Final Results

PROTON MOTOR POWER SYSTEMS PLC

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Proton Motor Power Systems PLC
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Proton Motor Power Systems plc

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

Final Results

Proton Motor Power Systems plc (AIM: PPS), the designer, developer and producer of fuel cells and fuel cell electric hybrid systems with a zero carbon footprint, announces its audited results for the year ended 31 December 2021 (the "Financial Year").

Highlights:

- Total order intake in 2021 of £2,800k (2020: £7,300k, including a single large multi-year framework agreement announced in Q1 2020 amounting to £4,500k, which was not repeated in 2021)

- 49% of the order intake in 2021 (2020: 76%) was derived from the stationary segment with other orders being spread across the mobile, maritime, rail and engineering segments. Notable orders announced throughout the Financial Year included:
    - Multiple orders from GKN Hydrogen for our S8 Fuel Cell System
    - An MoU signed with Electra Commercial Vehicles Limited to act as system integrator to integrate Proton Motor fuel cells into the Electra truck portfolio followed by an initial order
    - Further order from E-Trucks Europe for seven HyRange 43 hydrogen fuel cell systems
    - Agreement with Torqeedo GmbH ("Torqeedo") for the Marine segment

- Sales in 2021 were £2,771k (2020: £1,893k), representing an annual increase of 46%

- Gross Profit of £425k in 2021 (2020: gross loss of £83k)

- Excluding the impact of the embedded derivative together with exchange losses, the operating loss in 2021 was £9,121k vs. £7,128k in 2020 which is in line with our budgeted expectations. The increased loss resulted principally from further investment in the technical development area, in Group support staff and infrastructure

- The embedded derivative is a non-operating, non-cash item, required by IFRS, which is based on gauging the potential effects of partial convertible interest on loan financing. Due to the waiver of convertible interest on loan financing announced in December 2021 the source of the embedded derivative no longer exists, so that the entire liability relating to the derivative has been reversed, resulting in a substantial one off non-operating gain of £609,200k in 2021

  - Cash burn from operating activities has increased during the period from £4,700k in 2020 to £8,700k in line with increased investment in staff and technology development. Cash flow is the Group's key financial performance target and our objective is to achieve positive cash flow in the shortest time possible. Current contracts are quoted with up-front payments reducing reliance on working capital as we continue to invest in our manufacturing capability. The cash position as of 31 December 2021 was £2,152k (31 December 2020: £2,739k)

Post year end

  - Q1 2022 order intake of £1,100k

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

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

Outlook

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

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

Dr. Nahab, CEO of Proton, commented: "Although faced with highly challenging trading conditions in 2021, the Company has made significant progress. In the year ahead, we are focused on further progressing the maturity of the Group's technology offer, ramping up production capacity and exploiting the current potential order intake and sales pipeline.

"Furthermore, it is anticipated that the significant strengthening of political commitment to hydrogen, as evident in 2021, will contribute to further accentuating the demand for hydrogen related products, such as the fuel cell."

Posting of accounts and notice of AGM

Notice of the Company's annual general meeting, to be held on 29 June 2022 at 9.30 a.m. BST/10.30 a.m. CET at Proton Motor Fuel Cell GmbH, 7, Benz Street, 82178 Puchheim, Germany, has been sent to shareholders. The Company's audited annual report for the year ended 31 December 2021 will be posted to shareholders shortly and a downloadable version of the annual report and AGM notice will be available on the Company´s website, www.protonmotor-powersystems.com.

\- **Ends** -

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Chairman's statement and strategic report

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

Overview:

Proton Motor Power Systems plc ("Proton Motor") has made further progress this year in proving its technology, building up capacity and sales pipeline. We have strengthened our organisation to be able to deliver complete power supply solutions. In spite of the COVID-19 backdrop, a further strengthening of industry and consumer demand for alternative sources of energy continues to be evident in the period under review. Proton Motor´s technology offer continues to mature to remain aligned with this growing demand and supports the continuing commercialisation process of the group. This is evidenced by the order intake in Q1 2022, which amounted to 39% of the total order intake for the year 2021. The potential sales order and production pipeline remains strong as at the date of this report.

Having implemented from the onset all recommended protective measures at its factory in Puchheim, to date Proton Motor has not been affected by COVID-19. However, there have been several isolated cases of COVID-19 amongst the Company staff as at the date of the report. Whilst our staff have had to maintain social distancing and other recommended measures to protect themselves against the virus, our factory in Puchheim remained and remains fully operational and our production capacity has been unaffected. As a result, our factory in Puchheim has been able to focus on manufacturing and delivering the above mentioned order intake.

View to the future

The world is committed to protecting the environment. European cities and governments, supported by various European Commission initiatives, must reduce inner-city pollution drastically. China fights against smog in its big cities. After Dieselgate in the US and Europe, battery electric vehicles ("BEV") are being widely adopted. All this is generating a market for clean transport and energy. As a consequence, the world market for fuel cell products and solutions is more active than ever.

Beside pure battery solutions, hydrogen fuel cells offer an alternative solution more suitable to a number of stationary and off- and on-highway applications. Corporations such as Toyota, Hyundai, and Daimler are pushing the technology forward. Fuel cells provide benefits such as fast refuelling and long range of operation. Hydrogen can be produced cleanly and can make use of surplus energy from wind and solar power. Europe has put major funding programmes in place to set up a hydrogen infrastructure. The same is now happening in Japan, Korea and China. The Chinese government is fully committed to fuel cell technology with major regulatory and funding support.

Proton Motor has profound experience in applications in heavy duty vehicles such as buses and trucks, stationary power solutions, ships, rail machines and material handling applications. Proton Motor, with just over 100 staff members, is relatively small but, with our strong 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.

The industry is now benefitting from ever increasing commitment at the political level. For example, the EU originated European Clean Hydrogen Alliance (ECH2A) was announced as part of the New Industrial Strategy for Europe, which was launched on 8 July 2020 within the context of the hydrogen strategy for a climate-neutral Europe.

The European Clean Hydrogen Alliance aims at an ambitious deployment of hydrogen technologies by 2030, bringing together renewable and low-carbon hydrogen production, demand in industry, mobility and other sectors, and hydrogen transmission and distribution. With the alliance, the EU wants to build its global leadership in this domain, to support the EU's commitment to reach carbon neutrality by 2050. https://www.ech2a.eu/

Proton Motor has been participating in the ECH2A founding process.

Proton Motor is already participating in the EU REVIVE project. REVIVE stands for 'Refuse Vehicle Innovation and Validation in Europe'. The project has been running from the beginning of 2018 and will continue for 4 years until the end of 2021. The objective of REVIVE is to significantly advance the state of development of fuel cell refuse trucks, by integrating fuel cell powertrains into 15 vehicles and deploying them across 8 sites in Europe. It aims to deliver substantial technical progress by integrating fuel cell systems from three suppliers into a mainstream DAF chassis, and developing effective hardware and control strategies to meet highly demanding refuse truck duty cycles.

There is also the EU JIVE project. The JIVE (Joint Initiative for hydrogen Vehicles across Europe) project seeks to deploy 139 new zero emission fuel cell buses and associated refuelling infrastructure across five countries. JIVE is running for six years from January 2017 and is co-funded by a €32 million grant from the FCH JU (Fuel Cells and Hydrogen Joint Undertaking) under the European Union Horizon 2020 framework programme for research and innovation. The project consortium comprises 22 partners from seven countries.

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

- The 'national fuel cell strategy' will support the hydrogen industry with €7 billion. The goal is to make Germany a global champion in the hydrogen industry and to export it on a global basis. By 2030, Germany plans to install 30 Gigawatt of electrolysers to produce green hydrogen from offshore and onshore alternative energy. Additionally, the German government is seeking to support the shift from fossil energy to hydrogen in all types of industrial processes.
- The automotive supplier industry received a bonus programme worth €2 billion in the years 2020 and 2021 to invest into R&D for new technology.
- Subsidies worth €1.2 billion for public and private operators of buses and commercial vehicles with alternative power units.

Proton Stationary

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

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

Proton Mobility/Rail

This market includes city buses, airport vehicles, trucks, off-road vehicles, rail and other heavy duty vehicles and fork lift trucks. The mobility sector sees many future challenges with emission free to automated driving with the vehicle becoming a power source itself.

In addition to the EU REVIVE and EU JIVE projects mentioned above, Proton Motor is also participating in the EU Standard-Sized Heavy-Duty Hydrogen Project ("StasHH"). The consortium comprises 11 fuel cell module suppliers, nine original equipment manufacturers and five research, test, engineering and/or knowledge institutes and will standardise physical dimensions, flow and digital interfaces, test protocols and safety requirements of the fuel cell modules that can be stacked and integrated in heavy duty applications like forklifts, buses, trucks, trains, ships, and construction equipment. The consortium receives €7.5 million funding from the European Union, through the "Fuel Cells and Hydrogen Joint Undertaking" (FCH JU), in order to kickstart the adoption of fuel cells in the heavy duty sector. The total budget for the StasHH mission is €15.2 million.

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

Proton Maritime

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

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

Group activities

Following the successful completion of the production lines for the fourth generation Stack Modules and the PM Module S8 systems, the group has been focusing on selling fuel cell systems with an electrical power output from 8 kW up to 150 kW for mobile, stationary, maritime and rail applications. Especially the number of produced PM Module S8 units is increasing, because of regular order income of several customers like GKN Hydrogen.

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

As part of the EU funded project REVIVE, in which Proton Motor has been a member of the project consortium since 2019, a fuel cell system for integration into a garbage truck has been designed. A Stack Module PM400-144 is being integrated into the HyRange® 43 fuel cell system. The integration into the truck is being carried out together with the vehicle manufacturer ETrucks from Belgium. The first system was delivered in 2020. Since then, ETrucks repeatedly ordered HyRange® 43 fuel cell systems in two designs. One design is for mounting under the driver's cabin and the second is for mounting on the roof. By the end of Q1 2022, ETrucks has ordered 21 HyRange® 43 systems, of which six have been delivered.

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

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

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

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

Outlook

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

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

Helmut Gierse 10 June 2022

Non-Executive Chairman

Consolidated income statement

for the year ended 31 December 2021

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

Consolidated statement of comprehensive income

for the year ended 31 December 2021

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

year		

Attributable to owners of the parent	**602,719**	(403,394)

Group balance sheets

as at 31 December 2021

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

Profit / (Loss) for the year attributable to the owners	**603,305**	(402,633)
Other changes in retained earnings	**(858)**	(761)
Total equity	**(81,660)**	(687,221)

Company balance sheets

as at 31 December 2021

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

Total equity	**(84,350)**	**(688,589)**

Group and Company statements of changes in equity

for the year ended 31 December 2021

Group	Share Capital	Share Premium	Merger Reserve	Reverse Acquisition Reserve	Share Option Reserve	Foreign Translation Reserve	Capital Contribution Reserves	Accumulated Losses	Total Equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2020	**9,970**	**18,704**	**15,656**	**(13,861)**	**968**	**10,437**	**1,151**	**(328,996)**	**(285,971)**
Share based payments	-	-	-	-	(19)	-	-	-	(19)
Proceeds from share issues	628	870	-	-	-	-	-	-	1,498
Transactions with owners	**628**	**870**	**-**	**-**	**(19)**	**-**	**-**	**-**	**1,479**
Loss for the year	-	-	-	-	-	-	-	(402,633)	(402,633)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	601	64	(761)	(96)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**601**	**64**	**(403,394)**	**(402,729)**
Balance at 31 December 2020	**10,598**	**19,574**	**15,656**	**(13,861)**	**949**	**11,038**	**1,215**	**(732,390)**	**(687,221)**
Balance at 1 January 2021	**10,598**	**19,574**	**15,656**	**(13,861)**	**949**	**11,038**	**1,215**	**(732,390)**	**(687,221)**
Share based payments	4	284	-	-	1,238	-	-	(272)	1,254
Proceeds from share issues	421	532	-	-	-	-	-	-	953
Transactions with owners	**425**	**816**	**-**	**-**	**1,238**	**-**	**-**	**(272)**	**2,207**
Profit for the year	-	-	-	-	-	-	-	603,305	603,305
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	707	(72)	(586)	49
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**707**	**(72)**	**602,719**	**603,354**
Balance at 31 December 2021	**11,023**	**20,390**	**15,656**	**(13,861)**	**2,187**	**11,745**	**1,143**	**(129,943)**	**(81,660)**

Statements of changes in equity - Company

Company	**Share Capital**	**Share Premium**	**Merger Reserve**	**Share Option Reserve**	**Accumulated Losses**	**Total Equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**

Balance at 1 January 2020	**9,970**	**18,704**	**15,656**	**968**	**(332,560)**	**(287,262)**
Share based payments	-	-	-	(19)	-	(19)
Proceeds from share issues	628	870	-	-	-	1,498
Transactions with owners	**628**	**870**	**-**	**(19)**	**-**	**1,479**
Loss for the year	-	-	-	-	(402,806)	(402,806)
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**(402,806)**	**(402,806)**
Balance at 31 December 2020	**10,598**	**19,574**	**15,656**	**949**	**(735,366)**	**(688,589)**
Balance at 1 January 2021	**10,598**	**19,574**	**15,656**	**949**	**(735,366)**	**(688,589)**
Share based payments	4	284	-	1,238	(272)	1,254
Proceeds from share issues	421	532	-	-	-	953
Transactions with owners	**425**	**816**	**-**	**1,238**	**(272)**	**2,207**
Profit for the year	-	-	-	-	602,032	602,032
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**602,032**	**602,032**
Balance at 31 December 2021	**11,023**	**20,390**	**15,656**	**2,187**	**(133,606)**	**(84,350)**

Share premium

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

Merger reserve

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

Reverse acquisition reserve

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

Share option reserve

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

Group statements of cash flows

for the year ended 31 December 2021

	Group	
	Year ended 31 December	
	2021	2020
	£'000	£'000
Cash flows from operating activities		
Profit / (Loss) for the year	**603,305**	(402,633)
Adjustments for:		
Depreciation and amortisation	**641**	574
Interest income	**(3)**	(3)
Interest expense	**1,498**	5,192
Share based payments	**966**	(19)

Movement in inventories	**(45)**	618
Movement in trade and other receivables	**(1,276)**	(108)
Movement in trade and other payables	**109**	1,340
Movement in fair value of embedded derivatives	**(609,201)**	386,870
Effect of foreign exchange rates	**(4,720)**	3,446
Net cash (used in) / generated from operating activities	**(8,726)**	(4,723)
Cash flows from investing activities		
Purchase of intangible assets	**(44)**	(56)
Purchase of property, plant and equipment	**(633)**	(373)
Interest received	**3**	3
Net cash used in investing activities	**(674)**	(426)
Cash flows from financing activities		
Proceeds from issue of loan instruments	**7,962**	5,776
Proceeds from issue of new shares	**1,241**	1,498
Repayment of other borrowings	**(297)**	-
New obligations of lease debt	**21**	-
Repayment of obligations under lease debt	**(202)**	(187)
Net cash generated from financing activities	**8,725**	7,087
Net increase/(decrease) in cash and cash equivalents	**(675)**	1,938
Effect of foreign exchange rates	**88**	(227)
Opening cash and cash equivalents	**2,739**	1,028
Closing cash and cash equivalents	**2,152**	2,739

Company statements of cash flows

for the year ended 31 December 2021

	Company	
	Year ended 31 December	
	2021	2020
	£'000	£'000
Cash flows from operating activities		
Loss for the year	**602,032**	(402,806)
Adjustments for:		
Impairment of investment	**8,877**	6,912
Interest income	**(12)**	(45)
Interest expense	**1,476**	5,148
Share based payments	**966**	(19)
Movement in trade and other receivables	**(156)**	(109)
Movement in trade and other payables	**415**	200
Movement in fair value of embedded derivatives	**(609,201)**	386,870
Effect of foreign exchange rates	**(4,720)**	3,446
Net cash (used in) / generated from operating activities	**(323)**	(403)
Cash flows from investing activities		
Capital contribution to subsidiaries	**(8,877)**	(6,912)
Interest received	**12**	45

Net cash used in investing activities	**(8,865)**	(6,867)
Cash flows from financing activities		
Proceeds from issue of loan instruments	**7,962**	5,776
Proceeds from issue of new shares	**1,241**	1,498
Repayment of short-term borrowings	**-**	-
Net cash generated from financing activities	**9,203**	7,274
Net increase/(decrease) in cash and cash equivalents	**15**	4
Effect of foreign exchange rates	**-**	(1)
Opening cash and cash equivalents	**5**	2
Closing cash and cash equivalents	**20**	5

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

Directors

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

Dr. Faiz Nahab	Chief Executive 1,3
Helmut Gierse	Chairman2
Antonio Bossi (appointed 5 August 2021)	Non-Executive Director 5
Sebastian Goldner	Chief Technical Officer and Chief Operations Officer
Roman Kotlarzewski	Chief Financial Officer and Company Secretary 4,6
Manfred Limbrunner	Director Sales and Marketing

1 Chairman of the Remuneration Committee.
2 Chairman of the Audit Committee.
3 Chairman of the Nominations Committee.
4 Member of the Remuneration Committee.
5 Member of the Audit Committee.
6 Member of the Nominations Committee.

2. Summary of significant accounting policies

The Board approved this announcement on 9 June 2022. The financial information included in this announcement does not constitute the Group´s statutory accounts for the years ended 31 December 2021 or 31 December 2020. Statutory accounts for the year ended 31 December 2020 have been delivered to Companies House. The statutory accounts for the year ended 31 December 2021 will be delivered to Companies House accordingly.

Basis of preparation

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

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

Until such time as the Group achieves operational cash inflows through becoming a volume producer of its products to a receptive market it will remain dependent on its ability to raise cash to fund its operations from existing and potential shareholders and the debt market. The Group has historically been dependent on the continuing financial support of its main investors, SFN Cleantech Investment Ltd and Mr Falih Nahab to meet its day-to-day working capital requirements. The Group has loans with SFN Cleantech Investment Ltd of €2.4m and €26.1m and also a loan facility with Mr. Falih Nahab of €50.6m. The repayment date for all loans is 31 December 2025. As such the loans are held as non-current borrowings in the financial statements.

Subsequent to the 2021 year end the following changes to the existing loan facilities were made:

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

The Group will, at the date of sign off of the accounts, have in place committed facilities from SFN Cleantech Investment Ltd and Mr Falih Nahab of up to €91.6m which will become repayable at the end of 2025. Cash flow forecasts demonstrate that the undrawn portions of these committed facilities enable the Company and the Group to meet its cash requirements for the period up to at least June 2023. The Company and Group are also able to defer discretionary spend during this period to provide further cash flow headroom, should this be required.

At this point in time there has been no indication of circumstances which would lead to either or both SFN Cleantech Investment Ltd and Mr Falih Nahab withdrawing this support beyond June 2023. Both SFN Cleantech Investment Ltd and Mr Falih Nahab have confirmed their intention to fund further investment through the sale of shares in the Company.

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

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

3. Critical accounting estimates and judgements

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

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

Classification and fair value of financial instruments

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

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

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

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

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

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

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

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

4. Segmental information

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

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

Revenue from external customers

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

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

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

5. Loss for the year before tax

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

6. Auditors' remuneration

	2020	2019
	£'000	£'000
Audit services		
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	25	28
Fees payable to the Company's auditor and its associates for other services:		
Other services	9	2
	34	30

7. Staff numbers and costs

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

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

The aggregate payroll costs of these persons were as follows:

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

There are no staff, or direct wages specific to the Company. Share based payments charge to the non-executive and executive Directors of the Company is £154k (2020: £188k).

Share based payments

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

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

The cost of the share options granted during 2021 to the Group is being charged over a two year period from the date of grant at which point they become exercisable.

At 31 December 2021 the Group operated a single share option scheme ("SOS"). The SOS allows the Company to grant options to acquire shares to eligible employees. Options granted under the SOS are unapproved by HM Revenue & Customs. The maximum number of shares over which options may be granted under the SOS may not be greater than 15 per cent of the Company's issued share capital at the date of grant when added to options or awards granted in the previous 10 years. The exercise of options can take place at any time after the second anniversary of the date of grant. Options cannot, in any event, be exercised after the tenth anniversary of the date of grant.

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

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

The fair values of options granted were determined using the Black-Scholes valuation model. Significant inputs into the calculation include a weighted average share price and exercise prices. Furthermore, the calculation takes into account future dividends of nil and volatility rates of between

50% and 98%, based on expected share price. Risk-free interest rate was determined between 0.640% and 5.125% for the various grants of options. It is assumed that options granted under the SOS have an average remaining life of 28 months *(2020:34 months)*.

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

At 31 December 2021 the Group also operates a Key Person Stock Award Scheme whereby key staff members can build up an entitlement to target amounts of shares over a period of three to ten years, with the vesting condition that the employees are still employed at the time the entitlement vests. After three years amounts of shares subject to predetermined thresholds can be drawn annually. The remaining full entitlement can be drawn after ten years.

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

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

8. Tax

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

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

9. Finance income

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

10. **Finance costs**

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

11. Loss per share

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

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares, share options and convertible debt; however, dilutive ordinary shares have not been included in the calculation of loss per share because they are non-dilutive for these periods.

11. Loss per share

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

12. Intangible assets - Group

	Goodwill	Copyrights, trademarks and other intellectual property rights	Development costs	Total
	£'000	**£'000**	**£'000**	**£'000**

Cost				
At 1 January 2020	2,126	229	-	2,355
Exchange differences	-	13	-	13
Additions	-	56	-	56
Transfers	-	-	-	-
Disposals	-	-	-	-
		-		
At 31 December 2020	**2,126**	**298**	**-**	**2,424**
At 1 January 2021	**2,126**	**298**	**-**	**2,424**
Exchange differences	-	(18)	-	(18)
Additions	-	44	-	44
Transfers	-	-	-	-
Disposals	-	-	-	-
		-		
At 31 December 2021	**2,126**	**324**	**-**	**2,450**
Accumulated Amortisation				
At 1 January 2020	**2,126**	**198**	**-**	**2,324**
Exchange differences	-	10	-	10
Charged in year	-	26	-	26
Disposals	-	-	-	-
At 31 December 2020	**2,126**	**234**	**-**	**2,360**
At 1 January 2021	**2,126**	**234**	**-**	**2,360**
Exchange differences	-	(14)	-	(14)
Charged in year	-	26	-	26
Disposals	-	-	-	-
At 31 December 2021	**2,126**	**246**	**-**	**2,372**
Net book value				
At 31 December 2021	**-**	**78**	**-**	**78**
At 31 December 2020	-	64	-	64
At 1 January 2020	-	31	-	31

Self-developed intangible assets in the amount of £26,000 (2020: £56,000) are recognised in the reporting year, because the prerequisites of IAS 38 have been fulfilled.

Amortisation and impairment charges are recognised within administrative expenses.

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

There are no individually significant intangible assets.

The company does not hold any intangible assets.

13. Property, plant and equipment - Group

	Leasehold property improvements	Technical equipment & machinery	Office & other equipment	Self-constructed plant & machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2020	644	1,179	702	184	2,709
Exchange differences	36	66	39	10	151
Additions	-	100	142	131	373

Transfers	-	174	-	(174)	-
Disposals	-	-	(32)	-	(32)
At 31 December 2020	**680**	**1,519**	**851**	**151**	**3,201**
At 1 January 2021	680	1,519	851	151	3,201
Exchange differences	(40)	(91)	(51)	(9)	(191)
Additions	41	93	104	395	633
Transfers	-	183	-	(183)	-
Disposals	(2)	(73)	(78)	-	(153)
At 31 December 2021	**679**	**1,631**	**826**	**354**	**3,490**
Accumulated Depreciation					
At 1 January 2020	365	664	274	-	1,303
Exchange differences	21	38	16	-	75
Charge for year	66	148	139	-	353
Disposals	-	-	(14)	-	(14)
At 31 December 2020	**452**	**850**	**415**	**-**	**1,717**
At 1 January 2021	452	850	415	-	1,717
Exchange differences	(28)	(55)	(30)	-	(113)
Charge for year	65	186	169	-	420
Disposals	(2)	(73)	(78)	-	(153)
At 31 December 2021	**487**	**908**	**476**	**- 1,871**	
1					
Net book value					
At 31 December 2021	**192**	**723**	**350**	**354**	**1,619**
At 31 December 2020	**228**	**669**	**436**	**151**	**1,484**
At 1 January 2020	279	515	428	184	1,406

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

14. Right-of-use assets - Group

	Land and buildings	Plant and machinery	Total
	£'000	£'000	£'000
Cost			
At 1 January 2020	584	74	658
Additions	-	-	-
At 31 December 2020	**584**	**74**	**658**
At 1 January 2021	584	74	658
Additions	-	21	21
At 31 December 2021	**584**	**95**	**679**
Accumulated Depreciation			
At 1 January 2020	167	13	180
Charge for year	167	26	193
At 31 December 2020	**334**	**39**	**373**
At 1 January 2021	334	39	373
Charge for year	167	28	195

At 31 December 2021	**501**	**67**	**568**
Net book value			
At 31 December 2021	**83**	**27**	**111**
At 31 December 2020	250	35	285
At 1 January 2020	417	61	478

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

15. Fixed asset investments

	2020	2019
Group	**£'000**	£'000
Shares in associate undertaking		
Cost		
At beginning of year	**18**	7
Additions	**-**	11
At end of year	**18**	18
Impairment		
At beginning of year	**7**	-
Charge for the year	**-**	7
At end of year	**7**	7
Net book value		
At end of year	**11**	11

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

	2021	2020
Company	**£'000**	£'000
Shares in Group undertaking		
Cost		
At beginning of year	**89,524**	82,612
Additions	**8,877**	6,912
At end of year	**98,401**	89,524
Impairment		
At beginning of year	**89,524**	82,612
Charge for the year	**8,877**	6,912
At end of year	**98,401**	89,524
Net book value		
At end of year	**-**	-

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

Following a review of the Company's assets the Board has concluded that there are sufficient grounds for its investment in the subsidiary undertakings to be subject to an impairment review under IAS 36. In arriving at the charge in the year of £8,877k (2020: £6,912k) the Board has determined the recoverable amount on a value in use basis using a discounted cash flow model.

16. Inventories

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

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

17. Trade and other receivables

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

The Directors consider that the carrying amount of trade and other receivables approximates to their fair values.
In addition some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	Group	
	2021	2020
	£'000	£'000
Not more than three months (all denominated in Euros)	**-**	-

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

18. Cash and cash equivalents

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

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

19. Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade payables	**505**	276	**-**	-
Other payables	**3,130**	3,371	**203**	1
Amounts due to Group companies	**-**	-	**259**	132

Accruals and deferred income	**863**	742	**318**	231
	4,498	4,389	**780**	364

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

20. Lease debt

The company implemented IFRS 16 'Leases' as of 1 January 2019 (see Note 2). Whilst the Company implemented the accounting standard using the Cumulative retrospective approach which does not require comparatives to be restated the below fully details the effect of IFRS 16 on the Company's lease debt.

A summary of the lease debt maturity is shown below:

Group

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

The carrying value of assets held under lease within right-of-use assets is £111k (2020: £285k). The balances relate to the Benzstrasse 7, Puchheim, Germany property lease and a number of vehicle leases held in Proton Motor Fuel Cell GmbH.

21. Borrowings

	Group		**Company**	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Bank overdraft	**517**	814	**-**	-
Loans				
Current	**-**	-	**-**	-
Non-current	**83,956**	79,238	**83,956**	79,238
Current and total borrowings	**84,473**	80,052	**83,956**	79,238

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

Also included within non-current borrowings as at year end are amounts of £2,235k (2020: £2,345k) due to SFN Cleantech Investment Limited which includes a principal loan of €2.3m (2020: €2.3m) and accrued interest thereon. The principal loan attracts interest of EURIBOR+2% per annum. Interest is to be rolled up and repaid at the termination of the loan agreement.

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

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

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

The debt has been measured at amortised cost.

22. Embedded derivatives on convertible interest

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Embedded derivatives on convertible interest	-	609,201	-	609,201

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

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

23. Deferred income tax - Group

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related benefit through future taxable profits is probable. The Group has not recognised deferred income tax assets of £25,072k (2020: £23,398k) in respect of losses amounting to £10,291k (2020: £7,279k) and €95,053k (2020: €86,251k).

24. Share capital

The share capital of Proton Motor Power Systems plc consists of fully paid Ordinary shares with a par value of £0.005 (2020: £0.01) and Deferred Ordinary shares with a par value of £0.01 (2020: £0.01). All Ordinary shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Proton Motor Power Systems plc. Deferred Ordinary shares have no rights other than the repayment of capital in the event of a winding up. None of the parent's shares are held by any company in the Group.

During 2021, 66,667 Ordinary shares of 1p each were issued each at a price of 92p per share in settlement of a Director´s annual fee for the period ended 31 January 2021. Additionally 5,000 Ordinary shares of 1p each were issued as part of the Employee Share Purchase Scheme during 2021 to a Director at a price of 66p.

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

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

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

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	2021		2020	
	Ordinary shares	**Deferred**	Ordinary shares	Deferred ordinary

	ordinary shares						shares	
	No.		**No.**		No.		No.	
	´000	**£'000**	**'000**	**£'000**	'000	£'000	'000	£'000
Shares authorised, issued and fully paid								
At the beginning of the year	**731,828**	**7,318**	**327,963**	**3,280**	669,008	6,690	327,963	3,280
Share issue	**542**	**5**	**-**	**-**	570	6	-	-
Share issue - under share option scheme	**-**	**-**	**-**	**-**	2,250	22	-	-
Share issue - conversion on loan interest	**42,000**	**420**	**-**	**-**	60,000	600	-	-
Share subdivision	**774,370**	**-**	**-**	**-**	-	-	-	-
	1,548,740	**7,743**	**327,963**	**3,280**	731,828	7,318	327,963	3,280

25. Commitments

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

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

26. Related party transactions

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

	Group		**Company**	
	Year ended 31 December		**Year ended 31 December**	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
(Expenses) / Income				
SFN Cleantech Investment Limited effective loan interest	**(452)**	(1,093)	**(452)**	(1,093)
Falih Nahab effective loan interest	**(993)**	(2,815)	**(993)**	(2,815)
SFN Cleantech Investment Limited other loan interest	**(30)**	(40)	**(30)**	(40)
SFN Cleantech Investment Limited credit arising on convertible interest waiver	**315,703**	-	**315,703**	-
Falih Nahab credit arising on convertible interest waiver	**293,498**	-	**293,498**	-

At 31 December 2021 the Group and Company had the following balances with related parties:

	Group		**Company**	
	Year ended 31 December		**Year ended 31 December**	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Amounts due (to) / from				
SFN Cleantech Investment Limited borrowings and embedded	**(30,320)**	(342,846)	**(30,320)**	(242,195)

derivatives (see Notes 21 and 22)				
SFN Cleantech Investment Limited bank guarantee	**(1,933)**	(2,055)	**-**	-
Dr Faiz Nahab bank guarantee	**(2,235)**	(2,345)	**-**	-
SFN Cleantech Investment Limited loans to SPower GmbH	**(51,401)**	(343,247)	**(51,401)**	(443,897)
Falih Nahab borrowings and embedded derivatives (See Notes 21 & 22)	**(30,320)**	(342,846)	**(30,320)**	(242,195)

Due to the waivers of convertible interest by SFN Cleantech Investment Limited and Mr. Falih Nahab the embedded derivative on convertible interest is no longer applicable at the end of 2021 and thus £609.2m was reversed in the income statement. During the year the Company made capital contributions to Proton Motor Fuel Cells GmbH of £8,877,000 (2020: £6,912,000) and to SPower GmbH of £nil (2020: £nil).

27. Risk management objectives and policies

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

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

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

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

28. Foreign currency sensitivity

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

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

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	€'000	**£'000**	€'000	£'000
Financial assets	**4,835**	**4,063**	3,744	3,345
Financial liabilities	**(107,161)**	**(90,052)**	(770,752)	(688,667)
Short-term exposure	**(102,326)**	**(85,989)**	(767,008)	(685,322)

The following table illustrates the sensitivity of the net result for the year and equity with regard to the parent Company's financial assets and financial liabilities and the Sterling/Euro exchange rate. It assumes a +/- 7.97% change of the Sterling/Euro exchange rate for the year ended 31 December 2021 (2020: 12.78%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the parent Company's foreign currency financial instruments held at each balance sheet date.

If the Euro had strengthened against Sterling by 7.97% (2020: 12.87%) then this would have had the following impact:

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

Equity	**(6,853)**	(87,584)

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

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

Exposures to foreign exchange rates vary during the year depending on the value of Euro denominated loans. Nonetheless, the analysis above is considered to be representative of Group's exposure to currency risk.

29. Credit risk analysis

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

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

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

	Group		**Company**	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**2,152**	2,739	**20**	5
Trade and other receivables	**1,624**	348	**238**	12
Short-term exposure	**3,776**	3,087	**258**	17

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

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

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

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

30. Liquidity risk analysis

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

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

As at 31 December 2021, the Group's liabilities have contractual maturities which are summarised below:

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

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

	Within 6 months	6 to 12 months	1 to 5 years
	£'000	£'000	£'000
Trade payables	276	-	-
Other short term financial liabilities	4,113	-	-
Lease debt	-	196	104
Borrowings and embedded derivatives on convertible loans	-	814	79,238

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

31. Financial instruments

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

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

As at 31 December 2020	Group			Company		
	Loans and receivables	Non-financial assets / financial assets not in scope of IAS 39	Total	Loans and receivables	Non-financial assets / financial assets not in scope of IAS 39	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	-	64	64	-	-	-
Property, plant and equipment	-	1,484	1,484	-	-	-
Right-of-use assets	-	285	285	-	-	-

Investment in subsidiary	-	11	11	-	-	-
Inventories		1,790	1,790	-	-	-
Trade and other receivables	348	-	348	209	-	209
Cash and cash equivalents	2,739	-	2,739	5	-	5
	3,087	**3,634**	**6,721**	**214**	**-**	**214**

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

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

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

Fair values

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

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

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

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

32. Capital management

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

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

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

33. Ultimate controlling party

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

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