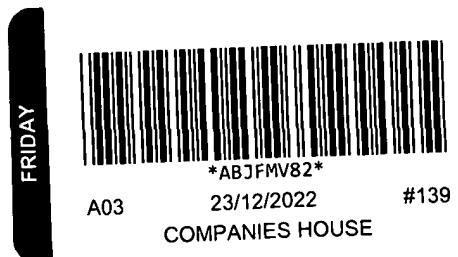


Johnson Matthey Hydrogen Technologies Limited
(formerly Johnson Matthey Fuel Cells Limited)

Annual Report and Accounts

For the year ended 31 March 2022

Registered number: 04393161



Johnson Matthey Hydrogen Technologies Limited

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Johnson Matthey Hydrogen Technologies Limited

Strategic report

Principal activities

Johnson Matthey Hydrogen Technologies Limited (formerly known as Johnson Matthey Fuel Cells Limited) (the "company") is engaged in the development and manufacture of catalysts and components for the emerging fuel cell and electrolyser market. The principal business of the company is the manufacture of components for hydrogen fuel cells and electrolysers.

Our purpose

Our purpose is to create a better tomorrow for consumers, businesses, our employees and communities by shaping the world around us to make it a cleaner and healthier place to live. At Johnson Matthey Hydrogen Technologies Limited, being committed to our business means being committed to each other. Our aim is to keep each other safe, work with clear intentions and respect, and do the right thing for our people and our planet.

Change to the company name

On 1 April 2022, the company changed its name from Johnson Matthey Fuel Cells Limited to Johnson Matthey Hydrogen Technologies Limited.

Changes to the Board

The directors of the company who were in office during the year and up to the date of signing the accounts were J L Butcher (resigned 30 April 2021), P A Spall (resigned 13 August 2021), J Godden (resigned 1 April 2022), S P Jones (appointed 6 May 2021), C Iskandar (appointed 1 April 2022), R P W Calmes (appointed 1 April 2022, resigned 17 August 2022), G Andrews (appointed 12 September 2022) and M Wilson (appointed 12 September 2022).

Performance during and position at the end of the year

The company's principal activities are associated with the manufacture of Proton-Exchange Membrane (PEM) products, Catalyst Coated Membranes (CCM) and Membrane Electrode Assembly (MEA) which it sells predominantly into the automotive and materials handling sectors and Phosphoric Acid Fuel Cell (PAFC) selling this into the stationary power sector.

In the year ended 31 March 2022 revenue decreased by 36% to £26,795,000 due to a decision to devote some production capacity to the development of new products to build upon the existing strong technology position in this fast-growing market.

The company's operating loss for the year ended 31 March 2022 was £20,020,000 (2021 restated: £3,499,000 profit), reflecting the increased development work and additional resources in R&D, production and supporting functions to scale up capabilities to meet future volume requirements.

During the year the company invested £4,553,000 capital expenditure into new technology and capacity in its UK production facility.

Financing costs on the loan payable to the shareholder Johnson Matthey Plc increased in the year by 23% to £2,198,000 due to an increase in LIBOR/SONIA rates.

Although there were some adverse impacts on our UK operations due to the COVID-19 pandemic as government guidelines were strictly adhered to, this did not have a significant impact and was mitigated by proactive management which enabled the operation to remain open throughout the year. The minor impact is linked to unexpected downtime due to staff self-isolations and strict checks on site visitors limiting some of our development projects.

Future growth in the short to medium term is expected to be delivered in the automotive heavy-duty vehicle markets, the company's view remains unchanged that significant sales of electric and hydrogen powered vehicles are unlikely to take place before 2025. Market demand for fuel cell and electrolyser technology continues to increase and the business continues to work closely with its customers to develop key strategic relationships.

Johnson Matthey Hydrogen Technologies Limited

Strategic report

Strategy

The hydrogen market across the world continues to develop and grow rapidly and the company is well positioned through its long standing experience, existing capacity and customers, strong technology and unique expertise in precious metal chemistry and management.

During the year the company made a strategic decision to invest further into electrolysis activities, the process where renewable energy is used to split water into oxygen and hydrogen with no carbon dioxide emissions. From 1 April 2022 the company's activities will include both fuel cells and electrolysis activities.

As a signal of the company's ambitions in the hydrogen market the parent company announced in November 2021 a pledge to invest c.£1 billion in the research, development and deployment of clean hydrogen technologies by 2030. This investment is supported by the UK government announcing a £400 million loan to boost research and development in hydrogen technologies.

In the short term, the parent company will make a multi-million pound investment to expand capacity for Hydrogen Technologies at Royston to meet committed customer demand. The expansion will almost triple existing capacity and unlocks manufacturing economies of scale benefits.

On 1 April 2022, the group consolidated its electrolyser operations into the Johnson Matthey Hydrogen Technologies Limited legal entity. The electrolyser business included new investment by the parent company in 2021 and includes a manufacturing facility, equipment and people required to manufacture membrane electrolysers used to produce hydrogen.

On 25 May 2022, the group expanded its presence in electrolysis by investing €20 million in Enapter AG, a pioneer and commercial leader in anion exchange membrane (AEM) electrolysis. The partnership encompasses joint development of advanced components and supply of specialist catalysts.

On 18 July 2022, the group announced that it is building a £80 million factory at its existing site in Royston, UK, to scale up the manufacture of hydrogen fuel cell components.

On 2 August 2022 the group signed a Memorandum of Understanding with Sinopec Capital to explore joint possibilities across green and blue hydrogen, fuel cells, decarbonisation technologies and circular economy business in China

The company aims to become the market leader in high value performance components that are essential to power fuel cells and green hydrogen electrolysers. The company is targeting more than £200 million of sales in Hydrogen Technologies by 2025.

Principal risks and uncertainties

The company reviews its risk profile on a bi-annual basis, considering and aligning with the Johnson Matthey Plc group's (the "group") principal risks where appropriate. The company's principal risks and uncertainties are associated with the relative immaturity of the market and scaling up to meet customer demand both in the short and longer term:

- Insufficient production capacity to service current and/or future customers
- Inability to attain customer confidence due to quality issues
- Failure to execute on a significant capital investment plan
- Physical and transitional climate change risks

Production capacity - The company may have more orders to hand than it could physically manufacture at any given point in time. This risk has been addressed with the parent company investing heavily in capital projects globally. The company is also looking at outsourcing relationships to further mitigate this risk.

Quality - Driven by the relative market immaturity and high proportion of innovative personalised products manufactured by the company, a quality risk may arise as a result. This risk has been proactively managed by further investments in advanced research, development strategies and through working closely with customers.

Johnson Matthey Hydrogen Technologies Limited

Strategic report

Principal risks and uncertainties (continued)

Capital investment plan – The parent company has announced a multi-million pound investment plan to boost capacity at Royston to meet growing customer demand. With any project of this scale there is risk of overspend and/or time taken to complete the project. This risk has been addressed through the parent company's rigorous capital projects process with agreed stage gates, tracking and reviews.

Climate risk - As a company we try to minimise impact to climate, human health and biodiversity. As a business we aim to help society meet its migration targets to a low-carbon future which is one of the most complex challenges our world has ever faced. The components developed and manufactured by the company for fuel cells and electrolysers will help to decarbonise our roads and the planet.

Electrolysers offer the ability to generate hydrogen without the emission of carbon dioxide or other local pollutants. They produce hydrogen through a chemical process (electrolysis) capable of separating the hydrogen and oxygen molecules of which water is composed using renewable energy.

Fuel cells facilitate the electrochemical reaction of hydrogen fuel with oxygen from the air to produce electrical power with water as the only emission.

The entity is exposed to climate-related risks, including:

- i. physical risks from climate change (physical risks)
- ii. risks associated with the transition to a lower-carbon economy (transition risks)
- iii. climate-related opportunities available to and considered by the entity

We carefully manage the transition, as tighter regulations for vehicle tailpipe emissions are debated, to ensure we minimise the impact to climate, human health and biodiversity whilst developing our new high performance cathode active materials for electric vehicles. Fuel cell components are part of the solution for a zero-carbon economy. They facilitate the electrochemical reaction of hydrogen fuel with oxygen from the air to produce electrical power with water as the only emission. We also invest in a broader portfolio of low carbon solutions linked to clean energy, decarbonising chemicals production and circularity.

Climate change increases the risk of extreme weather events which impact our operations or supply chains. We manage this disruption via our business continuity plans which detail actions and alternative supply routes for various situations. We recognise that effective management of climate change risks is crucial to deliver our growth strategy and inspire confidence in our stakeholders.

In response to these risks the company continues to build key relationships throughout the value chain, developing supply chain and product development partnerships whilst continuing to invest in its technology and key internal processes as it scales up production.

The future success of the company relies on the need to develop and invest in future/best in class technology and attract and retain key personnel. This investment is clearly outlined in the strategy and fully supported by the shareholder (Johnson Matthey Plc).

Johnson Matthey Hydrogen Technologies Limited

Strategic report

Section 172 statement

The directors consider that they have acted, in good faith, in a way that is most likely to promote the long-term success of the company for the benefit of its members as a whole. In doing so, the board considers the interest of a range of stakeholders impacted by the business, as well as its duties as set out in law. This statement details how the directors have had regard to stakeholders' interests when discharging their duties under section 172 of the Companies Act 2006 during the year under review.

For each matter which comes before the board, stakeholders who may be affected are identified and their interest considered as part of the board's decision process. The board is mindful of the group's governance framework and ensures compliance with this as well as upholding the values and ethical standards set by the group. The board utilises some of the wider group policies and practices to ensure effective stakeholder engagement, and to ensure that the directors' obligations to its shareholder and to its stakeholders are met. Johnson Matthey Plc is the company's ultimate shareholder, and details of the group's stakeholder engagement can be found on pages 32 to 33 of Johnson Matthey Plc's 2022 Annual Report and Accounts which can be viewed online at www.matthey.com/AR22.

In the year under review, the board established a cross functional Executive Committee to lead the business. The Executive Committee met monthly throughout the year, providing experienced leadership on both current operations and longer-term strategy.

During the year the Executive Committee set a new strategy and detailed business plan for the company. This went through a detailed review and approval process by the Group Leadership Team and Board of Johnson Matthey Plc as well as validation from external advisors. The Executive Committee, now called the Hydrogen Technologies Leadership Team, will work to execute this with specific milestones agreed and KPIs monitored.

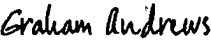
The board continues to recognise the importance of fostering good business relationships with suppliers, and the board continues to work with management to ensure the company treats suppliers fairly in line with the Group Procurement Policies.

The company's employee engagement practices are set out in the Directors' report on page 6.

The company plays an active role in the local community and the group's initiatives are designed to empower our employees to have a positive impact on their local communities. The board and management are supported by the group's corporate social responsibility committees and community ambassadors who facilitate volunteering in local communities and engagement on specific topics.

There is ongoing communication and engagement with the Johnson Matthey Plc Board and its relevant committees.

On behalf of the board

DocuSigned by:

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G Andrews
Director
21 December 2022

Johnson Matthey Hydrogen Technologies Limited

Directors' report

The directors present their report and audited accounts for the year ended 31 March 2022.

Results and dividends

The future developments in the company's business have been included in the Strategic report. The company's loss for the year ended 31 March 2022 is £17,142,000 (2021 restated: £994,000 profit). The income statement is set out on page 12.

The directors do not recommend the payment of an ordinary dividend. A preference dividend of £66,000 (2021: £64,000) has been accrued.

The company has made a loss in the year as a result of investing into development work and hiring additional resources in R&D, production and supporting functions to scale up capabilities to meet future volume requirements.

Going concern

Notwithstanding net liabilities of £174,037,000 as at 31 March 2022 and a loss for the year then ended of £17,142,000, the accounts have been prepared on a going concern basis which the directors consider to be appropriate.

The directors have prepared a cash flow forecast for a period of 12 months from the date of approval of these accounts which indicates that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and funding from its ultimate parent company, Johnson Matthey Plc, to meet its liabilities as they fall due for that period. Those forecasts are dependent on Johnson Matthey Plc not seeking repayment of the loan amounts currently due to the group, which at 31 March 2022 amounted to £215,513,000. Johnson Matthey Plc has indicated its intention to continue to make available such funds as are needed by the company through a letter of support, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecast. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these accounts, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the accounts and consequently have prepared the accounts on a going concern basis.

Donations

The company contributed £nil (2021: £nil) to charitable organisations in the UK. No political contributions were made (2021: £nil).

Johnson Matthey Hydrogen Technologies Limited

Directors' report

Employees

The company aims to keep employees informed on matters relevant to them as employees through regular communications and meetings.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. Should a member of staff become disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged.

The Johnson Matthey ("JM") group strives to be a truly inclusive organisation that fosters employee engagement and development within a diverse and global workforce. Throughout the year the group has engaged with the workforce through several formal and informal channels. JM's people strategy continues to develop our cultural environment and future capabilities which are key in the successful delivery of our strategy. JM seeks to ensure that we maintain high standards of business conduct, supported by our values and our culture, and JM's policies and procedures. The company implements and adheres to the same process and policy as the JM group.

Further information on the group's policies and employee engagement practices can be found on pages 52 to 56 of the Johnson Matthey Plc 2022 Annual Report and Accounts, available on www.matthey.com.

Directors

The directors of the company who were in office during the year and up to the date of signing the accounts were J L Butcher (resigned 30 April 2021), P A Spall (resigned 13 August 2021), J Godden (resigned 1 April 2022), S P Jones (appointed 6 May 2021), C Iskandar (appointed 1 April 2022), R P W Calmes (appointed 1 April 2022, resigned 17 August 2022), G Andrews (appointed 12 September 2022) and M Wilson (appointed 12 September 2022).

Directors' indemnity

Under a Deed Poll dated 31 January 2017, the ultimate parent company has granted indemnities in favour of each director of its subsidiaries in respect of any liability that he or she may incur to a third party in relation to the affairs of any group member. Such indemnities were in force during the year ended 31 March 2022 for the benefit of all persons who were directors of the subsidiaries at any time during the year ended 31 March 2022 and remain in force for the benefit of all persons who are directors of the subsidiaries at the date when this report was approved.

Johnson Matthey Hydrogen Technologies Limited

Directors' report

Financial instruments

The company's activities expose it to certain financial risks including credit, liquidity, foreign currency fluctuation, price and interest rate risk.

Credit risk

The company's principal financial assets are trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. Counterparties are assessed against the appropriate credit ratings, trading experience and market position. Credit limits are then determined, and exposures monitored against these limits. To further mitigate the risk, some major customers have agreed to sign agreements with terms of business requiring a partial prepayment for the goods.

Liquidity risk

To maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments the company uses short-term loans from group companies. Johnson Matthey Plc has indicated its intention to continue making further funding available by increasing its group loan facility when required. Working capital requirements are continuously monitored by the company and upfront payments are requested from customers.

Foreign currency fluctuation risk

Risk from transactions in a foreign currency results from selling goods in a foreign currency mainly USD, which creates accounts receivable, and buying goods and services in the foreign currency mainly EUR and USD, which creates accounts payable. The company revalues receivables and payables denominated in the foreign currency at each balance sheet date with the change impacting current earnings.

Price risk exposure

Company faces a direct price risk exposure, from the prices paid for raw materials transformed into products sold to customers, and indirectly, from higher energy and transportation costs. Management takes strategic steps to identify, assess, and mitigate risks within its end-to-end supply chain.

Interest rate risk

Interest rate risk is the potential that a change in overall SONIA interest rates may impact on the inter-company loan value due to the unpaid interest element being added to the loan. In case of unfavorable movement, higher repayments would be due to the group.

Independent auditors

In accordance with sections 485 and 487 of the Companies Act 2006, PricewaterhouseCoopers LLP are re-appointed as auditors of the company.

Johnson Matthey Hydrogen Technologies Limited

Directors' report

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

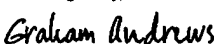
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

On behalf of the board

DocuSigned by:

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G Andrews

Director

21 December 2022

Independent auditors' report to the members of Johnson Matthey Hydrogen Technologies Limited (formerly known as 'Johnson Matthey Fuel Cells Limited')

Report on the audit of the accounts

Opinion

In our opinion, Johnson Matthey Hydrogen Technologies Limited (formerly known as 'Johnson Matthey Fuel Cells Limited')'s accounts:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the accounts, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2022; the Income statement, the Statement of changes in equity for the year then ended; and the notes to the accounts, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 company's ability to continue as a going concern for a period of at least twelve months from when the accounts are authorised for issue.

In auditing the accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the accounts or a material

Independent auditors' report to the members of Johnson Matthey Hydrogen Technologies Limited (formerly known as 'Johnson Matthey Fuel Cells Limited')

misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2022 is consistent with the accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the accounts and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 accounts.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health and Safety regulations and Export regulations, and we considered the extent to which non-compliance might have a material effect on the accounts. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Tax regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to revenue overstatement, through posting journals to overstate revenue and understatement of expenses, through inappropriate capitalisation of expenses. Audit procedures performed by the engagement team included:

Independent auditors' report to the members of Johnson Matthey Hydrogen Technologies Limited (formerly known as 'Johnson Matthey Fuel Cells Limited')

- Obtaining an understanding of the legal and regulatory framework applicable to the company and how the company is complying with that framework;
- Reviewed Board minutes and management's summary of known and potential legal claims;
- Discussions with management, including consideration of any known or suspected fraud or instances of non-compliance with laws and regulations; and
- Identified and tested unusual journals entries, specifically those with unusual account combinations impacting revenue, and unusual account combinations impacting fixed assets.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

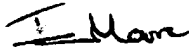
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Joyce Moore (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 December 2022

Johnson Matthey Hydrogen Technologies Limited

Income statement

For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000 (restated*)
Revenue	1	26,795	41,942
Cost of sales		<u>(33,792)</u>	<u>(28,364)</u>
Gross (loss) / profit		(6,997)	13,578
Distribution costs		(1,653)	(952)
Research and development costs		(4,632)	(4,483)
Administrative expenses		(6,738)	(4,725)
Other income		-	299
Impairment charges		-	<u>(218)</u>
Operating (loss) / profit	2	<u>(20,020)</u>	<u>3,499</u>
Finance costs	3	<u>(2,265)</u>	<u>(1,862)</u>
(Loss) / profit before taxation		(22,285)	1,637
Tax on (loss) / profit	6	<u>5,143</u>	<u>(643)</u>
(Loss) / profit for the financial year		<u><u>(17,142)</u></u>	<u><u>994</u></u>

The comprehensive loss for the year is the same as the loss for the year.

* Refer to notes 1, 6, 10 and 11 for further details on this restatement.

The accompanying notes set out on pages 15 to 31 are an integral part of the accounts.

Johnson Matthey Hydrogen Technologies Limited

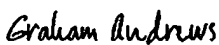
Balance sheet

As at 31 March 2022

	Note	2022 £'000	2021 £'000 (restated*)
Assets			
Non-current assets			
Intangible assets	7	103	183
Property, plant and equipment	8	23,989	20,132
Right-of-use assets		17	57
Investments in subsidiaries	9	9,228	9,228
Deferred income tax asset	14	5,158	-
Total non-current assets		38,495	29,600
Current assets			
Inventories	10	9,792	6,468
Trade and other receivables	11	11,740	13,403
Cash and cash equivalents		70	-
Total current assets		21,602	19,871
Total assets		60,097	49,471
Liabilities			
Current liabilities			
Trade and other payables	12	(226,688)	(198,418)
Lease liabilities		(12)	(41)
Cash and cash equivalents - bank overdrafts		-	(527)
Total current liabilities		(226,700)	(198,986)
Non-current liabilities			
Lease liabilities		(4)	(16)
Preference shares	13	(7,430)	(7,364)
Total non-current liabilities		(7,434)	(7,380)
Net liabilities		(174,037)	(156,895)
Equity			
Called up share capital	15	-	-
Share premium account		20,600	20,600
Accumulated losses		(194,637)	(177,495)
Total shareholders' deficit		(174,037)	(156,895)

* Refer to notes 1, 6, 10 and 11 for further details on this restatement.

The accounts on pages 12 to 31 were approved by the board of Directors on 21 December 2022 and signed on its behalf by:

DocuSigned by:

 3F2A188B529A491
 G Andrews

Director

Company registration number: 04393161

The accompanying notes set out on pages 15 to 31 are an integral part of the accounts.

Johnson Matthey Hydrogen Technologies Limited

Statement of changes in equity

For the year ended 31 March 2022

	Called up share capital £'000	Share premium account £'000	Accumulated losses (restated*) £'000	Total shareholders' deficit (restated*) £'000
At 1 April 2020	-	20,600	(178,489)	(157,889)
Loss for the year	-	-	(1,384)	(1,384)
At 31 March 2021	-	20,600	(179,873)	(159,273)
Impact of restatement to profit for the prior year*	-	-	2,378	2,378
At 31 March 2021 (restated*)	-	20,600	(177,495)	(156,895)
Loss for the year	-	-	(17,142)	(17,142)
At 31 March 2022	-	20,600	(194,637)	(174,037)

* Refer to notes 1, 6, 10 and 11 for further details on this restatement.

The accompanying notes set out on pages 15 to 31 are an integral part of the accounts.

Johnson Matthey Hydrogen Technologies Limited

Accounting policies

For the year ended 31 March 2022

Johnson Matthey Hydrogen Technologies Limited is a private company limited by shares, incorporated, domiciled and registered in England in the United Kingdom. The address of its registered office is 5th Floor, 25 Farringdon Street, London, EC4A 4AB.

Basis of preparation

The accounts are prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 under the historical cost convention. The accounts apply the recognition, measurement and presentation requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but make amendments where necessary in order to comply with the Act and take advantage of the FRS 101 disclosure exemptions.

Notwithstanding net liabilities of £174,037,000 as at 31 March 2022 and a loss for the year then ended of £17,142,000, the accounts have been prepared on a going concern basis which the directors consider to be appropriate.

The directors have prepared a cash flow forecast for a period of 12 months from the date of approval of these accounts which indicates that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and funding from its ultimate parent company, Johnson Matthey Plc, to meet its liabilities as they fall due for that period. Those forecasts are dependent on Johnson Matthey Plc not seeking repayment of the loan amounts currently due to the group, which at 31 March 2022 amounted to £215,513,000. Johnson Matthey Plc has indicated its intention to continue to make available such funds as are needed by the company through a letter of support, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecast. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these accounts, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the accounts and consequently have prepared the accounts on a going concern basis.

During the current and prior year, other than where new policies have been adopted (see below), the accounting policies have been applied consistently. The following exemptions from the requirements of IFRS have been applied in the preparation of these accounts, in accordance with FRS 101:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2, *Share-based Payment*;
- the requirements of IFRS 7, *Financial Instruments: Disclosures*;
- the requirements of paragraphs 91 to 99 of IFRS 13, *Fair Value Measurement*;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15, *Revenue from Contracts with Customers*;
- the requirement in paragraph 38 of IAS 1, *Presentation of Financial Statements*, to present comparative information in respect of: paragraph 73(e) of IAS 16, *Property, Plant and Equipment*; and paragraph 118(e) of IAS 38, *Intangible Assets*;
- the requirements of paragraphs 10(d), 38A, 38B-D, 40A-D, 111 and 134 to 136 of IAS 1, *Presentation of Financial Statements*;
- the requirements of IAS 7, *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirements of paragraph 17 of IAS 24, *Related Party Disclosures*; and
- the requirements in IAS 24, *Related Party Disclosures*, to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Johnson Matthey Hydrogen Technologies Limited

Accounting policies

For the year ended 31 March 2022

Changes in accounting policies

Interest Rate Benchmark Reform Phase 2 - to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The IBOR reform, Phase 2 amendments were effective for annual periods beginning on or after the 1 January 2021. The Phase 2 amendments address issues that arise from implementation of the reforms, including the replacement of one benchmark with an alternative one. A practical expedient is provided such that the change to contractual cash flows for financial assets and liabilities (including lease liabilities) is accounted for prospectively by revising the effective interest rate. In addition, hedge accounting will not be discontinued solely because of the IBOR reform. The amendments did not have a material impact on the results or financial position of the company.

Other amendments to accounting standards

The IASB has issued other amendments resulting from improvements to IFRS that the company considers do not have any impact on the accounting policies, financial position or performance of the company. The company has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

Exemption from preparing consolidated accounts

The accounts contain information about Johnson Matthey Hydrogen Technologies Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated accounts of its ultimate parent, Johnson Matthey Plc.

Functional and presentation currency

Items included in the accounts of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The accounts are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Foreign currencies

Foreign currency transactions are recorded at the rate of exchange at the date of the transaction. Foreign currency monetary assets and liabilities are retranslated into Pounds Sterling at the exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in operating profit.

Revenue

Revenue comprises all sales of goods at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes. Depending on the nature of performance obligation under the sales contract and the payment terms specified in the customer agreements, the company either recognises revenue at a point in time or over time.

Point in time revenue recognition

The company enters into short-term campaign contracts to deliver its products to customers supported by a purchase order and generic sales terms and conditions. Within the existing contracts, the company has a clause that states that the company may invoice any associated costs incurred at any point in the process if customers cancel. This is not legally enforceable. There are no 'timed' or scheduled performance obligations embedded within such contracts.

Revenue is recognised as performance obligations are satisfied as control of the goods is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, when the goods are despatched or delivered in line with the International Chamber of Commerce's International Commercial Terms (Incoterms®) as detailed in the relevant contract or on notification that the goods have been used when they are consignment products located at customers' premises.

Johnson Matthey Hydrogen Technologies Limited

Accounting policies

For the year ended 31 March 2022

Over time revenue recognition

The company also enters into more complex sales contracts where the revenue is recognised over time based on the percentage of completion method due to the bespoke nature of the end product and the fact that the company is entitled to the compensation including margin should the customer cancel the contract. The percentage of completion method relies on the company's measure of progress compared to total effort to complete and deliver performance obligations under the contract. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Contract receivables

Contract receivables represent amounts for which the company has an unconditional right to consideration in respect of unbilled revenue recognised at the balance sheet date.

Contract liabilities

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Finance costs

Finance costs are recognised in the income statement in the year incurred.

Leases

The company enters into leases as part of its business operations. Leases are recognised as a right-of-use asset, together with a corresponding lease liability, at the date at which the leased asset is available for use.

The right-of-use asset is initially measured at cost, which comprises the initial value of the lease liability, lease payments made (net of any incentives received from the lessor) before the commencement of the lease, initial direct costs and restoration costs. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term in operating profit.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, where this rate is not determinable, the company's incremental borrowing rate, which is the interest rate the company would have to pay to borrow the amount necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Interest is charged to finance costs at a constant rate of interest on the outstanding lease liability over the lease term.

Payments in respect of short-term leases, low-value leases and precious metal leases are charged to the income statement on a straight-line basis over the lease term in operating profit.

Grants

Grants related to assets are included in deferred income and released to income statement in equal instalments over the expected useful lives of the related assets. Grants related to income are deducted in reporting the related expense.

Johnson Matthey Hydrogen Technologies Limited

Accounting policies

For the year ended 31 March 2022

Research and development

Research expenditure is charged to the income statement in the year incurred.

Development expenditure is charged to the income statement in the year incurred unless it meets the IFRS recognition criteria for capitalisation. When the recognition criteria have been met, any further development expenditure is capitalised as an intangible asset.

For a development activity to give rise to an intangible asset, it must meet all of the following criteria:

- technically feasible to complete the intangible asset for use or sale;
- intended to complete the intangible asset and use or sell it;
- able to use or sell the intangible asset;
- able to demonstrate how future economic benefits (income or cost savings) will be generated;
- have available adequate technical, financial and other resources to complete the asset; and
- able to reliably measure the directly attributable development expenditure.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. All other intangible assets are amortised by using the straight-line method over the useful lives from the time they are first available for use. The estimated useful lives vary according to the specific asset but are typically:

- 3 to 10 years for capitalised computer software.

Intangible assets which are not yet being amortised are subject to annual impairment reviews.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its useful life.

Assets under construction include costs incurred on partially completed assets or capital projects. Costs recognised as under construction until the asset or project is complete and available for use.

Effective from 1 April 2020, the company changed its method of calculating the depreciation on the building from the units of measure to the straight line. Had the company applied the straight line method from the date of acquisition, this would have resulted in an additional charge to the income statement of £1,153,000 over the 15 year period the building has been in operation. The company will charge this depreciation to the income statement on a prospective basis over the remaining useful life of the asset (15 years). This will result in an additional depreciation charge of £77,000 per year.

With the exception of certain plant and machinery, all other assets are depreciated using the straight-line method. Some plant and machinery are depreciated using the units of production method, as this more closely reflects their expected consumption. The useful lives vary according to the class of asset but are typically:

- freehold buildings 30 years;
- plant and machinery 10 years; and
- fixtures, fittings and equipment 3 to 10 years.

For certain plant and machinery a units of production depreciation method is applied.

Freehold land is not depreciated.

Investments

Investments in subsidiaries are stated at cost less any provisions for impairment.

Johnson Matthey Hydrogen Technologies Limited

Accounting policies

For the year ended 31 March 2022

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Inventories

Inventories are stated at the lower of cost, including attributable overheads, and net realisable value.

Taxation

Current and deferred tax are recognised in the income statement, except when they relate to items recognised directly in equity when the related tax is also recognised in equity.

Current tax is the amount of income tax expected to be paid in respect of taxable profits using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the balance sheet. It is provided using the tax rates that are expected to apply in the period when the asset or liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The deferred tax asset recognised on the balance sheet is in relation to the amount which will be group relieved to Johnson Matthey Plc and subsequently paid for.

Share-based payments

The fair value of outstanding shares allocated to employees under the ultimate parent company's long term incentive plans is calculated by adjusting the share price on the date of allocation for the present value of the expected dividends that will not be received. The resulting cost is charged to the income statement over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting where appropriate.

Johnson Matthey Hydrogen Technologies Limited

Accounting policies

For the year ended 31 March 2022

Derivative financial instruments

Derivative financial instruments are measured at their fair value. Derivative financial instruments may be designated at inception as cash flow hedges if appropriate. Derivative financial instruments which are not designated as hedging instruments are used to manage financial risk.

Changes in the fair value of any derivative financial instruments that are not designated as or are not determined to be effective hedges are recognised immediately in the income statement.

Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognised in other comprehensive income, to the extent that the hedges are effective. Ineffective portions are recognised in the income statement immediately. If the hedged item results in the recognition of a non-financial asset or liability, the amount previously recognised in other comprehensive income is transferred out of equity and included in the initial carrying amount of the asset or liability. Otherwise, the amount previously recognised in other comprehensive income is transferred to the income statement in the same period that the hedged item is recognised in the income statement. If the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the designation is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction occurs. If a forecast transaction is no longer expected to occur, the amounts previously recognised in other comprehensive income are transferred to the income statement.

Cash and cash equivalents

Cash and deposits comprise cash at bank and in hand and short-term deposits with a maturity date of three months or less from the date of acquisition. The company routinely uses short-term bank overdraft facilities, which are repayable on demand, as an integral part of its cash management policies and, therefore, cash and cash equivalents include cash and deposits and bank overdrafts.

Financial assets

The company classifies its financial assets in the following measurement categories:

- those to be measured at fair value either through other comprehensive income or through profit or loss; and
- those measured at amortised cost.

At initial recognition, the company measures financial assets at fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

The company subsequently measures equity investments at fair value and have elected to present fair value gains and losses on equity investments in other comprehensive income. There is, therefore, no subsequent reclassification of cumulative fair value gains and losses to profit or loss following disposal of the investments.

The company subsequently measures trade and other receivables and contract receivables at amortised cost, with the exception of trade receivables that have been designated as at fair value through other comprehensive income because the group has certain operations with business models to hold trade receivables for collection or sale. For trade and contract receivables, the company apply the simplified approach permitted by IFRS 9, *Financial Instruments*, which requires expected lifetime losses to be recognised from initial recognition. All other financial assets, including short-term receivables, are measured at amortised cost less any impairment provision.

Johnson Matthey Hydrogen Technologies Limited

Accounting policies

For the year ended 31 March 2022

Trade and other payables

These amounts represent liabilities for services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are measured at amortised cost.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Preference shares

Preference shares, which are mandatorily redeemable on a specific date or at the option of the shareholder, or which carry non-discretionary dividend obligations, are classified as liabilities. The dividends on these preference shares are taken to the income statement as finance expense.

Post-employment benefits

The company is included in the Johnson Matthey Employees' Pension Scheme which includes both defined benefit and defined contribution schemes. The centrally administered schemes includes employees of several companies in the Johnson Matthey group. There is no contractual agreement or stated policy for charging the net defined benefit cost for the scheme to the individual group entities. The cost of the company's contributions to the defined contributions scheme is charged to the income statement as incurred. Information about the scheme is disclosed in the ultimate parent company's consolidated accounts (note 20).

Critical accounting estimates and judgements

Overhead absorption

The company makes an estimate to ensure that costs associated with the manufacture of products are recognised in the same period in which the revenue is generated. The company recognises certain costs associated with the manufacturing of products into the valuation of inventory.

Johnson Matthey Hydrogen Technologies Limited

Notes to the accounts

For the year ended 31 March 2022

1. Revenue

The company has a single class of business, supplying products to customers in:

	2022 £'000	2021 £'000 (restated*)
China	7,863	16,297
North and South America	2,221	8,567
Continental Europe	3,565	4,394
Rest of World	13,146	12,684
Revenue	26,795	41,942

* The prior year has been restated in these accounts as intercompany sales to Johnson Matthey (Shanghai) Chemicals Limited were incorrectly eliminated in the accounts for the year to 31 March 2021. Revenue in China of £3,527,000 and Cost of sales of £591,000 should have been recorded in the Income Statement for the year ended 31 March 2021, with an increase for the net impact of £2,936,000 to Inventories on the Balance Sheet as at that date. This restatement has the effect of changing the previously reported loss for the financial year ended 31 March 2021 of £1,384,000 to a profit for the financial year of £994,000.

2. Operating (loss) / profit

	2022 £'000	2021 £'000
Operating (loss) / profit is arrived after charging / (crediting):		
Depreciation of property, plant and equipment	662	583
Depreciation of right-of-use assets	40	45
Amortisation of intangible fixed assets	4	43
Loss on disposal of non-current assets	51	-
Inventories recognised as an expense	19,162	17,371
Write-down of inventories recognised as an expense	512	797
Government grants receivable	(494)	(514)
Net (gain) / loss on foreign exchange	(151)	248
Fees payable to the company's auditors for the audit of the annual accounts	65	56

3. Finance costs

	2022 £'000	2021 £'000
Interest payable to other Johnson Matthey companies	2,198	1,785
Interest payable to subsidiary companies	-	12
Preference share dividends	66	64
Leases interest expense	1	1
Total interest payable	2,265	1,862

Johnson Matthey Hydrogen Technologies Limited

Notes to the accounts

For the year ended 31 March 2022

4. Employee costs and numbers

	2022 £'000	2021 £'000
Aggregate remuneration comprised:		
Wages and salaries	14,281	11,640
Social security costs	998	848
Post-employment costs	1,480	1,201
Share-based payments (note 16)	357	298
	<u>17,116</u>	<u>13,987</u>

The cost of the company's contributions to the Johnson Matthey Employee Pension Scheme amounted to £109,000 (2021: £86,000). The amount recognised as an expense for defined contribution schemes amounted to £1,371,000 (2021: £1,115,000).

	2022 Number	2021 Number (restated*)
Average monthly number of employees:		
Production	161	146
Research and development	38	32
Other	47	31
	<u>246</u>	<u>209</u>

* The prior year comparative has been restated to exclude agency workers.

The employee numbers and costs above include all employees who work for and are paid by the company, including employees whose contracts of services are with the parent company (note 19).

5. Directors' remuneration

In the year ended 31 March 2022, J L Butcher (resigned 30 April 2021), P A Spall (resigned 13 August 2021), J Godden (resigned 1 April 2022) and S P Jones (appointed 6 May 2021) were remunerated by the company and their remuneration was:

	2022 £'000	2021 £'000
Aggregate amounts of emoluments of directors (including the estimated money value of benefits in kind) in respect of managing the affairs of the company	772	374
Company contributions to defined benefit pension scheme	91	42
Number of directors who were members of the defined benefit pension scheme	<u>4</u>	<u>2</u>

The highest paid director was paid emoluments of £373,658 (2021: £231,487) and had annual accrued pension entitlements under the defined benefit pension scheme of £34,331 (2021: £24,006).

During the year none of the directors (2021: none) exercised share options in the ultimate parent company and three of the directors (2021: two) received shares under the ultimate parent company long term incentive plan.

Johnson Matthey Hydrogen Technologies Limited

Notes to the accounts

For the year ended 31 March 2022

6. Tax on (loss) / profit

	2022	2021 (restated*)
	£'000	£'000
Current tax		
Corporation tax credit on losses for the year	(13)	(22)
Adjustment for prior years	28	(367)
Total current tax credit	<u>15</u>	<u>(389)</u>
Deferred tax		
Origination and reversal of timing differences	(5,438)	943
Adjustment for prior years	219	89
Impact of changes in tax rates and laws	61	-
Total deferred tax	<u>(5,158)</u>	<u>1,032</u>
Tax (credit) / expense	<u>(5,143)</u>	<u>643</u>

* Refer to note 1 for further information on this prior year restatement. The impact of this restatement is to increase the tax expense by £558,000.

The tax for the year can be reconciled to the (loss) / profit per the income statement as follows:

	2022	2021
	£'000	£'000
(Loss) / profit on ordinary activities before taxation	<u>(22,285)</u>	<u>1,637</u>
Tax (credit) / expense at UK corporation tax rate of 19% (2021: 19%)	(4,234)	311
Effects of:		
Expenses not deductible for tax purposes	101	173
Share-based payments	(13)	(15)
Adjustments for prior years	247	(278)
Tax rate adjustments	(1,244)	-
Deferred tax not recognised	-	452
Tax (credit) / expense	<u>(5,143)</u>	<u>643</u>

In the March 2021 Budget the UK government announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. The legislation increasing the tax rate to 25% was substantively enacted on 24 May 2021. Deferred tax balances at 31 March 2022 have been measured using the enacted tax rate and reflected in these financial statements.

Johnson Matthey Hydrogen Technologies Limited

Notes to the accounts

For the year ended 31 March 2022

7. Intangible assets

	Development expenditure £'000	Computer software £'000	Total £'000
Cost			
At 1 April 2021	18,561	2,048	20,609
Additions	-	160	160
Disposals	(18,561)	(236)	(18,797)
At 31 March 2022	-	1,972	1,972
Accumulated amortisation			
At 1 April 2021	18,561	1,865	20,426
Charge for the year	-	4	4
Disposals	(18,561)	-	(18,561)
At 31 March 2022	-	1,869	1,869
Net book value at 31 March 2022	-	103	103
Net book value at 31 March 2021	-	183	183

The development expenditure was written off during the year as this asset is no longer in use by the company.

8. Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Construction in progress £'000	Total £'000
Cost					
At 1 April 2021	21,636	35,757	837	4,923	63,153
Adjustment to opening balance	(32)	(1,697)	1,382	(42)	(389)
Additions	-	-	-	4,553	4,553
Disposals	-	(57)	-	17	(40)
Transfers from construction in progress	56	4,197	781	(5,034)	-
At 31 March 2022	21,660	38,200	3,000	4,417	67,277
Accumulated depreciation					
At 1 April 2021	11,995	30,507	519	-	43,021
Adjustment to opening balance	2	(1,777)	1,386	-	(389)
Charge for the year	258	358	46	-	662
Disposals	-	(6)	-	-	(6)
At 31 March 2022	12,255	29,082	1,951	-	43,288
Net book value at 31 March 2022	9,405	9,118	1,049	4,417	23,989
Net book value at 31 March 2021	9,641	5,250	318	4,923	20,132

The 'Adjustment to opening balance' line has been included to correct a prior year error in relation to the classification of property, plant and equipment between these categories. We do not consider this prior year correction to be material from a qualitative standpoint and therefore have not restated the opening balances.

Johnson Matthey Hydrogen Technologies Limited

Notes to the accounts

For the year ended 31 March 2022

9. Investments in subsidiaries

	Subsidiary undertakings £'000	Unlisted investments £'000	Total £'000
Cost			
At 1 April 2021 and 31 March 2022	<u>9,446</u>	<u>5,026</u>	<u>14,472</u>
Provision for accumulated impairment			
At 1 April 2021 and 31 March 2022	<u>218</u>	<u>5,026</u>	<u>5,244</u>
Carrying amount at 31 March 2022	<u>9,228</u>	<u>-</u>	<u>9,228</u>
Carrying amount at 31 March 2021	<u>9,228</u>	<u>-</u>	<u>9,228</u>

The company's wholly owned subsidiary undertakings are Johnson Matthey Fuels Cells, Inc., a company incorporated in the USA with its registered office at Corporation Service Company, 2711 Centreville Road, Suite 400, Wilmington DE 19808, USA, and Johnson Matthey Fuel Cells Japan Limited, a company incorporated in Japan with its registered office address at 5123-3 Kitsuregawa, Sakura-shi, Tochigi, 329-1412, Japan. The Johnson Matthey Fuel Cells Japan Limited investment is fully impaired.

The unlisted investments are investments in investment vehicles that invest in start up companies. These are not expected to realise any returns and have been impaired to a net book value of £nil (2021: £nil).

Recoverability testing

The recoverable amounts of the investments are determined using the net asset carrying value of the investment, adjusted for any investments in subsidiaries held by the investment itself.

Johnson Matthey Hydrogen Technologies Limited

Notes to the accounts

For the year ended 31 March 2022

10. Inventories

	2022 £'000	2021 £'000 (restated)*
Raw materials and consumables	7,250	3,722
Work in progress	230	-
Finished goods	<u>2,312</u>	<u>2,746</u>
	<u>9,792</u>	<u>6,468</u>

A provision of £1,442,000 (2021: £1,553,000) has been recognised within the inventory balances. The inventory balances are shown net of any provisions.

* The impact of the prior year restatement outlined in note 1 is to increase Raw materials and consumables as at 31 March 2021 by £1,501,000 and Finished goods as at 31 March 2021 by £1,435,000.

11. Trade and other receivables

	2022 £'000	2021 £'000 (restated*)
Current		
Trade receivables	4,674	3,924
Contract receivables	-	188
Amounts owed by subsidiary undertakings	444	5,367
Amounts owed by other Johnson Matthey companies	2,380	5
Amounts owed by ultimate parent company	963	614
VAT receivable	1,166	634
Prepayments	<u>2,113</u>	<u>2,671</u>
	<u>11,740</u>	<u>13,403</u>

* Refer to note 6 for further information on this prior year restatement. The impact of this restatement is to reduce the amounts owed by ultimate parent company by £558,000.

The expected credit losses recognised in the year on the closing trade receivables balance amounted to £436,000 (2021: £435,000).

Johnson Matthey Hydrogen Technologies Limited

Notes to the accounts

For the year ended 31 March 2022

12. Trade and other payables

	2022	2021
	£'000	£'000
Current		
Trade payables	3,159	2,334
Amounts owed to subsidiary undertakings	391	680
Amounts owed to other Johnson Matthey companies	2,116	17
Loan from ultimate parent company	215,513	192,098
Other taxes and social security	27	101
Accruals	3,982	2,137
Government grants received but not recognised as revenue	541	905
Contract liabilities	959	146
	<u>226,688</u>	<u>198,418</u>

The loan from ultimate parent company is repayable on demand and interest is accrued daily at one-month SONIA plus 0.80%.

Amounts owed to subsidiary undertaking and amounts owed to other Johnson Matthey companies are not subject to a contractual arrangement and therefore no interest is charged. As per the company policy any such payments payable or receivable should be settled on 20 days end of month terms.

13. Preference shares

	2022	2021
	£'000	£'000
Nominal value	7,000	7,000
Accrued interest	430	364
Preference shares	<u>7,430</u>	<u>7,364</u>

The preference shares of £1 each are cumulative and entitle the holder Johnson Matthey Plc to dividends accruing at a rate based on one month SONIA plus 0.80% (2021: one month LIBOR plus 1.50%). Such dividends may only be paid when the directors determine that the company has sufficient resources to settle the amounts due. The preference shares may only be redeemed by the company when amounts owed to shareholders start to be repaid. There were 7,000,000 shares in issue at the balance sheet date (2021: 7,000,000).

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For the year ended 31 March 2022

14. Deferred income tax (liability) / asset

	Property, plant and equipment £'000	Losses £'000	Other £'000	Total £'000
At 1 April 2020	1,032	-	-	1,032
(Charge) / credit to income statement	(1,224)	-	192	(1,032)
As at 31 March 2021	(192)	-	192	-
Credit / (charge) to income statement	29	5,321	(192)	5,158
As at 31 March 2022	<u>(163)</u>	<u>5,321</u>	<u>-</u>	<u>5,158</u>

Deferred tax has not been recognised in respect of tax losses of £11,796,861 (2021: £11,796,861) and other temporary differences of £3,026,000 (2021: £500,000).

These deferred tax assets have not been recognised on the basis that their future economic benefit is not probable.

15. Called up share capital

Issued and fully paid shares

	Number	£'000
Ordinary shares of £1 each - at 1 April 2021 and 31 March 2022	200	-
Total share capital - at beginning and end of year	<u>200</u>	<u>-</u>

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16. Share-based payments

Performance Share Plan (PSP)

From 2017, shares in the ultimate parent company are awarded to certain of the company's directors and senior managers under the PSP based on a percentage of salary and are subject to performance targets over a three-year period. The performance targets are based on underlying EPS growth and Total Shareholder Return. At 31 March 2022, 24,394 shares awarded in 2019, 2020 and 2021 were outstanding (31 March 2021: 11,441 shares awarded in 2018, 2019 and 2020).

From 2017, shares are awarded to certain of the group's executive directors and senior managers under the PSP based on a percentage of salary and are subject to performance targets over a three-year period. The performance targets are based on underlying EPS growth and Total Shareholder Return.

Awards to the executive directors are also subject to a deferred release whereby a third is released on the third anniversary of the award date and the remaining vested shares are released in equal instalments on the fourth and fifth anniversaries of the award date. The Remuneration Committee is entitled to claw back the awards to the executive directors in cases of misstatement or misconduct.

Restricted Share Plan (RSP)

From 2017, shares in the ultimate parent company are awarded to certain of the company's directors and senior managers under the RSP based on a percentage of salary. Awards under the RSP are not subject to performance targets. The shares are subject only to the condition that the employee remains employed by the group on the vesting date (three years after the award date). At 31 March 2022, 7,611 shares awarded in 2021 were outstanding.

All employee share incentive plan (SIP)

Under the SIP, all employees with at least one year of service within the Johnson Matthey Plc group and who are employed by a participating group company are entitled to contribute up to 2.5% of base pay each month, subject to a £125 per month limit. The SIP trustees buy shares (partnership shares) at market value each month with the employees' contributions. For each partnership share purchased, the group purchases two shares (matching shares) which are allocated to the employee. If the employee sells or transfers partnership shares within three years from the date of award, the linked matching shares are forfeited.

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For the year ended 31 March 2022

17. Related party transactions

There were no related party transactions during the year other than between the company and other wholly owned Johnson Matthey group companies.

18. Commitments

	2022	2021
	£'000	£'000
Capital commitments - future capital expenditure contracted but not provided		
Property, plant and equipment	<u>4,680</u>	<u>591</u>

At 31 March 2022, precious metal leases were £13,946,000 (2021: £15,525,000) at year-end prices.

19. Ultimate parent company

The company's immediate and ultimate parent company is Johnson Matthey Plc. The largest and only group in which the results of the company are consolidated is Johnson Matthey Plc. The consolidated accounts of Johnson Matthey Plc are available to the public and may be obtained from 5th Floor, 25 Farringdon Street, London EC4A 4AB or www.matthey.com.

20. Events after balance sheet date

On 1 April 2022, the group consolidated its electrolyser operations into the Johnson Matthey Hydrogen Technologies Limited legal entity. The electrolyser business included new investment by the parent company in 2021 and includes a manufacturing facility, equipment and people required to manufacture membrane electrolysers used to produce hydrogen.

On 25 May 2022, the group expanded its presence in electrolysis by investing €20 million in Enapter AG, a pioneer and commercial leader in anion exchange membrane (AEM) electrolysis. The partnership encompasses joint development of advanced components and supply of specialist catalysts.

On 18 July 2022, the group announced that it is building a £80 million factory at its existing site in Royston, UK, to scale up the manufacture of hydrogen fuel cell components.

On 2 August 2022 the group signed a Memorandum of Understanding with Sinopec Capital to explore joint possibilities across green and blue hydrogen, fuel cells, decarbonisation technologies and circular economy business in China.