Registered number: 10286500

Clean Power Hydrogen Group Limited
Annual report and financial statements
for the year ended 31 December 2021

Clean Power Hydrogen Group Limited

Annual report and financial statements for the year ended 31 December 2021

Clean Power Hydrogen Group Limited

Directors and registered office

Directors
C Brook
J Duffy
I Pillay
H Price
J Scott
N Williamson

Company secretary
Tricor Secretaries Limited

Registered office
Unit D,
Parkside Business Park,
Spinners Lane
Doncaster
DN2 4BL

Company registered number
10286500

Independent auditor
PKF Littlejohn LLP
Chartered Accountants and Statutory Auditors
15 Westferry Circus,
London,
E14 4HD

Clean Power Hydrogen Group Limited

Directors' report for the year ended 31 December 2021

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2021. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and in accordance with section 414B, the directors have taken the exemption from preparing a Strategic Report.

Principal activities
The principal activity of the company and Group is the development of a patented method of hydrogen and oxygen production together with the development of a gas separation technique which enables hydrogen to be produced as 'Green Hydrogen' and oxygen to medical grade purity.
The company was a holding company for the Group and is the main trading company. In February 2022, a newly formed parent company, Clean Power Hydrogen plc, was put in place by a share for share exchange and this was then listed on the Alternative Investment Market ('AIM') in order to raise equity to fund the further development of the Group. The new group will consequently report under International Financial Reporting Standards ('IFRS') in 2022 and the Group has therefore also adopted IFRS in these financial statements. The date of transition to IFRS was 1 January 2020.

Business review and future developments
The Group recorded a loss of £3,317,000 for the financial year (2020: loss of £1,659,000) and at 31 December 2021 the Group had net liabilities of £352,000 (2020: net assets of £2,195,000). This reflects the development stage of the group with the first significant orders being received and in progress during 2021. The nature of a specific medium term incentive scheme for a key executive has also impacted the results by £1,227,000 (2020: by £738,000) and net liabilities by a cumulative £1,965,000 (2020: £738,000). This arrangement was converted from a cash or equity scheme into an equity settled basis in February 2022 and the liability will be reversed in 2022. Excluding these the loss for the year would be £2,090,000 and net assets £1,613,000 at 31 December 2021.

The Group has almost a decade of dedicated research and product development experience. This experience has resulted in the creation of simple, safe and sustainable technology which is designed to deliver a modular solution to the hydrogen production market in a cost-effective, scalable, reliable and long-lasting manner.
The Group designs and manufactures hydrogen production units that incorporate its Membrane-Free Electrolyser ('MFE') technology which, in combination with cryogenic gas separation, delivers hydrogen and oxygen in separate streams. When the Group's MFE is supplied by renewable electricity it delivers green hydrogen with a purity of up to 99.999% and medical grade oxygen.

The Group's strategic objective is to deliver the lowest Levelised Cost of Hydrogen ('LCOH') in the market in relation to the production of green hydrogen. The Group's MFE technology is already commercially available and demonstrating cost efficiencies and technological advantages.

In addition to a contracted orderbook of 4MW for delivery in 2022, the Group has an established pipeline of new opportunities at varying stages of development, including active discussions with current and quoted customers in respect of potential orders in excess of 160MW. The development of the hydrogen economy is forecast to lead to a 650x increase in European demand for electrolysers by 2030, with an EU electrolysis capacity target equivalent to 40GW. This requires investment of up to c. €47bn towards electrolysers producing 10 million tonnes/year of renewable hydrogen. The Group aims to become a globally recognised and highly-profitable designer, manufacturer and licensor of its MFE technology and is targeting 4GW production capacity by 2030.

The Group is a developer and seller of the MFE technology through traditional product sales channels and the intellectual property protection obtained by the Group enables it to pursue international joint venture and licensing arrangements. Consequently, the Group has the potential to offer a low-cost business model combined with the potential to scale in the short term.

Directors' report for the year ended 31 December 2021 (continued)

Post balance sheet events
In order to meet the Group objectives the AIM listing noted above was made on 16 February 2022 by the company's new parent, Clean Power Hydrogen plc, and raised a net £27.5m of new equity to fund development and operations for the foreseeable future.

Dividends
Dividends of £nil (2020: £nil) were paid during the year.

Directors
The directors who held office during the year and to the date of signing the financial statements were:

C Brook
J Duffy
I Pillay
H Price
J Scott
N Williamson
R Smith (appointed 5 June 2021, resigned 28 February 2022)

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the group and company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the UK. The company financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework'). 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 company and the group and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards for the group and United Kingdom Accounting Standards, comprising FRS 101, for the company have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report for the year ended 31 December 2021 (continued)

Going concern

The Company's new parent company, Clean Power Hydrogen plc, listed on AIM on 16 February 2022 and raised net proceeds of £27.5m of new equity in order to fund investment in the manufacturing operations, working capital. and continuing development work. The Group's forecasts and projections to 31 December 2023 based on the current trends in trading and after taking account of the funds currently held, show that the company and the Group will be able to operate within the level of cash reserves.

The company is now reliant upon financial support from its parent company, which the Board of Clean Power Hydrogen plc has agreed to provide for a period in excess of 12 months from the date of signing of these financial statements.

The directors therefore have a reasonable expectation that the company and Group have adequate resources to continue in operational existence for the foreseeable future and consider the going concern basis to be appropriate.

Directors' indemnities

The company maintained liability insurance for its directors and officers. This is a qualifying indemnity provision for the purposes of the Companies Act 2006, and was in place during the financial year and up to the date of signing these financial statements.

Auditors

The auditors, Mazars LLP, resigned during the year and PKF Littlejohn LLP were appointed. PKF Littlejohn LLP continue in office under section 487 of the Companies Act 2006.

On behalf of the board

C. H. Brook

C Brook
Director
17 May 2022

Clean Power Hydrogen Group Limited

Independent auditor's report to the members of Clean Power Hydrogen Group Limited

Opinion

We have audited the financial statements of Clean Power Hydrogen Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 group and parent 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, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and reviewing minutes of meetings.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from Companies Act 2006, GDPR, Employment Law and Health and Safety Law, Anti- Bribery and Money Laundering Regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
    - Enquiries of management regarding potential non-compliance;
    - Review of legal and professional fees to understand the nature of the costs and the existence of any non-compliance with laws and regulations; and
    - Review of minutes of meetings.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in relation to the carrying value of intangible assets and work in progress.
- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business and review of bank statements during the year to identify any large or unusual transactions where the business rationale is not clear.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 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 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.

David Thompson

David Thompson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date:
17 May 2022

Clean Power Hydrogen Group Limited

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

	Note	2021	2020
		£'000	£'000
Revenue		**28**	107
Cost of sales		**(25)**	(158)
Gross profit		**3**	(51)
Other operating income		**42**	107
Administrative expenses	4	**(3,480)**	(1,859)
Operating loss	4	**(3,435)**	(1,803)
Finance income	5	**7**	4
Finance expense	5	**(37)**	(4)
Loss before taxation		**(3,465)**	(1,803)
Taxation	7	**148**	144
Loss for the financial year		**(3,317)**	(1,659)
<u>Other comprehensive income/(expense)</u>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**20**	(20)
Total comprehensive expense for the year		**(3,297)**	(1,679)

The notes on pages 13 to 34 form part of these financial statements.

Consolidated statement of financial position as at 31 December 2021

	Note	**31 December 2021 £'000**	31 December 2020 £'000	1 January 2020 £'000
Assets				
Non current assets				
Intangible assets	8	**1,176**	769	437
Property, plant and equipment	9	**1,327**	154	164
Trade and other receivables	12	**120**	-	-
		2,623	923	601
Current assets				
Inventories	11	**2,082**	8	6
Trade and other receivables	12	**704**	130	44
Tax recoverable		**143**	-	-
Other financial asset at amortised cost	18	**-**	400	-
Cash and cash equivalents		**480**	2,937	1,005
		3,409	3,475	1,055
Total assets		**6,032**	4,398	1,656
Liabilities				
Current liabilities				
Trade and other payables	13	**(2,772)**	(802)	(98)
Loan from a related party	20	**(382)**	(405)	(382)
Lease liabilities	14	**(131)**	(31)	(29)
		(3,285)	(1,238)	(509)
Non current liabilities				
Accruals and deferred income	13	**(2,243)**	(931)	-
Lease liabilities	14	**(856)**	(34)	(65)
		(3,099)	(965)	(65)
Total liabilities		**(6,384)**	(2,203)	(574)
Net (liabilities)/assets		**(352)**	2,195	1,082
Equity				
Called up share capital	18	**9**	9	8
Share premium account		**5,545**	4,995	2,275
Currency translation reserve		**4**	(16)	4
Accumulated loss		**(5,910)**	(2,793)	(1,205)
Total equity		**(352)**	2,195	1,082

The notes on pages 13 to 34 form part of these financial statements.

These financial statements on pages 8 to 34 were approved by the board of directors on 17 May 2022 and were signed on its behalf by:

C Brook
Director

Clean Power Hydrogen Group Limited **Registered number: 10286500**

Clean Power Hydrogen Group Limited

Company statement of financial position as at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000	1 January 2020 £'000
Assets				
Non current assets				
Intangible assets	8	**1,061**	659	341
Property, plant and equipment	9	**1,327**	154	164
Investments	10	**-**	-	-
Trade and other receivables	12	**120**	-	-
		2,508	813	505
Current assets				
Inventories	11	**2,082**	8	6
Trade and other receivables	12	**776**	187	82
Tax recoverable		**143**	-	-
Other financial asset at amortised cost	18	**-**	400	-
Cash and cash equivalents		**463**	2,926	996
		3,464	3,521	1,084
Total assets		**5,972**	4,334	1,589
Liabilities				
Current liabilities				
Trade and other payables	13	**(2,758)**	(794)	(88)
Lease liabilities	14	**(131)**	(31)	(29)
		(2,889)	(825)	(117)
Non current liabilities				
Accruals and deferred income	13	**(2,243)**	(931)	-
Lease liabilities	14	**(856)**	(34)	(65)
		(3,099)	(965)	(65)
Total liabilities		**(5,988)**	(1,790)	(182)
Net (liabilities)/assets		**(16)**	2,544	1,407
Equity				
Called up share capital	18	**9**	9	8
Share premium account		**5,545**	4,995	2,275
Accumulated loss		**(5,570)**	(2,460)	(876)
Total equity		**(16)**	2,544	1,407

As permitted by section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The company recorded a loss for the year of £3,310,000 (2020: loss of £1,655,000).

The notes on pages 13 to 34 form part of these financial statements.

These financial statements on pages 8 to 34 were approved by the board of directors on 17 May 2022 and were signed on its behalf by:

C Brook
Director

Clean Power Hydrogen Group Limited **Registered number: 10286500**

Clean Power Hydrogen Group Limited

Consolidated statement of changes in equity for the year ended 31 December 2021

	Called up share capital £'000	Share premium account £'000	Foreign currency reserve £'000	Accumulated loss £'000	Total equity £'000
Balance as at 1 January 2020	8	2,275	4	(1,205)	1,082
Loss for the financial year	-	-	-	(1,659)	(1,659)
Other comprehensive expense					
Foreign currency differences	-	-	(20)	-	(20)
Total comprehensive expense for the year	-	-	(20)	(1,659)	(1,679)
Share based payment	-	-	-	71	71
Issue of share capital	1	2,720	-	-	2,721
Total contributions by owners	1	2,720	-	71	2,792
Balance as at 31 December 2020	**9**	**4,995**	**(16)**	**(2,793)**	**2,195**
Loss for the financial year	-	-	-	(3,317)	(3,317)
Other comprehensive income					
Foreign currency differences	-	-	20	-	20
Total comprehensive expense for the year	-	-	20	(3,317)	(3,297)
Share based payment	-	-	-	200	200
Shares issued	-	550	-	-	550
Total contributions by owners	-	550	-	200	750
Balance as at 31 December 2021	**9**	**5,545**	**4**	**(5,910)**	**(352)**

Company statement of changes in equity for the year ended 31 December 2021

	Called up share capital £'000	Share premium account £'000	Accumulated loss £'000	Total equity £'000
Balance as at 1 January 2020	8	2,275	(876)	1,407
Loss and total comprehensive expense for the financial year	-	-	(1,655)	(1,655)
Share based payment	-	-	71	71
Issue of share capital	1	2,720	-	2,721
Total contributions by owners	1	2,720	71	2,792
Balance as at 31 December 2020	**9**	**4,995**	**(2,460)**	**2,544**
Loss and total comprehensive expense for the financial year	-	-	(3,310)	(3,310)
Share based payment	-	-	200	200
Issue of share capital	-	550	-	550
Total contributions by owners	-	550	200	750
Balance as at 31 December 2021	**9**	**5,545**	**(5,570)**	**(16)**

Clean Power Hydrogen Group Limited

Consolidated cash flow statement for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flow from operating activities			
Loss for the financial year		**(3,317)**	(1,659)
Adjustment for:			
Depreciation of property, plant and equipment		**154**	59
Amortisation		**11**	6
Impairment		**28**	-
Loss on disposal		**17**	3
Share based payment (including LTIP)		**1,427**	809
Net finance costs		**30**	-
Taxation credit		**(148)**	(144)
Changes in working capital:			
Increase in inventories		**(2,074)**	(2)
Increase in trade and other receivables		**(837)**	(86)
Increase in trade and other payables		**2,602**	157
Cash used in operations		**(2,107)**	(857)
Income tax received		**5**	144
Net cash used in operating activities		**(2,102)**	(713)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(319)**	(57)
Proceeds from disposal of property, plant and equipment		**-**	5
Government capital grants received		**141**	193
Purchase of intangible assets		**(418)**	(338)
Net cash used in investing activities		**(596)**	(197)
Cash flows from financing activities			
Issue of share capital (net of costs)		**-**	2,321
Interest received		**7**	4
Share subscription received in advance		**-**	550
Cash proceeds from financial asset		**400**	-
Interest paid		**(37)**	(4)
Payment of lease liabilities		**(129)**	(29)
Net cash generated from financing activities		**241**	2,842
Net (decrease)/increase in cash and cash equivalents		**(2,457)**	1,932
Cash and cash equivalents at the beginning of the year		**2,937**	1,005
Cash and cash equivalents at the end of the year		**480**	2,937

Major non-cash movements: £400,000 of share capital issued in 2020 was satisfied by the issue of a bond with cash received in 2021, and £550,000 of cash was received in advance in 2020 in respect of shares issued in 2021.

Notes to the financial statements for the year ended 31 December 2021

1 Summary of significant accounting policies and general information

Clean Power Hydrogen Group Limited is a company incorporated in the United Kingdom. The registered address of the company is Unit D Parkside Business Park, Spinners Road, Doncaster, England, DN2 4BL. The principal activity of the company and its subsidiaries is the development of a patented method of hydrogen and oxygen production together with the development of a gas separation technique which enables hydrogen to be produced as 'Green Hydrogen' and oxygen to medical grade purity.

The Group financial statements have been prepared in accordance with UK adopted international accounting standards ("IFRS") and in accordance with the requirements of the Companies Act 2006. The Group and company prepared published financial statements for the year ended 31 December 2020 under UK GAAP applying FRS 102.
The parent company financial statements have been prepared under applicable United Kingdom Accounting Standards (FRS101 'Reduced Disclosure Framework') and applying the same IFRS transition adjustments which are set out in note 21. The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.
These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are drawn up in Sterling, the functional currency of the company and the Group. The level of rounding for the financial statements is the nearest thousand pounds.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Exemptions
FRS 101 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, and the company has taken advantage of the following exemptions:

- IAS 7 Statement of cash flows;
- IFRS 7 Financial instruments disclosures;
- IAS 24 Key management remuneration.

Basis of consolidation
The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets (both tangible and intangible), liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. Goodwill arising on the acquisition of the Irish subsidiary company in an earlier period was fully impaired with a nil goodwill balance at transition to IFRS.
The consolidated financial statements present the results of the company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.
Subsidiaries are all entities over which the Group has control. The Group controls an entity when it 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 and cease to be consolidated from the date on which control is transferred out of the Group.

1 Summary of significant accounting policies (continued)

Going concern

The Company's new parent company, Clean Power Hydrogen plc, listed on AIM on 16 February 2022 and raised net proceeds of £27.5m of new equity in order to fund investment in the manufacturing operations, working capital and continuing development work. The Group's forecasts and projections to 31 December 2023 based on the current trends in trading and after taking account of the funds currently held, show that the company and the Group will be able to operate within the level of cash reserves.
The company is now reliant upon financial support from its parent company, which the Board of Clean Power Hydrogen plc has agreed to provide for a period in excess of 12 months from the date of signing of these financial statements.
The directors therefore have a reasonable expectation that the company and Group have adequate resources to continue in operational existence for the foreseeable future and consider the going concern basis to be appropriate.

Revenue

Revenue comprises income from the sale of equipment for the electrolytic production of clean hydrogen and oxygen and related consultancy fees. Equipment revenue is recognised to the extent that the performance obligations, being the agreement to transfer the product is satisfied, which is when the customer obtains control of the equipment. The transfer takes place in accordance with the terms agreed with each customer, either at the point in time the goods are despatched to or received by the customer. Consultancy fees are recognised over the period the service is delivered.

Government grants

Government grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the Group recognises the related costs as an expense for which the grants are intended to compensate as follows:

Income based grants
Income based government grants are recognised in other operating income based on the specific terms related to them as follows:

- A grant is recognised in other operating income when the grant proceeds are received (or receivable) provided that the terms of the grant do not impose future performance-related conditions.
- If the terms of a grant do impose performance-related conditions then the grant is only recognised in income when the performance-related conditions are met.
- Any grants that are received before the revenue recognition criteria are met are recognised in the statement of financial position as an other creditor within liabilities.

Capital grants
Government grants received relating to tangible and intangible fixed assets are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

Share based payment

The company operates an equity-settled share-based compensation plan in which the company receives services from employees as consideration for share options. Warrants have also been issued as part of the compensation for professional services received. The fair value is established at the point of grant using an appropriate pricing model and then the cost is recognised as an expense in administrative expenses in the statement of comprehensive income, together with a corresponding credit directly in equity to retained earnings over the period in which the services are fulfilled. This is when the professional services are received or over the estimated period to vesting in respect of employees. The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest.

The Group also has a long term incentive plan ('LTIP') in place with a bonus payable after 3 years, linked to the Group value and share price. Under the applicable accounting standard this is treated as cash settled although it may, by mutual agreement of employee and employer, be settled by the issue of equity. The potential value is calculated at each balance sheet date using the estimated share price at that date, and this amount, including any related national insurance, is accrued in liabilities.

1 Summary of significant accounting policies (continued)

Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Research and development costs

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

- It is technically feasible to complete the development such that it will be available for use, sale or licence;
- There is an intention to complete the development;
- There is an ability to use, sell or licence the resultant asset;
- The method by which probable future economic benefits will be generated is known;
- There are adequate technical, financial and other resources required to complete the development;
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

The amount recognised is the expenditure incurred from the date when the project first meets the recognition criteria listed above. Expenses capitalised to date consist of direct and subcontract costs including materials or testing overheads. Employee costs have not been capitalised as the time has not been reliably captured and measured in respect of the element spent on specific projects, other research or operational time.

Where the above criteria are not met, research and development expenditure is charged to the income statement in the period in which it is incurred.

Capitalised development costs are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

The depreciable amount of a development cost intangible asset with a finite useful life is allocated on a systematic basis over its useful life, currently expected to range from 3 to 6 years. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for the assets with a finite useful life is reviewed at least each financial year-end. If the expected useful of the asset is different from previous estimates, the amortisation period is changed accordingly.

Patent costs

Patent cost assets are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses. The costs are amortised on a straight line basis over a 10 year estimated useful life.

1 Summary of significant accounting policies (continued)

Software

Software assets are capitalised at the purchase cost. Subsequent to initial recognition it is stated at cost less accumulated amortisation and accumulated impairment. Software is amortised in the Statement of Comprehensive Income on a straight line basis over its estimated useful life of 3 years. These costs are recognised in administrative expenses.

Property plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

After recognition, all property, plant and equipment (including plant, computer equipment and fixtures) is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Leasehold improvements	20% straight line
Plant and machinery	20% straight line
Office equipment	33% straight line

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.*

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.

Right-of-use assets and leases

Assets and liabilities arising from a lease with a duration of more than one year are initially measured at the present value of the lease payments and payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Lease payments are allocated between principal, presented as a separate category, and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs and are presented as a separate category.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Associated costs of all leases, such as maintenance, service charges and insurance, are expensed as incurred.

1 Summary of significant accounting policies (continued)

Impairment of intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows. As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset or cash-generating unit is impaired when its carrying amount exceed its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.

The impairment loss is allocated to reduce the carrying amount of the asset pro-rata on the basis of the carrying amount of each asset in the unit. Assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and an appropriate proportion of fixed and variable overheads incurred in bringing the inventories to their present location and condition. Net realisable value being the estimated selling price less costs to complete and sell. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

Financial instruments

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. These comprise trade and other receivables and cash and cash equivalents.

Financial assets are initially recognised at fair value, which is usually the cost, plus directly attributable transaction costs.

Financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The Group measures loss allowances at an amount equal to lifetime ECL, which will be estimated using past experience of the historical credit losses. Historical loss rates, where applicable, are then adjusted for current and forward-looking information on macroeconomic factors affecting the group's customers, such as inflation rates. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost to the extent that these are material. The Group has determined that there is no material impact of ECLs on the financial statements.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

1 Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities include borrowings, lease liabilities, trade and other payables.

Financial liabilities are obligations to pay cash or other financial assets and are recognised in the statement of financial position when, and only when, the group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Foreign currencies

Transactions entered into by the Group in a currency other than the functional currency of sterling are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income in administrative expenses.

The results of overseas subsidiaries are translated into the Group's presentational currency of sterling weighted average exchange rate for the year. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the year-end exchange rate. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in a separate equity reserve.

Equity and reserves

Share capital represents the nominal value of shares that have been issued. Share premium represents the excess consideration received over the nominal value of share capital upon the sale of shares, less any incidental costs of issue.

The accumulated loss reserve represents all current and prior period trading losses.

The cumulative currency differences reserve represents translation differences in respect of the net assets of overseas subsidiaries.

Standards, amendments and interpretations in issue but not yet effective
There are no new standards, interpretations and amendments which are not yet effective in these financial statements, expected to have a material effect on the company or Group's future financial statements.

2 Critical accounting judgements and estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income 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 the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.
The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payments (note 18)
The Group uses the Black-Scholes option-pricing model where applicable for equity-settled arrangements, with inputs, in particular volatility, requiring significant judgement in application.
In respect of cash-settled arrangements the value at each balance sheet date involves a critical estimate of the share price, made using the information from new investors subscribing for or purchasing shares at a similar date. Details of assumptions applied are set out in the note.

Right of use assets (note 9)
The application of IFRS16 involves a degree of estimation in respect of the applicable discount rate of 6% applied and judgement in respect of any lease options or variable payments. The discount rate is reviewed in conjunction with the rates on similar borrowings and lease extension periods by reference to business plans and the most likely outcome.

Intangible assets (note 8)
The capitalisation of development costs is also subject to a degree of judgement in respect of the viability of new technology and know-how, supported by the results of testing, and by forecasts for the overall value and timing of sales which may be impacted by other future factors which could impact the assumptions made.

Amortisation commences once management consider that the asset is in use, i.e. when it is judged to be at a stage capable of application to commercial revenue streams and the cost is amortised over the estimated useful life of the know-how based on the expected life of the technology and related revenue.

3 Segmental reporting

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker. The chief operating decision maker is considered to be the executive Directors.

The Group at this stage comprises only one operating segment for the development and sale of equipment for the electrolytic production of clean hydrogen and oxygen. The operating segments are monitored by the chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.
All material assets, liabilities, revenues and expenses are located in, or derived in, the United Kingdom with the exception of capitalised patent costs and the related party loan liability in the Irish subsidiary of the Group which are denominated in Euros.

All revenue to date arises from one customer, in each year, reflecting the stage of development of the Group and commencement of revenue in 2020 in respect of initial test scale equipment and consultancy fees in 2021.

4 Operating loss

The operating loss is stated after charging/(crediting):

	2021	2020
	£'000	£'000
Wages and salaries	**1,030**	475
Social security costs	**109**	56
Other pension costs	**14**	8
Share based payment	**1,427**	720
Total staff costs	**2,580**	1,259

Government grant income (in other operating income)	**(42)**	(107)
Exceptional employee related costs (see note 18)	**1,227**	738
IPO preparation related costs	**108**	-
Auditor's remuneration (2021: PKF Littlejohn LLP, 2020: Mazars LLP)		
For audit	**37**	16
For taxation compliance	**-**	1
For other assurance services	**-**	3
Foreign exchange loss	**5**	1
Depreciation of property, plant and equipment	**68**	31
Depreciation of right-of-use assets	**86**	28
Amortisation of intangible assets	**11**	6
Impairments of right -of-use assets	**28**	-
Loss on disposal of property, plant and equipment	**17**	3
Cost of inventory sold	**-**	158

The monthly average number of staff employed by the Group during the year was 26 (2020: 13).

5 Directors' emoluments

	2021	2020
	£'000	£'000
Remuneration for qualifying services	**450**	225
Pension contributions	**1**	1
Consultancy fees	**103**	96
Cash settled share based payment	**1,078**	649
Equity settled share based payment	**200**	71
	1,832	1,042

The highest paid director received remuneration of £250,000 for 2021 and a potential bonus cost of £1,078,000 was accrued in respect of his LTIP entitlement (2020: £69,000 of remuneration and a £649,000 potential bonus accrual).
Retirement benefits were accruing to 3 directors in respect of defined contribution schemes (2020: 2).
The consultancy fees paid to directors or companies controlled by them are also included in the disclosures in note 20.

6 Finance income and expense

	2021 £'000	2020 £'000
Finance income:		
Bank interest receivable	**7**	4
Finance expense:		
Lease liability financing charges	**(37)**	(4)

7 Income tax

	2021 £'000	2020 £'000
Current tax		
UK corporation tax	**-**	-
Adjustments in respect of prior periods	**148**	144
Total tax credit	**148**	144

Factors affecting the tax credit for the year
The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Loss before taxation	**(3,357)**	(1,803)
Income tax calculated at the standard rate of corporation tax in the UK of 19% (2020: 19%)	**(638)**	(343)
Effects of:		
Expenditure not deductible for tax purposes	**48**	14
Enhanced research and development allowances	**(123)**	(77)
Deferred tax not recognised (note 17)	**713**	406
Adjustments in respect of prior periods	**(148)**	(144)
Total tax credit for the year	**(148)**	(144)

Tax credits in respect of research and development expenditure have recognised on receipt to date whilst experience of initial claims being collated and accepted is gained. The tax rate used for the reconciliation is the corporate tax rate of 19% (2020: 19%) payable by corporate entities in the UK on taxable profits under UK tax law.

The Finance Act 2020 enacted in March 2020 maintained the rate of UK corporation tax rate at 19% and, as the enacted rate, is accordingly applied to deferred taxation balances at 31 December 2020.

In May 2021 an increase to 25% from April 2023 was substantively enacted. The tax rate used to calculate unrecognised deferred tax is therefore 25% at 31 December 2021, being the rate at which the timing differences were expected to unwind based on enacted rates at each balance sheet date.

8 Intangible assets

Group	Development costs £'000	Patents £'000	Software £'000	Total £'000
Cost				
At 1 January 2020	343	85	16	444
Additions	313	25	-	338
At 31 December 2020	656	110	16	782
Additions	404	13	1	418
At 31 December 2021	**1,060**	**123**	**17**	1,200
Accumulated depreciation				
At 1 January 2020	-	-	7	7
Charge for the year	-	1	5	6
At 31 December 2020	-	1	12	13
Charge for the year	-	6	5	11
At 31 December 2021	**-**	**7**	**17**	**24**
Net book amount				
At 31 December 2021	**1,060**	**116**	**-**	**1,176**
At 31 December 2020	656	109	4	769
At 1 January 2020	343	85	9	437

The Group has received cumulative grants from UK government research and development initiatives amounting to £334,000 in respect of capitalised development expenditure (2020: £193,000). These grants are deferred within liabilities and amortised in line with depreciation or impairment of the related development asset.

The development costs relate to the direct expenditure incurred on the Group's membrane free electrolysis technology.

Intangible assets (continued)

Company	Development costs £'000	Patents £'000	Software £'000	Total £'000
Cost				
At 1 January 2020	330	2	16	348
Additions	312	11	-	323
At 31 December 2020	642	13	16	671
Additions	400	12	1	413
At 31 December 2021	**1,042**	**25**	**17**	**1,084**
Accumulated depreciation				
At 1 January 2020	-	-	7	7
Charge for the year	-	-	5	5
At 31 December 2020	-	-	12	12
Charge for the year	-	6	5	11
At 31 December 2021	**-**	**6**	**17**	**23**
Net book amount				
At 31 December 2021	**1,042**	**19**	**-**	**1,061**
At 31 December 2020	642	13	4	659
At 1 January 2020	330	2	9	341

9 Property, plant and equipment

Group and Company	Right-of-use property	Leasehold improvements	Plant and machinery	Office equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2020	136	39	59	13	247
Additions	-	8	31	18	57
Disposals	-	-	(11)	-	(11)
At 1 January 2021	136	47	79	31	293
Additions	1,069	59	238	22	1,388
Disposals	-	(46)	-	-	(46)
At 31 December 2021	**1,205**	**60**	**317**	**53**	**1,635**
Accumulated depreciation					
At 1 January 2020	50	15	14	4	83
Charge for the year	28	9	14	8	59
Disposals	-	-	(3)	-	(3)
At 1 January 2021	78	24	25	12	139
Charge for the year	86	12	40	16	154
Impairment	44	-	-	-	44
Disposals	-	(29)	-	-	(29)
At 31 December 2021	**208**	**7**	**65**	**28**	**308**
Net book amount					
At 31 December 2021	**997**	**53**	**252**	**25**	**1,327**
At 31 December 2020	58	23	54	19	154
At 1 January 2020	86	24	45	9	164

10 Investments

	Investment in subsidiary undertakings £'000
Cost and net book value at 31 December 2021, 31 December 2020 and 1 January 2020	-

Principal subsidiary undertakings	Address and country of registration	Principal activity	Class of shares held	% share holding
Clean Power Hydrogen Limited	Streamstown House, Streamstown, Co. Westmeath, N91 AY72, Republic of Ireland	Holds intellectual property	Ordinary	100%
Hydrogen United Limited	Unit D, Parkside Business Park, Spinners Road, Doncaster, DN2 4BL, England	Dormant	Ordinary	100%
CPH2 Northern Ireland Limited	5 Willowbank Road, Millbrook Industrial Estate, Larne, Antrim, BT40 2SF, Northern Ireland	Dormant	Ordinary	51%

11 Inventories

	31 December 2021	31 December 2020	1 January 2020
Group and company	**£'000**	£'000	£'000
Raw materials and consumables	**9**	8	6
Work in progress	**2,073**	-	-
	2,082	8	6

No impairment of inventory has arisen.

Work in progress represents the costs incurred in the production of machines for confirmed orders received in 2021 but not completed at 31 December 2021 (no orders not fulfilled as of 31 December 2020).

12 Trade and other receivables

	Group			Company		
	31 December 2021	31 December 2020	1 January 2020	**31 December 2021**	31 December 2020	1 January 2020
Current	**£'000**	£'000		**£'000**	£'000	
Trade receivables	**-**	39	-	**-**	39	-
Amounts owed by group undertakings	**-**	-	-	**72**	57	38
Other receivables	**282**	56	22	**282**	56	22
Prepayments and accrued income	**422**	35	22	**422**	35	22
	704	130	44	**776**	187	82
Non current						
Other receivables	**120**	-	-	**120**	-	-

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

Revenue only commenced in 2020 and there have been no impairment charges nor expected credit loss provisions made, as the credit risk in respect of trade and other receivables is considered low. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

13 Trade and other payables

	Group			Company		
	31 December 2021	31 December 2020	1 January 2020	**31 December 2021**	31 December 2020	1 January 2020
Current	**£'000**	£'000	£'000	**£'000**	£'000	£'000
Trade payables	**376**	125	33	**376**	125	33
Other payables	**14**	56	25	**14**	56	20
Share subscription received in advance	**-**	550	-	**-**	550	-
Taxation and social security	**48**	32	19	**42**	26	14
Accruals	**97**	39	21	**89**	37	21
Deferred income	**2,237**	-	-	**2,237**	-	-
	2,772	802	98	**2,758**	794	88
Non current liabilities						
Accruals (LTIP Liability)	**1,965**	738		**1,965**	738	-
Deferred income	**278**	193		**278**	193	-
	2,243	931	-	**2,243**	931	-

Shares were subsequently issued in early 2021 against the advance share subscription cash received and shown as a liability above at 31 December 2020.
£2,181,000 of the deferred income is expected to be recognised as revenue in 2022.
The directors consider that the carrying amount of trade and other payables approximates to their fair values. Details of the LTIP related accrual are set out in note 18.

14 Lease liabilities

Group and company	31 December 2021 £'000	31 December 2020 £'000	1 January 2020 £'000
Current	**131**	31	29
Due in one to two years	**120**	34	31
Due in two to five years	**408**	-	34
Due in more than five years	**328**	-	-
	856	34	65

The financing charges in respect of right-of-use assets are disclosed in note 5 and the right-of-use-assets and depreciation in note 9. Right-of-use assets and lease liabilities relate principally to property leases. The Group leases its main operating premises, typically on a five to eight year lease, subject to periodic rent reviews and potential breaks, with the intention and assumption made in measuring assets and liabilities that the extended period will be utilised. Total cash outflows in respect of leases were £166,000 for the year ended 31 December 2021 (2020: £33,000).

15 Financing activities and movements in total borrowings

Group	2021 £'000	2020 £'000
At 1 January	**(470)**	(476)
Cash movements:		
Lease liability payments	**129**	29
Interest paid	**37**	4
Non-cash movements		
Interest accrued	**(37)**	(4)
Foreign currency movements	**23**	(23)
Early notice given on leases	**18**	-
New lease liabilities	**(1,069)**	-
At 31 December	**(1,369)**	(470)
Comprising:		
Lease liabilities	**(987)**	(65)
Related party loan	**(382)**	(405)
	(1,369)	(470)

16 Financial instruments and capital management

Risk management

The Board has overall responsibility for the determination of the company and the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group is exposed to financial risks in respect of market, credit and foreign exchange risk.

Capital management

The company's and Group's capital comprises all components of equity which includes share capital and retained earnings. The company's and Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide future returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by managing technology development, pricing products as revenue commences commensurately with the level of risk.

The capital structure of the company and Group consists of shareholders equity with all working capital requirements financed from equity and property costs funded by lease agreements.

The company and Group set the amount of capital it requires in proportion to risk. They manage their capital structure and raise capital in the light of the investment in product development, changes in economic conditions, the ability to finance capital purchases and the risk characteristics of the underlying assets and activity. In its development the company has raised equity capital and has not utilised borrowings in view of the risks at this stage. Following the AIM listing, the company's parent now manages capital and in order to maintain or adjust the capital structure, may issue new shares, or sell assets to reduce debt.

Market risks
These arise from the nature and location of the customer markets, competing technology and foreign exchange rate risks.
The Group expects to trade initially primarily within the UK and Irish markets. This is likely to expand to other markets, and accordingly there will be a risk relating to the underlying performance of these markets and their currency risk which will be actively monitored by the directors.

Foreign exchange risk
The company has an Irish subsidiary which funded the initial product development with equity and a related party loan denominated in Euros. It expects to commence trade with overseas customers with the only revenue to date invoiced in sterling. There has therefore been a reduced sensitivity to fluctuations in exchange rates and a 10% movement in Euro exchange rates would impact the statement of financial position by approximately £35,000.

The Group had the following net balance in respect of the Irish subsidiary denominated in foreign currency:

	31 December 2021 £'000	31 December 2020 £'000	1 January 2020 £'000
Euro denominated	(337)	(350)	(324)

Interest rate risk
Lease liabilities are derived at fixed interest rates and reflect an underlying fixed rental with no current exposure to floating rates.

Clean Power Hydrogen Group Limited
Notes to the financial statements for the year ended 31 December 2021 (continued)

Financial instruments (continued)

Credit risk
Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company and Group is mainly exposed to credit risk from credit sales and attempts to mitigate credit risk by assessing the creditworthiness of customers and closely monitoring payments history.
Credit risk on cash and cash equivalents is considered to be minimal as the counterparties are all substantial banks with high credit ratings.

Liquidity risk
The maturity of the Group's financial liabilities including trade and other payables, other loans and lease liability total payments with the interest payable is as set out below. Current liabilities were payable on demand or to normal trade credit terms with the exception of lease liabilities which are payable quarterly.

At 31 December 2021	Up to 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000
Trade and other payables	(485)	-	(1,965)	-
Loan from a related party	(382)	-	-	-
Lease liabilities	(131)	(169)	(507)	(352)
	(998)	(169)	(2,472)	(352)

At 31 December 2020	Up to 1 year £'000	1-2 years £'000	2-5 years £'000
Trade and other payables	(220)	-	(738)
Loan from a related party	(405)	-	-
Lease liabilities	(34)	(33)	-
	(659)	(33)	(738)

Classification of financial instruments
All financial assets have been classified as at amortised cost, and all financial liabilities have been classified as other financial liabilities measured at amortised cost.

Financial assets

	31 December 2021 £'000	31 December £'000	1 January 2020 £'000
At amortised cost			
Trade and other receivables	126	55	5
Other financial asset	-	400	-
Cash and cash equivalents	480	2,937	1,005
	606	3,392	1,010
Financial liabilities			
At amortised cost			
Trade and other payables	(2,450)	(958)	(79)
Loan from a related party	(382)	(405)	(382)
Lease liabilities	(987)	(65)	(94)
	(3,819)	(1,428)	(555)

17 Deferred taxation

Unrecognised deferred tax asset/(liability)	Tax losses	Capital allowances	Share based payment	Total
	£'000	£'000	£'000	£'000
At 1 January 2020	103	(15)	(15)	73
At 31 December 2020	384	(35)	140	489
At 31 December 2021	**992**	**(105)**	**1,105**	**1,992**

Deferred tax assets have not been recognised at the year end dates as the utilisation of losses was not yet considered sufficiently probable. Deferred tax rates of 25% at 31 December 2021 (31 December 2020: 19%, 1 January 2020: 17%) have been applied.

18 Share capital and share based payment

Allotted, called up and fully paid £0.001 ordinary shares	Number	Share capital	Share premium amount
		£'000	£'000
As at 31 December 2019	8,344,145	8	2,275
Issued in the year	1,190,453	1	2,720
Cancelled in the year	(454,546)	-	-
As at 31 December 2020	**9,080,052**	**9**	**4,995**
Issued in the year	183,333	-	550
As at 31 December 2021	**9,263,385**	**9**	**5,545**

In the year ended 31 December 2021, 183,333 shares were issued at £3 each. The funds had been received under a short term loan arrangement prior to 31 December 2020 and hence the cashflow for this period ended 30 June 2021 shows no inflow in respect of these shares. (2020, 815,453 £0.001 ordinary shares were issued at £3 and 375,000 at £1 each). In 2020 454,546 shares were also purchased by the company and cancelled at £0.001 each.

£400,000 of the consideration for the shares in 2020 was settled by receipt of an interest bearing bond disclosed as an other financial asset, which was subsequently redeemed and the cash received early in 2021.

All £0.001 ordinary shares rank equally with the right to receive dividends and capital distributions.

Options and share based payment

Warrants and options giving the holder the right to purchase shares at a future date have been granted in respect of advisers and employees including directors with £200,000 expensed in the year ended 31 December 2021 (2020: £71,000). The fair values have been derived using a Black-Scholes model applying a risk free rate of 1% and volatility of 50%. The vesting period applied is 3 years in respect of all employee options. They are as follows with no options exercised or cancelled in the year or prior year.

Date of issue	Number of warrants	Exercise price per share	Fair value per share
		£	£
2017	13,812	0.40	0.138
August 2019	89,952	1.00	0.345

The warrants were exercisable at any time up to a listing or sale of the Group.

Share based payments (continued)

Date of issue	Number of options	Exercise price per share	Fair value per share
		£	£
December 2018	192,745	0.70	0.242
July 2020	240,369	0.70	0.467
September 2020	708,719	0.70	0.467
May 2021	100,000	5.00	1.725

683,114 of the options were exercisable on a listing or sale and 558,719 at any time.
At 31 December 2021 the options had an average estimated remaining vesting period of 1.42 years and the options and warrants an average exercise price of £1.04 per share (31 December 2020: 2.34 years and £0.78, 1 January 2020 1.92 years and £0.72).

In addition, the company also has an LTIP in place with a cash-settled bonus arrangement payable, linked to the Group value and share price over the 3 year period to September 2023. The charge for the year ended 31 December 2021, derived in line with the accounting policy was £1,227,000 (2020: £738,000) including the related national insurance costs with a cumulative liability of £1,965,000 (2020: £738,000).

19 Post balance sheet events

On 1 February 2022, Clean Power Hydrogen plc issued 185,267,700 Ordinary Shares in consideration of the transfer to it of the entire issued share capital of the company on a 20 for one basis.

On 16 February 2022, Clean Power Hydrogen plc was admitted to trading on AIM and in the process issued £30 million of new share capital to be used to expand the enlarged Group's activities for the foreseeable future.

Clean Power Hydrogen plc, the new parent company, also granted options on a prorata basis as follows:

- Options over 11,410,220 ordinary shares on equivalent EMI terms in exchange for the EMI options which were exercised on admission to AIM.
- Options over 13,426,440 ordinary shares in exchange for the unapproved scheme options
- Warrants over in aggregate 2,075,280 ordinary shares in exchange for the surrender of warrants which were then exercised.

On 10 February 2022, it also granted options over 10,608,980 Ordinary Shares under an unapproved scheme to replace the LTIP arrangement. Exercise from 30 June 2024 of 25% is subject to remaining in employment and 75% also to sales related performance conditions. The accrued cash settlement liability will be credited to the income statement in the 2022 financial statements with no liability at the next period end. Share based payment charges will be recorded in the income statement over the expected vesting period to 2024 based on the fair value of the modified equity-settled arrangements and credited to equity with a nil net impact on net assets.

20 Control and related party transactions

At 31 December 2021, the company was an ultimate parent company. Following the year end, as a result of an exchange of shares, the immediate and ultimate parent company became Clean Power Hydrogen plc. There is no individual ultimate controlling party.

The key management personnel is considered to be the directors. Please refer to note 5 for details of key management personnel remuneration.

There have been transactions with directors and with other entities over which the directors have control in respect of small interest free loans, outstanding expense balances and amounts owed in respect of consultancy fees charged included in trade and other payables. These are as follows in aggregate:

Year ended 31 December	**2021** **£'000**	**2020** **£'000**
Amounts owed by the Group at the year end	**11**	70
Consultancy fees charged in year	**103**	114
Purchases in the year	**13**	-

In addition, there was a loan to the Group of £382,000 (2020: £405,000) from Streamstown Mouldings Limited, incorporated in the Republic of Ireland and controlled by Joe Scott, a director of the company. This was interest free with no fixed repayment terms. This loan was repaid in 2022 following receipt of the proceeds of the IPO of Clean Power Hydrogen plc, now the 100% shareholder of the company.

21 Transition to IFRS and FRS101

From 1 January 2020 the Group has adopted International Financial Reporting Standards (IFRS) in the preparation of these financial statements. The company has adopted the UK standard FRS 101 and hence applied the measurement and valuation principles of IFRS with a number of disclosure exemptions. The main items contributing to the changes in the financial information compared with that reported under the United Kingdom standard FRS 102 ('UK GAAP') are shown below and result in the same net adjustments to reported results and net assets or liabilities in both the Group and the company:

IFRS 16: Leases. Under this standard, the concept of assessing a lease contract as either operating or financing is replaced by a single lessee accounting model. Substantially all former operating lease contracts where the rental was expensed under UK GAAP result in a lessee acquiring and recognising a right-to-use asset and a financial liability under IFRS. The asset is depreciated over the term of the lease and the interest on the financing liability is charged to profit or loss over the same period. A full retrospective approach has been applied with the liability representing the future lease payments at inception discounted at an incremental borrowing rate and with an equal right of use asset at inception. The income statement is impacted, with the rent expense relating to operating leases being replaced by a straight line depreciation charge arising from the right-to-use assets and interest charges arising from lease financing which are higher in earlier years.

On transition at 1 January 2020, there were no right of use assets or lease liabilities as all leases were considered short term at that date. Right of use assets and discounted lease liabilities at the estimated incremental rate of 6% have been recorded of £136,000 in 2018 on inception of two property leases with a term of up to 5 years, assumed to run full term. The operating lease rentals of £32,000 expensed in 2020 have been replaced by the inclusion of depreciation of £28,000 and financing charges of £4,000 with no net impact on profit or loss before tax. The carrying value of the right-of-use assets at 1 January 2020 was £86,000 and £58,000 at 31 December 2020. The carrying value of lease liabilities, was £94,000 at 1 January 2020 and £65,000 at 31 December 2020.

21 Transition to IFRS and FRS 101 (continued)

Government grants. Capital grants received in 2020 of £193,000 which had been netted against the capitalised development costs under UK GAAP have been reclassified and presented in non-current deferred income under IFRS with the deferred income to be released to income in line with the amortisation of the related asset. In 2020, grants received in respect of eligible costs included in the UK GAAP revenue have been reclassified to other operating income.

In addition, the more comprehensive review of accounting for the transition has identified matters which were applicable under UK GAAP but which had not been applied and therefore represent the amendment of errors. These are as follows:

IFRS 2: share based payment. The company has issued share options and warrants which result in equity-settled share based payment charges. A Black-Scholes model has been applied to calculate the charges resulting in additional administrative expenses of £71,000 in 2020. A corresponding credit has been made directly to reserves as the charges relate to equity settled transactions. The company also has a long term incentive arrangement which results in a cash-settled share based payment charge. A charge of £738,000 arises in 2020 together with an equal liability in the statement of financial position at 31 December 2020.

The Group has used the transition exemption and not restated the prior acquisition under IFRS business combination accounting. Accordingly, the impaired goodwill at transition on 1 January 2020 of £nil is adopted as opening cost with no asset recognised.

Amounts owed by the Group to a related party company at each year end and included in accruals and other creditors have been reclassified in the statement of financial position to one current loan balance in other payables to more appropriately reflect the nature and legal form of the balance which has remained substantially unchanged throughout the period other than for exchange differences. It has no formal repayment or interest terms indicating an on demand nature.

No cash flow statement has been included in the UK statutory financial statements for the year ended 31 December 2020 as a result of taking the small group exemption. The cash flow statement has therefore been prepared in IFRS format from the adjusted IFRS financial information.

Reconciliation of Group comprehensive income for the year ended 31 December 2020 is as follows.

Year ended 31 December 2020	**UK GAAP as reported £'000**	**IFRS 16 £'000**	**IFRS 2 £'000**	**Reclass £'000**	**IFRS £'000**
Revenue	214	-	-	(107)	**107**
Cost of sales	(158)	-	-	-	**(158)**
Gross profit/(loss)	56	-	-	(107)	**(51)**
Other operating income	-	-	-	107	**107**
Administrative expenses	(1,054)	4	(809)	-	**(1,859)**
Operating loss	(998)	4	(809)	-	**(1,803)**
Net finance income	4	(4)	-	-	**-**
Loss before taxation	(994)	-	(809)	-	**(1,803)**
Taxation	144	-	-	-	**144**
Loss for the year	(850)	-	(809)	-	**(1,659)**

The company loss for the year was £846,000 under UK GAAP (with £4,000 less administrative expenses) and has been impacted by identical adjustments resulting in an IFRS loss of £1,655,000.

21 Transition to IFRS and FRS 101 (continued)

Reconciliation of the Group opening balance sheet as of 1 January 2020 and equity as of 31 December 2020 is as follows:

As at 1 January 2020	UK GAAP as reported £'000	IFRS 16 £'000	Reclass £'000	IFRS £'000
Share capital	8	-	-	**8**
Share premium	2,275	-	-	**2,275**
Foreign currency reserve	5	-	(1)	**4**
Accumulated loss	(1,201)	(5)	1	**(1,205)**
Total equity	1,087	(5)	-	**1,082**

As at 31 December 2020	UK GAAP as reported £'000	IFRS 16 £'000	IFRS 2 £'000	Reclass £'000	IFRS £'000
Share capital	9	-	-	-	**9**
Share premium	4,995	-	-	-	**4,995**
Foreign currency reserve	(15)	-	-	(1)	**(16)**
Accumulated loss	(2,051)	(5)	(738)	1	**(2,793)**
Total equity	2,938	(5)	(738)	-	**2,195**

Reconciliation of the company opening balance sheet as of 1 January 2020 and equity as of 31 December 2020 is as follows:

As at 1 January 2020	UK GAAP as reported £'000	IFRS 16 £'000	IFRS £'000
Share capital	8	-	**8**
Share premium	2,275	-	**2,275**
Accumulated loss	(871)	(5)	**(876)**
Total equity	1,412	(5)	**1,407**

As at 31 December 2020	UK GAAP as reported £'000	IFRS 16 £'000	IFRS 2 £'000	IFRS £'000
Share capital	9	-	-	**9**
Share premium	4,995	-	-	**4,995**
Accumulated loss	(1,717)	(5)	(738)	**(2,460)**
Total equity	3,287	(5)	(738)	**2,544**