION OF MATERIALITY

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

Based on our professional judgement we determined materiality for the Group financial statements as a whole to be £1,350,000, based on the Group's adjusted results before tax. Performance materiality of £675,000 was applied for testing which is 50% of Group materiality.

The Group's significant component was also audited, with a component materiality of £264,000 used.

We agreed with the Audit Committee to report to it all identified errors considered to be above a trivial level, being 5% of Group materiality at £67,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other

information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

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

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

- Those laws and regulations considered to have a direct effect on the financial statements including International Financial Reporting Standards, Company Law, Tax and Pensions legislation, and distributable profits legislation.
- Those laws and regulations for which non-compliance may be fundamental to the operating aspects of the business and therefore may have a material effect on the financial statements include the health and safety regulations.

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

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

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

USE OF OUR REPORT

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

Maxine Pott (Senior Statutory Auditor)
for and on behalf of Sumer Auditco Limited
Statutory Auditors
Unit 2
Gosforth Park Avenue
Newcastle upon Tyne
NE12 8EG

Date: 27 June 2024

Consolidated income statement for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Revenue	4	2,122	2,088
Cost of sales		(1,654)	(2,089)
Gross profit/(loss)		468	(1)
Other operating income		2,071	604
Administrative expenses		(12,907)	(11,057)
Operating loss		(10,368)	(10,454)
Finance income	9	–	–
Finance (costs) / income	10	(4,160)	(8,450)
(Loss) / Profit for the year before tax	5	(14,528)	(18,904)
Tax	8		
(Loss) / Profit for the year after tax		(14,528)	(18,904)
(Loss) / Profit per share (expressed as pence per share)		2023	2022
Basic	11	(0.9)	(1.2)
Diluted	11	(0.9)	(1.2)

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Consolidated statement of comprehensive income for the year ended 31 December 2023

	2023 £'000	2022 £'000
(Loss) for the year	(14,528)	(18,904)
Other comprehensive (expense)		
Items that may not be reclassified to profit and loss		
Exchange differences on translating foreign operations	(1,301)	(959)
Total other comprehensive (expense)	(1,301)	(959)
Total comprehensive (expense) for the year	(15,829)	(19,863)
Attributable to owners of the parent	(15,829)	(19,863)

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	Group	
		2023 £'000	2022 £'000
Assets			
Non-current assets			
Intangible assets	12	95	149
Property, plant and equipment	13	3,483	2,037
Right-of-use assets	14	13,660	452
Fixed asset investments	15	–	–
		17,238	2,638
Current assets			
Inventories	16	2,760	2,302
Trade and other receivables	17	3,235	946
Cash and cash equivalents	18	2,741	2,720
		8,736	5,968
Total assets		25,974	8,606
Liabilities			
Current liabilities			
Trade and other payables	19	5,725	4,657
Lease debt	20	828	215
Borrowings	21	261	466
		6,814	5,338
Non-current liabilities			
Lease debt	20	13,921	252
Borrowings	21	116,947	103,007
		130,868	103,259
Total liabilities		137,682	108,597
Net liabilities		(111,708)	(99,991)
Equity			
Equity attributable to equity holders of the parent company			
Share capital	23	11,235	11,040
Share premium		22,816	20,717
Merger reserve		15,656	15,656
Reverse acquisition reserve		(13,861)	(13,861)
Share option reserve		3,346	2,728
Foreign translation reserve		13,855	12,509
Capital contribution reserve		289,470	289,497
Accumulated losses			
At 1 January 2023		(439,697)	(418,234)
(Loss) for the year attributable to the owners		(14,528)	(18,904)
Other changes in retained earnings		–	(1,139)
Total equity		(111,708)	(99,991)

These financial statements on pages 30 to 61 were approved and authorised for issue by the Board of Directors on 27 June 2024 and were signed on its behalf by:

Roman Kotlarzewski FCA
Director

Statement of Financial Position – Company

as at 31 December 2023

	Note	Company	
		£'000	£'000
Assets			
Current assets			
Trade and other receivables	17	296	254
Cash and cash equivalents	18	5	9
		301	263
Total assets		301	263
Liabilities			
Current liabilities			
Trade and other payables	19	1,041	751
Lease debt	20	–	–
Borrowings	21	–	–
		1,041	751
Non-current liabilities			
Lease debt	20	–	–
Borrowings	21	116,947	103,007
		116,947	103,007
Total liabilities		117,988	103,758
Net liabilities		(117,687)	(103,495)
Equity			
Equity attributable to equity holders of the parent company			
Share capital	23	11,235	11,040
Share premium		22,816	20,717
Capital contribution reserve		288,291	288,291
Merger reserve		15,656	15,656
Share option reserve		3,346	2,728
Accumulated losses			
At 1 January 2023		(441,927)	(421,897)
(Loss) / Profit for the year attributable to the owners		(16,985)	(19,849)
Other changes in retained earnings		(119)	(181)
Total equity		(117,687)	(103,495)

These financial statements on pages 30 to 61 were approved and authorised for issue by the Board of Directors on 27 June 2024 and were signed on its behalf by:

ROMAN KOTLARZEWSKI FCA

Director

Company registration number: 05700614

Consolidated Statement of Changes in Equity for the year ended 31 December 2023

Group	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Reverse Acquisition Reserve £'000	Share Option Reserve £'000	Foreign Translation Reserve £'000	Capital Contribution Reserve £'000	Accumulated Losses £'000	Total Equity £'000
Balance at 1 January 2022	11,023	20,390	15,656	(13,861)	2,187	11,745	289,434	(418,234)	(81,660)
Share based payments	13	217	–	–	541	–	–	(180)	591
Proceeds from share issues	4	110	–	–	–	–	–	–	114
Transactions with owners	17	327	–	–	541	–	–	(180)	705
Loss for the period	–	–	–	–	–	–	–	(18,904)	(18,904)
Other comprehensive income:									
Currency translation differences	–	–	–	–	–	764	63	(959)	(132)
Total comprehensive income for the year	–	–	–	–	–	764	63	(19,863)	(19,036)
Balance at 31 December 2022	11,040	20,717	15,656	(13,861)	2,728	12,509	289,497	(438,277)	(99,991)
Balance at 1 January 2023	11,040	20,717	15,656	(13,861)	2,728	12,509	289,497	(438,277)	(99,991)
Share based payments	10	186	–	–	618	–	–	(119)	695
Proceeds from share issues	185	1,913	–	–	–	–	–	–	2,098
Transactions with owners	195	2,099	–	–	618	–	–	(119)	2,793
Loss for the period	–	–	–	–	–	–	–	(14,528)	(14,528)
Other comprehensive income:									
Currency translation differences	–	–	–	–	–	1,346	(27)	(1,301)	18
Total comprehensive income for the year	–	–	–	–	–	1,346	(27)	(15,829)	(14,510)
Balance at 31 December 2023	11,235	22,816	15,656	(13,861)	3,346	13,855	289,470	(454,225)	(111,708)

Statements of Changes in Equity – Company for the year ended 31 December 2023

Company	Share Capital £'000	Share Premium £'000	Capital Contribution Reserve £'000	Merger Reserve £'000	Share Option Reserve £'000	Accumulated Losses £'000	Total Equity £'000
Balance at 1 January 2022	11,023	20,390	288,291	15,656	2,187	(421,897)	(84,350)
Share based payments	13	217	–	–	541	(181)	590
Proceeds from share issues	4	110	–	–	–	–	114
Transactions with owners	17	327	–	–	541	(181)	704
Loss for the period	–	–	–	–	–	(19,849)	(19,849)
Total comprehensive income for the year	–	–	–	–	–	(19,849)	(19,849)
Balance at 31 December 2022	11,040	20,717	288,291	15,656	2,728	(441,927)	(103,495)
Balance at 1 January 2023	11,040	20,717	288,291	15,656	2,728	(441,927)	(103,495)
Share based payments	10	186	–	–	618	(119)	695
Proceeds from share issues	185	1,913	–	–	–	–	2,098
Transactions with owners	195	2,099	–	–	618	(119)	2,793
Loss for the period	–	–	–	–	–	(16,985)	(16,985)
Total comprehensive income for the year	–	–	–	–	–	(16,985)	(16,985)
Balance at 31 December 2023	11,235	22,816	288,291	15,656	3,346	(459,031)	(117,687)

SHARE PREMIUM

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

MERGER RESERVE

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

REVERSE ACQUISITION RESERVE

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

SHARE OPTION RESERVE

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

CAPITAL CONTRIBUTION RESERVE

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

Consolidated Statement of cash flows for the year ended 31 December 2023

	Group Year ended 31 December	
	2023 £'000	2022 £'000
Cash flows from operating activities		
Profit / (Loss) for the period	(14,528)	(18,904)
<i>Adjustments for:</i>		
Depreciation and amortisation	1,472	666
Interest expense	6,350	3,629
Share based payments	618	361
Movement in inventories	(459)	(466)
Movement in trade and other receivables	(2,289)	678
Movement in trade and other payables	1,068	159
Exchange rate movements	(2,191)	4,821
Net cash (used in) / generated from operating activities	(9,959)	(9,056)
Cash flows from investing activities		
Purchases of intangible assets	(29)	(102)
Purchases of property, plant and equipment	(1,982)	(779)
Net cash used in investing activities	(2,011)	(881)
Cash flows from financing activities		
Proceeds from issue of loan instruments	12,311	10,656
Proceeds from issue of new shares	177	114
Repayment of obligations under lease debt	(210)	(191)
Repayment of short term borrowings	(205)	(51)
Net cash generated from financing activities	12,073	10,528
Net (decrease) / increase in cash and cash equivalents	103	591
Effect of foreign exchange rates	(82)	(23)
Opening cash and cash equivalents	2,720	2,152
Closing cash and cash equivalents	2,741	2,720

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Statement of cash flows – Company for the year ended 31 December 2023

	Company	
	Year ended 31 December	
	2023	2022
	£'000	£'000
Cash flows from operating activities		
(Loss) for the period	(16,985)	(19,849)
<i>Adjustments for:</i>		
Impairment of investment	12,342	10,585
Interest income	(38)	(7)
Interest expense	5,818	3,574
Share based payments	618	590
Movement in trade and other receivables	(42)	112
Movement in trade and other payables	290	(29)
Exchange rate movements	(2,191)	4,821
Net cash (used in) / generated from operating activities	(188)	(203)
Cash flows from investing activities		
Capital contributions to subsidiaries	(12,342)	(10,585)
Interest received	38	7
Net cash used in investing activities	(12,304)	(10,578)
Cash flows from financing activities		
Proceeds from issue of loan instruments	12,311	10,656
Proceeds from issue of new shares	177	114
Net cash generated from financing activities	12,488	10,770
Net (decrease) / increase in cash and cash equivalents	(4)	(11)
Effect of foreign exchange rates	–	–
Opening cash and cash equivalents	9	20
Closing cash and cash equivalents	5	9

Notes to the consolidated financial statements

1. GENERAL INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Development of the Group

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

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

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

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

Although the parent Company has produced its own income statement for approval by the Board, as permitted by Section 408 of the Companies Act 2006, no separate income statement is presented in respect of the parent Company. The loss for the financial year dealt within the financial statements of the parent Company was £16,985k (2022: £19,849k).

Basis of preparation

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

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

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

Going concern

Until such time as the Group achieves operational cash inflows through becoming a volume producer of its products to a receptive market it will remain dependent on its ability to raise cash to fund its operations from existing and potential shareholders and the debt market. The Group has historically been dependent on the continuing financial support of its main investors, SFN Cleantech Investment Ltd and Mr Falih Nahab to meet its day-to-day working capital requirements. The Group has loans with SFN Cleantech Investment Ltd of €2.4m and €32.3m and also a loan facility with Mr. Falih Nahab of €71.4m. The repayment date for all loans is 31 December 2025. As such the loans are held as non-current borrowings in the financial statements.

Notes to the consolidated financial statements

Subsequent to the 2023 year end the following changes to the existing loan facilities were made:

Lender:	Facility at 31 December 2023	Drawn down as at 31 December 2023	Increase of facility	Facility at the date of this report
SFN Cleantech Investment Ltd	€32.3m *(£28.0m)	€29.7m *(£25.7m)	€ nil	€32.3m *(£28.0m)
SFN Cleantech Investment Ltd	€2.4m *(£2.1m)	€2.4m *(£2.1m)	€ nil	€2.4m *(£2.1m)
Mr. Falih Nahab	€71.4m *(£61.9m)	€69.0m *(£59.8m)	€6.1m *(£5.3m)	€77.5m *(£67.2m)
Mr. Falih Nahab	€ nil	€ nil	€12.0 *(£10.4m)	€12.0m *(£10.4m)
Total	€106.1m *(£92.0m)	€101.1m *(£87.6m)	€12.0m *(£15.7m)	€124.2m *(£107.7m)

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

The Group will, at the date of sign off of the accounts, have in place committed facilities from SFN Cleantech Investment Ltd and Mr Falih Nahab of up to €124.2m which will become repayable at the end of 2025. Cash flow forecasts demonstrate that the undrawn portions of these committed facilities enable the Company and the Group to meet its cash requirements for the period up to at least June 2025. The Company and Group are also able to defer discretionary spend during this period to provide further cash flow headroom, should this be required.

At this point in time there has been no indication of circumstances which would lead to either or both SFN Cleantech Investment Ltd and Mr Falih Nahab withdrawing this support beyond June 2025.

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

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

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

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

Goodwill

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

Share-based payments

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

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

Cost of investment

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

Property, plant and equipment

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

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

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

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

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

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

Intangible assets

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

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

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

Notes to the consolidated financial statements

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

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

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

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

Share capital

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

Trade and other payables

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

Borrowings

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

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

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

Current and deferred income taxes

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

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

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

Employee benefits

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

Recognition of revenue and expenses

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

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

Government grants

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

Leases

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

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

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

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

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

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

Conversion of debt instruments

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

Implementation of new accounting standards

During the year ended 31 December 2023, the Group has not adopted any new IFRS, IAS or amendments issued by the IASB, and interpretations by the IFRS Interpretations Committee which have been adopted in the United Kingdom, which have had a material impact on the Group's financial statements.

Impact of standards issued but not yet applied

The Group currently adopts all relevant accounting standards that have been endorsed by and adopted in the United Kingdom. There are various standards that have either been endorsed but are not yet effective, or are expected to be endorsed in 2024. The Group believes these standards will have no material impact on the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Recognition of development costs

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

DETERMINING RESIDUAL VALUES AND USEFUL ECONOMIC LIVES OF INTANGIBLE FIXED ASSETS AND PROPERTY, PLANT & EQUIPMENT

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

Notes to the consolidated financial statements

Judgement is applied by management when determining the residual values of property, plant & equipment and intangible fixed assets. When determining the residual value management aim to assess the amount that the Group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. The carrying amount of group intangible fixed assets at the reporting date was £95k (2022: £149k) and the carrying amount of group property, plant & equipment at the reporting date was £3,483k (2022: £2,037k).

INVENTORY PROVISIONS

In accordance with IAS 2 the Group regularly reviews its inventory to ensure it is carried at the lower of cost or net realisable value. The management constantly reviews slow moving and obsolete items arising from changes in the product mix demanded by customers, reductions in overall volumes, supplier failures and strategic resourcing decisions. Obsolescence provisions are calculated based on current market values and future sales of inventories. If this review identifies significant levels of obsolete inventory, this obsolescence is charged to the income statement as an impairment. The total inventory provision included in the balance sheet at the reporting date was £118k (2022: £106k).

SHARE-BASED PAYMENTS

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

4. SEGMENTAL INFORMATION

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

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

Revenue from external customers

	2023 £'000	2022 £'000
United Kingdom	(35)	39
Germany	759	1,232
Rest of Europe	1,398	768
Rest of the World	–	49
	2,122	2,088

Sales to GKN Hydrogen, and E-Trucks represented 50.3% of the Group's revenue in 2023 (2022: GKN Hydrogen, Wilo SE and Kion Group 43.1%).

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

5. LOSS FOR THE YEAR BEFORE TAX

	2023 £'000	2022 £'000
Loss on ordinary activities before taxation is stated after charging		
Depreciation and amortisation	1,472	665
Hire of other assets – operating leases exempt from IFRS 16	29	79
Pension contributions	104	92
Foreign exchange losses	–	4,821
after crediting		
Amortisation of grants from public bodies	(389)	(475)
Foreign exchange gains	(2,191)	–

6. AUDITORS' REMUNERATION

	2023 £'000	2022 £'000
Audit services		
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	35	33
Fees payable to the Company's auditor and its associates for other services:	–	3
	35	36

7. STAFF NUMBERS AND COSTS

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

	2023	2022
Development and construction	69	62

Notes to the consolidated financial statements

Administration and sales	46	45
	115	107

The aggregate payroll costs of these persons were as follows:

	2023 £'000	2022 £'000
Wages and salaries	6,204	5,716
Share based payments	808	700
Social security costs	1,221	1,096
Other pension costs	104	92
	8,337	7,604

There are no staff, or direct wages specific to the Company. Share based payments charge to the non-executive and executive Directors of the Company is £112k (2022: £111k).

Share based payments

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

	2023 £'000	2022 £'000
Share options	(10)	(130)
Share awards	704	721
Shares	114	109
	808	700

At 31 December 2023 the Group operated a single share option scheme ("SOS"). The SOS allows the Company to grant options to acquire shares to eligible employees. Options granted under the SOS are unapproved by HM Revenue & Customs. The maximum number of shares over which options may be granted under the SOS may not be greater than 15 per cent of the Company's issued share capital at the date of grant when added to options or awards granted in the previous 10 years. The exercise of options can take place at any time after the second anniversary of the date of grant. Options cannot, in any event, be exercised after the tenth anniversary of the date of grant.

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

	2023		2022	
	Number 000's	Weighted average exercise price £	Number 000's	Weighted average exercise price £
Opening balance	23,007	0.070	39,612	0.046
Exercised	-	-	-	-
Forfeited	(1,000)	(0.020)	(16,605)	(0.020)
Closing balance	22,007	0.072	(23,007)	0.070

The fair values of options granted were determined using the Black-Scholes valuation model. Significant inputs into the calculation include a weighted average share price and exercise prices. Furthermore, the calculation takes into account future dividends of nil and volatility rates of between 50% and 98%, based on expected share price. Risk-free interest rate was determined between 0.640% and 5.125% for the various grants of options. It is assumed that options granted under the SOS have an average remaining life of 16 months (2022: 28 months).

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

At 31 December 2023 the Group also operates a Key Person Stock Award Scheme whereby key staff members can build up an entitlement to target amounts of shares over a period of three to ten years, with the vesting condition that the employees are still employed at the time the entitlement vests. After three years amounts of shares subject to predetermined thresholds can be drawn annually. The remaining full entitlement can be drawn after ten years.

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

The number of Ordinary 0.5p (2022: 0.5p) shares issued under the scheme in the year having vested was 1,975,000 (2022: 2,425,000). The total number of outstanding awards yet to vest at reporting date is 15.6m Ordinary 0.05p shares (2022: 18.08m). The weighted average of time to vest for outstanding awards is 3.5 years (2022: 4.0 years) and weighted average fair value of outstanding awards is £0.31 (2022: £0.28).

Notes to the consolidated financial statements

Directors' remuneration

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

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

	2023 £'000	2022 £'000
Short-term employee benefit	279	267
Share-based payment charge	111	111
	390	378

The Group has no key management other than the Directors.

8. TAX

	2023 £'000	2022 £'000
Corporation tax	–	–
	–	–

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

	2023 £'000	2022 £'000
Tax reconciliation		
(Loss) before tax	(14,528)	(18,904)
Expected tax (credit)/charge at 23.52% (2022: 19%)	(3,417)	(3,592)
Effects of different tax rates on foreign subsidiaries	(144)	(578)
Expenses not deductible for tax purposes	1,494	690
Tax losses carried forward	2,067	3,480
Tax charge	–	–

The main rate of corporation tax increased to 25% from 1 April 2023 under the Finance Bill 2021. Deferred tax has been provided at the rates expected to be in place when the timing differences reverse. A marginal rate of 23.52% has been used for the period to 31 December 2023 when assessing the corporation tax charge as above.

9. FINANCE INCOME

	2023 £'000	2022 £'000
Interest	–	–
	–	–

10. FINANCE COSTS

	2023 £'000	2022 £'000
Interest	6,350	3,629
Exchange (gain) / loss on shareholder loans	(2,191)	4,821
	4,159	8,450

Notes to the consolidated financial statements

11. LOSS PER SHARE

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

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

	2023		2022	
	Basic £'000	Diluted £'000	Basic £'000	Diluted £'000
Loss attributable to equity holders of the Company	(14,528)	(14,528)	(18,904)	(18,904)
Weighted average number of Ordinary shares in issue (thousands)	1,556,287	1,556,287	1,550,521	1,550,521
Effect of dilutive potential Ordinary shares from share options and stock awards (thousands)	–	15,600	–	18,075
Adjusted weighted average number of Ordinary shares	1,556,287	1,571,887	1,550,521	1,568,596
(Loss) per share (pence per share)	(0.9)	(0.9)	(1.2)	(1.2)

12. INTANGIBLE ASSETS – GROUP

	Goodwill £'000	Copyrights, trademarks and other intellectual property rights £'000	Development costs £'000	Total £'000
Cost				
At 1 January 2022	2,126	324	–	2,450
Exchange differences	–	18	–	18
Additions	–	102	–	102
At 31 December 2022	2,126	444	–	2,570
At 1 January 2023	2,126	444	–	2,570
Exchange differences	–	(9)	–	(9)
Additions	–	29	–	29
At 31 December 2023	2,126	464	–	2,590
Accumulated Amortisation				
At 1 January 2022	2,126	246	–	2,372
Exchange differences	–	15	–	15
Charged in year	–	34	–	34
At 31 December 2022	2,126	295	–	2,421
At 1 January 2023	2,126	295	–	2,421
Exchange differences	–	(6)	–	(6)
Charged in year	–	80	–	80
At 31 December 2023	2,126	369	–	2,495
Net book value				
At 31 December 2023	–	95	–	95
At 31 December 2022	–	149	–	149
At 1 January 2022	–	78	–	78

Self-developed intangible assets in the amount of £29k (2022: £102k) are recognised in the reporting year, because the prerequisites of IAS 38 have been fulfilled.

Amortisation and impairment charges are recognised within administrative expenses.

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

There are no individually significant intangible assets.

The company does not hold any intangible assets.

Notes to the consolidated financial statements

13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold Property improvements £'000	Technical equipment & machinery £'000	Office and other equipment £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2022	679	1,631	826	354	3,490
Exchange differences	37	90	45	20	192
Additions	177	92	304	206	779
Transfers	–	191	–	(191)	–
Disposals	–	–	–	–	–
At 31 December 2022	893	2,004	1,175	389	4,461
At 1 January 2023	893	2,004	1,175	389	4,461
Exchange differences	(20)	(45)	(26)	(8)	(99)
Additions	6	105	343	1,528	1,982
Transfers	7	(4)	–	(3)	–
Disposals	–	–	(19)	(3)	(22)
At 31 December 2023	886	2,060	1,473	1,903	6,322
Accumulated Amortisation					
At 1 January 2022	487	908	476	–	1,871
Exchange differences	29	58	33	–	120
Charged in year	47	210	176	–	433
Disposals	–	–	–	–	–
At 31 December 2022	563	1,176	685	–	2,424
At 1 January 2023	563	1,176	685	–	2,424
Exchange differences	(12)	(26)	15	–	(53)
Charged in year	32	240	204	–	476
Disposals	–	–	(8)	–	(8)
At 31 December 2023	583	1,390	866	–	2,839
Net book value					
At 31 December 2023	303	670	607	1,903	3,483
At 31 December 2022	330	828	490	389	2,037
At 1 January 2022	192	723	350	354	1,619

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

Notes to the consolidated financial statements

14. RIGHT-OF-USE ASSETS – GROUP

	Land and Buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2022	584	95	679
Additions	429	110	539
Disposals	–	(74)	(74)
At 31 December 2022	1,013	131	1,144
At 1 January 2023	1,013	131	1,144
Additions	14,110	14	14,124
Disposals	–	–	–
At 31 December 2023	15,123	145	15,268
Accumulated Amortisation			
At 1 January 2022	501	67	568
Charged in year	169	29	198
Disposals	–	(74)	(74)
At 31 December 2022	670	22	692
At 1 January 2023	670	22	692
Charged in year	868	48	916
At 31 December 2023	1,538	70	1,608
Net book value			
At 31 December 2023	13,585	75	13,660
At 31 December 2022	343	109	452
At 1 January 2022	83	28	111

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

Notes to the consolidated financial statements

15. FIXED ASSET INVESTMENTS

	2023 £'000	2022 £'000
Shares in associate undertaking – Group		
Cost		
At beginning of year	18	18
Additions	–	–
At end of year	18	18
Impairment		
At beginning of year	18	7
Additions	–	11
At end of year	18	18
Net book value		
At end of year	–	–
Shares in group undertaking – Group		
Cost		
At beginning of year	108,987	98,401
Additions	12,342	10,586
At end of year	121,329	108,987
Impairment		
At beginning of year	108,987	98,401
Additions	12,342	10,586
At end of year	121,329	108,987
Net book value		
At end of year	–	–

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

Following a review of the Company's assets the Board has concluded that there are sufficient grounds for its investment in the subsidiary undertakings to be subject to an impairment review under IAS 36. In arriving at the charge in the year of £12,342k (2022: £10,586k) the Board has determined the recoverable amount on a value in use basis using a discounted cash flow model.

16. INVENTORIES

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Work in progress	418	211	–	–
Raw materials	2,342	2,091	–	–
	2,760	2,302	–	–

The cost of goods sold during 2023 is £1,654k (2022: £2,089k). It includes £118k (2022: £106k) impairment loss for slow moving inventories and goods anticipated to be sold at a loss.

Notes to the consolidated financial statements

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade receivables	537	401	–	–
Other receivables	2,508	425	31	–
Amounts due from Group companies	–	–	233	225
Prepayments and accrued income	190	120	33	29
	3,235	946	296	254

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

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

	Group	
	2023 £'000	2022 £'000
Not more than three months (all denominated in Euros)	–	–
	–	–

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

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash at bank and in hand	2,741	2,720	5	9
	2,741	2,720	5	9

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade payables	601	441	–	–
Other payables	3,976	3,455	20	13
Amounts due to Group companies	–	–	837	468
Accruals and deferred income	1,148	761	184	270
	5,725	4,657	1,041	751

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

20. LEASE DEBT

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

A summary of the lease debt maturity is shown below:

	Principal £'000	Interest £'000	Total 2023 £'000	2022 £'000
Less than 1 year	1,514	(686)	828	215
Between 2 and 5 years	5,867	(2,336)	3,531	252
Over 5 years	13,025	(2,635)	10,390	–
	20,406	(5,657)	14,749	467

The carrying value of assets held under lease within right-of-use assets is £13,660k (2022: £452k). The balances relate To the Benzstrasse 7, Puchheim, and Fraunhofer Strasse 9, Fürstenfeldbruck Germany property leases and a number of vehicle leases held in Proton Motor Fuel Cell GmbH.

Notes to the consolidated financial statements

21. BORROWINGS

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Bank overdraft	261	466	–	–
Loans:				
Current	–	–	–	–
Non-current	116,947	103,007	116,947	103,007
	117,208	103,473	116,947	103,007

Included within non-current borrowings as at year end are amounts of £39,576k (2022: £38,595k) due to SFN Cleantech Investment Limited which includes a principal loan of €29.7m (2022: €29.7m) and accrued interest thereon. The principal loan attracts interest of EURIBOR+3% per annum (2022: 3%).

Also included within non-current borrowings as at year end are amounts of £2,511k (2022: £2,420k) due to SFN Cleantech Investment Limited which includes a principal loan of €2.3m (2022: €2.3m) and accrued interest thereon. The principal loan attracts interest of EURIBOR+2% per annum. Interest is to be rolled up and repaid at the termination of the loan agreement.

Further included within non-current borrowings as at year end are amounts of £74,860k (2022: £61,992k) due to Mr Falih Nahab, a brother of Dr Faiz Nahab, a director of the Company. This balance includes principal loan advances of €69.0m (2022: €54.7m) and accrued interest thereon. The principal loan attracts interest of EURIBOR+3% per annum (2022: 3%).

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

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

The debt has been measured at amortised cost.

22. DEFERRED INCOME TAX – GROUP

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group has not recognised deferred income tax assets of £35,063k (2022: £30,482k) in respect of losses amounting to £21,569k (2022: £14,735k) and €117,410k (2022: €106,285k).

23. SHARE CAPITAL

The share capital of Proton Motor Power Systems plc consists of fully paid Ordinary shares with a par value of £0.005 (2022: £0.005) and Deferred Ordinary shares with a par value of £0.01 (2022: £0.01). All Ordinary shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Proton Motor Power Systems plc. Deferred Ordinary shares have no rights other than the repayment of capital in the event of a winding up. None of the parent's shares are held by any company in the Group.

During 2023, 748,497 Ordinary shares of 0.5p each were issued each at prices of 13.1p and 13.4p per share in settlement of Directors' annual fees for the period ended 31 December 2023.

The number of shares in issue at the balance sheet date is 1,591,082,645 Ordinary shares of 0.5p each (2022: 1,552,017,675) and 327,963,452 (2021: 327,963,452) Deferred Ordinary shares of 1p each.

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

	2023				2022			
	Ordinary shares		Deferred Ordinary shares		Ordinary shares		Deferred Ordinary shares	
	No. '000	£'000	No. '000	£'000	No. '000	£'000	No. '000	£'000
Shares authorised, issued and fully paid								
At the beginning of the year	1,552,017	7,760	327,963	3,280	1,548,740	7,743	327,963	3,280
Share issue	760	3	–	–	852	4	–	–
Share issue – under share award/option schemes	1,975	10	–	–	2,425	13	–	–
Share issue – conversion on loan interest	36,330	182	–	–	–	–	–	–
	1,591,082	7,955	327,963	3,280	1,552,017	7,760	327,963	3,280

Notes to the consolidated financial statements

24. COMMITMENTS

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

Group	2023		2022	
	Land & Buildings £'000	2023 Other £'000	Land & Buildings £'000	2022 Other £'000
Operating leases payable:				
Within one year	–	50	–	346
In the second to fifth years inclusive	–	2	–	2
After more than five years	–	–	–	–
	–	52	–	348

25. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2023 the Group and Company entered into the following related party transactions:

	Group		Company	
	Year ended 31 December 2023 £'000	2022 £'000	Year ended 31 December 2023 £'000	2022 £'000
(Expenses) / Income				
SFN Cleantech Investment Limited effective loan interest	(1,883)	(1,200)	(1,883)	(1,200)
Falih Nahab effective loan interest	(3,832)	(2,314)	(3,832)	(2,314)
SFN Cleantech Investment Limited other loan interest	(122)	(60)	(122)	(60)

At 31 December 2023 the Group and Company had the following balances with related parties:

	Group		Company	
	Year ended 31 December 2023 £'000	2022 £'000	Year ended 31 December 2023 £'000	2022 £'000
Amounts due (to) / from				
SFN Cleantech Investment Limited borrowings (See Note 21)	(39,576)	(38,595)	(39,576)	(38,595)
SFN Cleantech Investment Limited bank guarantee	(1,994)	(2,039)	–	–
SFN Cleantech Investment Limited loans to SPower GmbH	(2,511)	(2,420)	–	–
Falih Nahab borrowings (See Note 21)	(74,860)	(61,992)	(74,860)	(61,992)

During the year the Company made capital contributions to Proton Motor Fuel Cells GmbH of £12,342,000 (2022: £10,585,000) and to SPower GmbH of £nil (2022: £nil).

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

- foreign exchange risk (note 27);
- credit risk (note 28); and
- liquidity risk (note 29).

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

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

Notes to the consolidated financial statements

27. FOREIGN CURRENCY SENSITIVITY

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

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

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

	Year ended 31 December		Year ended 31 December	
	2023 € '000	2022 £'000	2022 € '000	2023 £'000
Financial assets	7,952	6,895	4,791	4,248
Financial liabilities	(144,381)	(125,190)	(123,404)	(109,410)
At 31 December 2023	(136,429)	(118,295)	(118,613)	(105,162)

The following table illustrates the sensitivity of the net result for the year and equity with regard to the parent Company's financial assets and financial liabilities and the Sterling/Euro exchange rate. It assumes a +/- 5.34% change of the Sterling/Euro exchange rate for the year ended 31 December 2023 (2022: 9.11%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the parent Company's foreign currency financial instruments held at each balance sheet date.

If the Euro had strengthened against Sterling by 5.34% (2022: 9.11%) then this would have had the following impact:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Net result for the year	(6,317)	(9,580)
Equity	(6,317)	(9,580)

If the Euro had weakened against Sterling by 5.34% (2022: 9.11%) then this would have had the following impact:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Net result for the year	6,317	9,580
Equity	6,317	9,580

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

28. CREDIT RISK ANALYSIS

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

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

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

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash and cash equivalents	2,741	2,720	5	9
Trade and other receivables	3,235	946	64	29
Short-term exposure	5,976	3,666	69	38

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

Notes to the consolidated financial statements

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

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

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

29. LIQUIDITY RISK ANALYSIS

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

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

As at 31 December 2023, the Group's liabilities have contractual maturities which are summarised below:

	within 6 months £'000	6 to 12 months £'000	1 to 5 years £'000
Trade payables	601	–	–
Other short term financial liabilities	5,123	–	–
Lease debt	414	414	3,704
Borrowings	–	261	116,947

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

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

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

Notes to the consolidated financial statements

30. FINANCIAL INSTRUMENTS

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

As at 31 December 2023	Group			Company		
	Loans and receivables £'000	Non-financial assets / financial assets not in scope of IAS 39 £'000	Total £'000	Loans and receivables £'000	Non-financial assets / financial assets not in scope of IAS 39 £'000	Total £'000
Intangible assets	–	95	95	–	–	–
Property, plant and equipment	–	3,483	3,483	–	–	–
Right-of-use assets	–	13,660	13,660	–	–	–
Fixed asset investments	–	–	–	–	–	–
Inventories	–	2,760	2,760	–	–	–
Trade and other receivables	3,235	–	3,235	297	–	297
Cash and cash equivalents	2,741	–	2,741	5	–	5
	5,976	19,998	25,974	302	–	302

As at 31 December 2022	Group			Company		
	Loans and receivables £'000	Non-financial assets / financial assets not in scope of IAS 39 £'000	Total £'000	Loans and receivables £'000	Non-financial assets / financial assets not in scope of IAS 39 £'000	Total £'000
Intangible assets	–	149	149	–	–	–
Property, plant and equipment	–	2,037	2,037	–	–	–
Right-of-use assets	–	452	452	–	–	–
Fixed asset investments	–	–	–	–	–	–
Inventories	–	2,302	2,302	–	–	–
Trade and other receivables	946	–	946	254	–	254
Cash and cash equivalents	2,720	–	2,720	9	–	9
	3,666	4,940	8,606	263	–	263

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

As at 31 December 2023	Group				Company			
	Financial Liabilities at amortised cost £'000	Financial Liabilities valued at fair value through the income statement £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000	Financial Liabilities at amortised cost £'000	Financial Liabilities valued at fair value through the income statement £'000	Liabilities not within the scope of IAS 39 £'000	Total £'000
Trade and other payables	5,725	–	–	5,725	1,042	–	–	1,042
Lease debt	14,749	–	–	14,749	–	–	–	–
Borrowings	117,208	–	–	117,208	116,947	–	–	116,947
	137,682	–	–	137,682	117,989	–	–	117,989

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

Notes to the consolidated financial statements

FAIR VALUES

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

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

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

31. CAPITAL MANAGEMENT

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

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

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Total liabilities	137,682	108,597	117,989	103,758
Less: cash and cash equivalents	(2,741)	(2,720)	(5)	(9)
Adjusted net debt	134,941	105,877	117,984	103,749

32. ULTIMATE CONTROLLING PARTY

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

