

The information contained within this announcement is deemed by the company to constitute inside information as stipulated under the EU market abuse regulation (596/2014)

31 July 2023

AFC Energy plc
("AFC" or the "Company")

Interim Results

AFC Energy Plc (AIM: AFC), a leading provider of hydrogen power generation technologies, is pleased to announce its interim results for the half year ended 30 April 2023.

Commercial Highlights

- Successful H-Power Tower generator leased programme across eight customer sites generating further revenue from S Series platform
- Follow on agreement with ACCIONA, for six-month lease with option to purchase, of H-Power Generator plus battery energy storage system, to be deployed in 2023
- First deployment of H-Power Tower in film and TV production sector with large US production studio
- Confirmation of successful validation by ABB E-mobility of new S+ Series liquid cooled fuel cell stacks
- Successful completion of Extreme E Season 2 EV charging contract
- Award (post period end) of up to £4.3m of matched grant funding from UK Government to support transition from diesel generators at UK construction, mining and quarrying sites
- Announced (post period end) plan to execute on our plant hire strategy with the proposed launch of a UK dedicated hydrogen powered generator hire business with Speedy Hire:
 - 50:50 joint venture (JV) to be established
 - Speedy Hire is the UK's leading tools and equipment hire services company
 - Initial commitment by joint venture of £2m in new H-Power Generators
 - Further orders expected in line with growing demand for zero emission power across the UK
 - Potential to become a significant UK hydrogen off-taker leveraging further value

Operational highlights

- **S Series H-Power Tower & Generator:**
 - Completed production run of first 10 H-Power Towers for field deployment and internal acceptance testing
 - Design completed and ordering commenced for components of next generation S Series 30kW H-Power Generator for completion this year
 - Appointment of consultants to support delivery of a scaled up third party contract manufacturing strategy

- **S+ Series H-Power Generator:**
 - Design completed for 200kW H-Power Generator system
 - c.850kW of new S+ Series fuel cell stacks (>100kW per stack) already manufactured and ready for 200kW system integration this year
 - Ordering commenced for components of first 200kW S+ Series liquid cooled fuel cell system
 - 200kW system specification consistent with first ABB system order with preparation for CE marking commenced

- **Ammonia cracker:**
 - Launch of AFC Energy's next generation ammonia cracker technology platform
 - Successfully produced first fuel cell grade hydrogen from cracker reactor, demonstrating "Ammonia to Power" with AFC Energy fuel cell integration
 - Identified potential high-volume routes to market, with partners, where the benefits of our novel technology are well positioned

- **Hydrogen supply:**
 - Hydrogen offtake agreement with Air Products renewed (post period end) at the Company's Stade facility in Northern Germany to facilitate onsite factory acceptance testing of fuel cell systems over the next five years

Financial highlights

- Cash and cash equivalents at 30 April 2023 of £32.7m (30 April 2022: £48.6m)
- Investment by ABB E-mobility in a further £2m in newly issued shares
- Revenue of £0.2m (H1 2022: £0.3m)
- Deferred revenue in respect of ABB contract at 30 April 2023 of £1.4m (30 April 2022: £2.0m)
- Loss for the period of £6.3m (H1 2022: £7.8m)
- R&D tax credit generated of £1.8m (H1 2022: £0.7m)
- R&D credit receivable at 30 April 2023 of £4.8m (30 April 2022: £1.8m)

Outlook

- Proposed launch of the Speedy Hire joint venture with initial H-Power Generator sales
- Rental revenue from H-Power Towers (through Speedy Hire going forwards) before transition to higher sales next financial year
- Delivery of first next generation S Series H-Power Generator to ACCIONA during 2023

- £/kW cost reduction, relative to H-Power Towers, of c.50% given benefits of additional value engineering and scale
- Complete manufacture during 2023 of first 200kW S+ H-Power Generator (designed for ABB and subsequent CE marking)
- Establish path to scaled contract manufacturing, with initial system orders to be delivered from the Company's Dunsfold facility in Surrey
- Modular ammonia cracker system delivered for operation and progression with prospective partners / customers of cracker technology
- Deliver the first scaled ammonia cracking test facility in the UK

Adam Bond, Chief Executive of AFC Energy, said:

"We continue to see an accelerated push to decarbonise hard to abate sectors such as construction and temporary power and are pleased to see this reflected in the traction we are receiving. Clearly our focus must remain on delivery of our strategy of initial customer deployments followed by cementing long term collaborations with plant hire groups and, with our new partner Speedy Hire in the UK, we now have a line of site to tangible product sales and manufacturing scale up. The recently received backing from the UK Government through our funding award, together with the new targets in the displacement of diesel on construction sites, creates a perfect backdrop for AFC Energy's success in the UK."

-ENDS-

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About AFC Energy plc

AFC Energy plc is a leading provider of hydrogen fuel cell power systems, both air cooled (S Series) and liquid cooled (S+ Series), to generate clean energy in support of the global energy transition. Based in the UK, the Company's scalable systems provide off-grid, zero emission power that are already being deployed for rapid electric vehicle charging and the replacement of diesel generators for temporary power applications. AFC Energy is also working with global partners in the deployment of products for the Maritime, Ports, Data Centres and Rail industries, emphasising the central role of its technology in the decarbonisation of global industry.

Chief Executive's Statement

I am pleased to report that in the first half of 2023, AFC Energy has continued to make progress across all areas of its business as it seeks to provide a technically and commercially viable alternative to the \$20bn a year diesel generator market.

Government and industry, both in the UK and overseas, continue to support the transition away from highly polluting diesel combustion engines with several high-profile infrastructure projects now targeting diesel free sites this decade.

"HS2 are building the world's most sustainable high-speed railway and the goal is to reduce carbon emissions and achieve net zero from 2035. Cutting the diesel HS2 use to power the vast construction operations - and stopping using it completely - is fundamental to our ambition." Extract from HS2 Website

Publicly, a lot of the work undertaken in H1 only became apparent after the period end, such as our collaboration with the UK's leading tools and equipment hire services business, Speedy Hire. This agreement has taken many months to get to this stage.

Our collaboration with Speedy Hire to launch a dedicated hydrogen powered generator plant hire business, is now a key focus for AFC Energy's growth strategy. The joint venture (JV) is targeting incorporation this year with an initial order commitment of £2m towards the purchase of AFC Energy's latest S Series H-Power Generators.

Growth in generator orders from the JV will be in line with expected growing demand for zero emission power across the UK; however, with many tens of thousands of diesel generators currently in operation on construction sites in the UK, this market alone offers tremendous growth potential.

Delivery of this, together with other commercial partnerships currently under development, is a tribute to the highly skilled and motivated workforce at AFC Energy to which I'm extremely grateful.

Fuel Cell Update

The first half of 2023 saw 8 new leased deployments of the H-Power Tower on construction and off-grid sites, further validating the technology and its operability in a range of conditions. The high quality feedback received from these field trials has now been collated and has facilitated several improvements and upgrades for the next generation H-Power Generator. The first of this new

version will be delivered to ACCIONA under a new six-month lease and sale option agreement later this year.

The accelerated nature in which AFC Energy's technology team have been able to reflect system upgrades, scaled the system to 30kW and reduced component pricing has been a true testament to their commitment to commercialisation.

We are forecasting that the 30kW H-Power Generator, harmonised to an external battery energy storage system, will be on site later this year and, with its sizing reflecting where we believe the immediate market demand for power needs on construction sites lies, we are confident of further system orders.

The strategy of first approaching end user construction companies for H-Power Generator demonstration, building up a critical mass of interest in the technology, and then collaborating with the plant hire industry has been proven with our new partnership with Speedy Hire. We have been working with the management of Speedy Hire for several months to develop the principles of a joint venture, believing this model affords many commercial benefits for both companies, with an optimised risk / reward balance achieved under this model. Based on feedback from our initial phase of field trial customers, many of whom are also customers of Speedy Hire, we believe the market for a scalable, targeted, zero emission, hydrogen fuelled generator offering in the UK market is strong. The JV will provide a clear avenue in which both Speedy Hire and AFC Energy can achieve scale and first mover advantage in addressing the needs of this growth market. The initial focus of this venture will be on the 30kW H-Power Generator.

Importantly, the potential scale that collaborations like Speedy Hire present also mean our buying power across the supply chain improves, meaning better pricing in a fairly short order. We are already seeing large cost discounts across key fuel cell and balance of plant components achieved through scale and are confident this, and other partnerships, will enable AFC Energy to progress quicker down the cost curve for our customers.

The growth in system orders requires a focus on manufacturing scale up. Over the past two years, AFC Energy has invested in its UK facilities and is well positioned to deliver sufficient H-Power Generators at its Dunsfold site to meet short term deployment needs. However, the uplift in future order quantities from collaborations such as that with Speedy Hire necessitates the review of third-party contract models for system components, sub-assemblies, and entire generator assembly. We have appointed consultants well versed in the scale up of hydrogen fuel cell technologies, to support us in developing our strategy, assessing opportunities for scaling up with an emphasis on Germany, which benefits from a more mature hydrogen sector and increased availability of lower cost hydrogen. We look forward to providing further detail on this in due course.

Over the past six months, we have also seen material progress in the validation of the liquid cooled, higher power density S+ Series fuel cell generators. This technology was first tested in Germany in October 2022 as part of our collaboration with ABB, and following the successful validation, multiple stacks, each more than 100kW in nameplate capacity, are now on site in Dunsfold awaiting integration into individual 200kW modules.

We remain confident of completing the first 200kW H-Power Generator this year, subject to the timely delivery of all components across the supply chain. Once completed, we plan to commence the CE marking process to enable sales across Europe.

The emphasis of the business is now on the scaling up of H-Power Generators, initially with a focus on the air cooled S Series, where we believe the majority of the short term system demand lies within our core target markets. With this in mind, the Company has decided, in collaboration with Juelich, to cancel the contract announced in 2020, for the sale of a 100kW L Series generator, which if delivered, would now prove a distraction to the Company's core technology and customer targets. Juelich confirmed it would only expect to be in a position to receive any fuel cell system in 2024 and so, with the progression of AFC Energy's technology, cost inflation and the delay to delivery, this was a mutual decision.

Fuel Conversion Update

In March this year, we announced the launch of our next generation ammonia cracking technology platform. For AFC Energy, maritime was always regarded as a key target market due to its growing emphasis on hydrogen carrier fuels such as ammonia. Indeed, last year, the International Energy Agency confirmed its estimate that up to 45% of the maritime fleet will be decarbonised through the adoption of ammonia fuels.

For this reason, the development of an ammonia cracker was always part of the technology development roadmap. However, the accelerating global search for energy security and independence means that the role of ammonia has become far more pronounced with large volumes of clean ammonia contracted to be imported to Europe, and Asia, from countries benefiting from low-cost hydrogen production. This in turn has created a short-term opportunity to position the Company's ammonia cracking technology to capitalise on the immediacy of this demand.

Over the past six months, much testing and validation of the Company's new cracker technology has been carried out, validating the performance of the system and enabling progress towards a fully working modular reactor core. Longevity testing of reactors has continued to build operational hours with limited, if any, evidence of strain on materials.

The reactor has a number of commercialisation opportunities, both as a cracker to make hydrogen within a combustion engine architecture, which is something we are speaking to engine manufacturers about, through to hydrogen refuelling infrastructure to support the decarbonisation of transport, namely trucks and heavy-duty transport where "traditional" hydrogen refuelling infrastructure is not feasible.

We continue to explore a number of these use cases that are generated through our core cracker technology and expect to be making further progress with partners towards demonstrations later this year. First revenue from the cracker is not expected before 2025.

ABB E-mobility

On 28 March 2023, after internal analysis following the trials in October 2022, ABB E-mobility confirmed that AFC Energy had successfully validated the first S+ Series liquid cooled fuel cell stacks. Operating in parallel, the initial stacks provided a 100kW nameplate rating. As a result of this, the Sale and Development Agreement, signed on 15 November 2021, was revised such that:

- ABB will have a pre-agreed discount, to be spread over the purchases of the first ten fuel cell systems, the first of which would be purchased under the revised contract, with the subsequent nine at ABB's option; and

- The payment of the remaining £2.0m, of the £4.0m, to be used for the purchase of issued shares in AFC Energy.

The £2.0m balance, was received on 5 April 2023 and the shares issued shortly thereafter. The shares are of the same class and have the same voting rights as those already in issue. The cash value to AFC Energy of the original contract therefore remains unchanged at £4.0m. Payment for the first, and subsequent 200kW S+ Series H-Power Generators would be in addition to the £4.0m.

Financial update

We recognised revenue in the period of £0.2m (H1 2022: £0.3m). £0.1m of this revenue was generated by the last race in the Extreme-E five-race series, with the balance coming from rentals of the H-Power Towers to customers including: Keltbray and Kier.

Operating costs of £8.2m (H1 2022: £8.8m) were predominantly incurred in respect of qualifying R&D activities and generated an R&D credit for the period of £1.8m (H1 2022: £0.7m), as set out in the table below:

Qualifying R&D expenditure	£'m
- Materials	1.6
- Payroll	3.0
- Other	0.7
	<hr/> 5.3
Non-qualifying expenditure	2.9
	<hr/> 8.2
R&D credit	<hr/> 1.8

In keeping with the Company's changing status from research to development to commercialisation, operating costs are stated after deduction of £0.2m in respect of capitalised development costs for the S Series H-Power Generator. This is the first time such costs have been capitalised by the Company.

The £2.0m receipt from ABB and £1.0m receipt from R&D credits in respect of the 2021 financial year meant that the Company finished the year with a cash balance of £32.7m, in line with the expected cash burn for overheads of about £1.1m per month (based on £6.8m over six-months). A summary of the cash flow is set out within the table below:

	£'m
Net loss before tax	(8.0)
Non-cash items	1.2
	(6.8)
R&D credits received	1.0
Working capital movement	(2.3)
	(8.1)
Investing activities	(1.1)
Financing activities	1.7
	(7.5)
Opening cash	40.2
	32.7

The cash position at 30 June 2023 was £30.4m with monthly cash burn expected to increase towards £1.5m per month (before reimbursements under the grant) as the company scales up for delivery of the S Series H-Power Generators for the grant, ACCIONA and Speedy Hire.

Outlook

We remain extremely optimistic over the outlook for the hydrogen economy and AFC Energy's role in it. Material funding continues to be allocated by both Governments and the private sector and we now are seeing the fruits of that investment.

For AFC Energy, the focus for the remainder of this year is to make the first delivery of the next generation H-Power Generators, with a particular focus on fulfilling market demand from Speedy Hire in the UK and ACCIONA in Spain. We are confident that we are on track to deliver on these commitments, thereby underpinning our revenue targets for next year.

The remainder of this financial year will see continued rental revenue from H-Power Towers (via Speedy Hire) and hydrogen sales into those sites, before the transition to a larger sales-based revenue model through our relationship with Speedy Hire and other potential distributors, dealers and plant hire businesses overseas.

The continued execution of our strategy to deliver a zero emission, hydrogen fuelled generator to displace diesel continues to align very well with industry projections and commitments and so it is important to capitalise on these opportunities with short term focus on market penetration and deployments.

We will continue to deliver on our manufacturing strategy highlighting progress with potential third-party contract manufacturers who can support our ambitious scale up targets.

Further evidence of a scaled up, modular ammonia cracker technology is also forecast over the next six months, highlighting the potential value AFC Energy has not just in fuel cell technology, but also hydrogen generation - each a huge addressable market in their own right.

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 April 2023

	Note	Six months ended 30 April 2023 £000 Unaudited	Six months ended 30 April 2022 £000 Unaudited	Year ended 31 October 2022 £000 Audited
Revenue from customer contracts	3	201	276	582
Cost of sales		(164)	(251)	(467)
Gross income		37	25	115
Other income		13	-	22
Operating costs	4	(8,209)	(8,627)	(19,749)
Operating loss		(8,159)	(8,602)	(19,612)
Finance cost	5	(42)	(25)	(19)
Bank interest receivable	5	184	84	143
Loss before tax		(8,017)	(8,543)	(19,488)
Taxation	6	1,765	745	3,042
Loss for the financial period and total comprehensive loss attributable to owners of the Company		(6,252)	(7,798)	(16,446)
Basic loss per share	7	(0.85)	(1.06)p	(2.24)p
Diluted loss per share	7	(0.85)	(1.06)p	(2.24)p

All amounts relate to continuing operations. There were no items of other comprehensive income during the period.

The above unaudited statement of profit and loss should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 April 2023

		30 April 2023	30 April 2022	31 October 2022
		£000	£000	£000
	Note	Unaudited	Unaudited	Audited
Assets				
Non-current assets				
Intangible assets	8	496	890	311
Right-of-use assets	9	1,353	733	976
Tangible fixed assets	10	3,761	3,197	3,282
		5,610	4,820	4,569
Current assets				
Inventory		43	668	43
Receivables	11	2,892	935	1,160
Income tax receivable		4,815	1,778	4,075
Cash and cash equivalents		32,736	48,578	40,220
Restricted cash		612	612	612
		41,098	52,571	46,110
Total assets		46,708	57,391	50,679
Current liabilities				
Payables	12	(3,084)	(3,920)	(3,644)
Lease liabilities		(478)	(266)	(298)
		(3,562)	(4,186)	(3,942)
Non-current liabilities				
Lease liabilities		(847)	(490)	(698)

Provisions	(301)	(400)	(301)
	(1,148)	(890)	(999)
Total liabilities	(4,710)	(5,076)	(4,941)
Total net assets	41,998	52,315	45,738
Capital and reserves attributable to owners of the Company			
Share capital	745	735	735
Share premium	118,477	116,457	116,487
Other reserve	4,585	2,673	4,073
Retained deficit	(81,809)	(67,550)	(75,557)
Total equity attributable to shareholders	41,998	52,315	45,738

The above unaudited statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 April 2023

	Share capital	Share premium	Other reserve	Retained loss	Total
	£000	£000	£000	£000	£000
Balance at 1 November 2022	735	116,487	4,073	(75,557)	45,738
Loss after tax for the period	-	-	-	(6,252)	(6,252)
Total comprehensive income	-	-	-	(6,252)	(6,252)
Issue of equity shares	10	1,990	-	-	2,000
Exercise of share options					

Equity settled share-based payments

- Charged in the period	-	-	512	-	512
Total transactions with shareholders	10	1,990	512	-	2,512
Balance at 30 April 2023	745	118,477	4,585	(81,809)	41,998

For the six months ended 30 April 2022

	Share capital £000	Share premium £000	Other reserve £000	Retained loss £000	Total £000
Balance at 1 November 2021	734	116,448	2,456	(59,752)	59,886
Loss after tax for the period	-	-	-	(7,798)	(7,798)
Total comprehensive income	-	-	-	(7,798)	(7,798)
Issue of equity shares	1	9	-	-	10
Exercise of share options					
Equity settled share-based payments					
- Charged in the period	-	-	217	-	217
Total transactions with shareholders	1	9	217	-	227
Balance at 30 April 2022	735	116,457	2,673	(67,550)	52,315

For the year ended 31 October 2022

	Share capital £000	Share premium £000	Other reserve £000	Retained loss £000	Total £000
Balance at 1 November 2021	734	116,448	2,456	(59,752)	59,886
Loss after tax for the year	-	-	-	(16,446)	(16,446)
Total comprehensive income	-	-	-	(16,446)	(16,446)
Issue of equity shares	1	39	-	-	40

Exercise of share options					
Equity settled share-based payments					
- Lapsed or exercised in the period	-	-	(641)	641	-
- Charged in the period	-	-	1,682	-	1,682
Fair value of warrants accounted for as equity	-	-	576	-	576
Total transactions with shareholders	1	39	1,617	641	2,258
Balance at 31 October 2022	735	116,487	4,073	(75,557)	45,738

The above unaudited statements of changes in equity should be read in conjunction with the accompanying note.

CASH FLOW STATEMENT

For the six months ended 30 April 2022

		30 April 2023	30 April 2022	31 October 2022
		£000	£000	£000
	Note	Unaudited	Unaudited	Audited
Cash flows from operating activities				
Loss before tax for the period		(8,017)	(8,543)	(19,488)
Adjustments for:				
Amortisation of intangible assets	8	34	61	473
Impairment of intangible assets	8	-	-	294
Depreciation of right of use asset	9	229	151	379
Depreciation of tangible assets	10	578	559	994
Impairment of tangible assets	10	-	-	255
Loss on disposal of tangible assets	10	-	-	126
Equity-settled share-based payment expenses		512	217	1,682

Interest received	5	(184)	(84)	(143)
Lease finance charges	5	35	15	33
<hr/>				
Cash flows from operating activities before changes in working capital and provisions				
		(6,813)	(7,624)	(15,395)
R&D tax credits received		1,025	549	546
Increase/(decrease) in inventory		-	(7)	618
(Increase)/decrease in other receivables		(2,153)	79	(145)
Increase/(decrease) in payables		(141)	2,224	1,948
Increase/(decrease) in provision		-	(253)	(353)
<hr/>				
Cash absorbed by operating activities		(8,082)	(5,032)	(12,781)
Cash flows from investing activities				
Purchase of plant and equipment	10	(1,057)	(1,488)	(2,388)
Additions to intangible assets	8	(218)	(205)	(334)
Interest received	5	184	84	151
<hr/>				
Net cash absorbed by investing activities		(1,091)	(1,609)	(2,571)
Cash flows from financing activities				
Proceeds from the issue of share capital		2,000	-	-
Proceeds from the exercise of options		-	9	40
Proceeds from the grant of warrants		-	-	576
Lease payments		(276)	(150)	(381)
Lease interest paid	5	(35)	(15)	(38)
<hr/>				
Net cash from financing activities		1,689	(156)	197

Net decrease in cash and cash equivalents	(7,484)	(6,796)	(15,155)
Cash and cash equivalents at start of period	40,220	55,375	55,375
Cash and cash equivalents at end of period	32,736	48,578	40,220

The above unaudited statement of cash flows should be read in conjunction with the accompanying note.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies are set out below.

a) Basis of preparation

These interim results for the six-months ended 30 April 2023 are unaudited. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' in conformity with Companies Act 2006. These interim results have been drawn up using the accounting policies and presentation consistent with those disclosed and applied in the annual report and accounts for the year ended 31 October 2022. The comparative information contained in the report does not constitute the accounts within the meaning of section 435 of the Companies Act 2006.

A number of new or amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

These interim results have been prepared on a going concern basis notwithstanding the trading losses being carried forward and the expectation that trading losses will continue for the near future as the company transitions from research and development to commercial operations.

The directors are required to assess whether it is appropriate prepare these interim results on a going concern basis. In making this assessment the directors need to be satisfied that the company can meet its obligations as they fall due for at least 12 months from the date of this report.

The directors make their assessment based on a cash flow model prepared by management which sets out expected cash flows through to 31 October 2024. Extending the period beyond the minimum 12 months from the date of this report provides additional comfort when making the assessment.

Downside sensitivities have been applied to the cash flows primarily related to an overspend of product development costs (for both materials and labour) and an under-recovery of R&D tax credits.

Having concluded that the company remains a going concern, these interim results have therefore been prepared on that basis.

2. SEGMENTAL ANALYSIS

Operating segments are determined by the chief operating decision maker based on information used to allocate the Company's resources. The information as presented to internal management is consistent with the statement of comprehensive income. It has been determined that there is one operating segment, which researches and develops fuel cell and fuel conversion technologies. In the period to 30 April 2023, the Company operated mainly in the United Kingdom. All non-current assets are in the United Kingdom.

3. REVENUE

	Six months ended 30 April 2023	Six months ended 30 April 2022	Year ended 31 October 2022
	£000	£000	£000
	Unaudited	Unaudited	Audited
Rendering of services earned over time			
Rental	133	107	225
Other revenue	68	169	357
Revenue	201	276	582
Being			
Cash consideration	129	82	367
Consideration in kind	72	194	215
Revenue	201	276	582

The consideration in kind related to marketing services received from the customer and fair valued in accordance with the contract. The fair value was expressly quantified in the contract and agreed by both parties.

4. OPERATING COSTS

The operating costs consist of:

	Six months ended 30 April 2023	Six months ended 30 April 2022	Year ended 31 October 2022
	£000	£000	£000
	Unaudited	Unaudited	Audited
Materials	1,502	2,788	5,105
Payroll (excluding directors)	3,078	1,483	4,907
	4,580	4,271	10,012
Directors' costs	776	813	1,642
Other employment costs	463	655	1,047
Occupancy costs	368	972	772
Other administrative expenses	911	985	2,750
	7,098	7,695	16,223
Amortisation of intangible assets	34	62	474
Depreciation of Right of Use assets	229	151	379
Depreciation of tangible fixed assets	578	559	994
Less depreciation of rental asset charged to cost of sales	(96)	(112)	(218)
Consideration in kind	72	194	215
Share based payments	512	217	1,682
Operating costs capitalised	(218)	-	-
	8,209	8,766	19,749

Occupancy costs include repairs and maintenance, utilities and lease payments. For the six-months ended 30 April 2022, occupancy costs included information technology costs, which have been reclassified into administrative expenses to better reflect the nature of the costs.

5. NET FINANCE INCOME

	Six months ended 30 April 2023	Six months ended 30 April 2022	Year ended 31 October 2022
	£000	£000	£000
	Unaudited	Unaudited	Audited
Lease interest	(35)	(15)	(38)
Exchange rate differences	-	(9)	21
Bank charges	(7)	(1)	(2)
Total finance cost	(42)	(25)	(19)
Bank interest receivable	184	84	143
	142	59	124

6. TAXATION

	Six months ended 30 April 2023	Six months ended 30 April 2022	Year ended 31 October 2022
	£000	£000	£000
	Unaudited	Unaudited	Audited
Recognised in the statement of comprehensive income:			
R&D tax credit - current period	1,765	745	3,050
R&D tax credit - prior year	-	-	(8)
Total tax credit	1,765	745	3,042

7. LOSS PER SHARE

The calculation of the basic loss per share is based upon the net loss after tax attributable to ordinary Shareholders and a weighted average number of shares in issue for the period.

	Six months ended 30 April 2023 £000 Unaudited	Six months ended 30 April 2022 £000 Unaudited	Year ended 31 October 2022 £000 Audited
Basic loss per share (pence)	0.85	1.06p	2.24p
Diluted loss per share (pence)	0.85	1.06p	2.24p
Loss attributable to equity Shareholders	£6,252	£7,798k	16,466k
Weighted average number of shares in issue	736,732	734,500	734,745

Diluted earnings per share:

There are share options and warrants outstanding as at 30 April 2023 which, if exercised, would increase the number of shares in issue. However, the diluted loss per share is the same as the basic loss per share, as the loss for the period has an anti-dilutive effect.

8. INTANGIBLE ASSETS

	Development costs £000	Patents £000	Commercial rights £000	Intangible assets £000
Cost				
As at 1 November 2022	229	1,220	121	1,570
Additions	218	1	-	219
Disposal	(229)	-	-	(229)
As at 30 April 2023	218	1,221	121	1,560
Amortisation				
As at 1 November 2022	229	979	51	1,259

Charge for the financial period	-	22	12	34
Disposal	(229)	-	-	(229)
As at 30 April 2023	-	1,001	63	1,064
Net book value				
As at 1 November 2022	-	241	70	311
As at 30 April 2023	218	219	58	496

	Development costs £000	Patents £000	Commercial rights £000	Intangible assets £000
Cost				
As at 1 November 2021	229	886	121	1,236
Additions	-	206	-	334
As at 30 April 2022	229	1,092	121	1,442
Amortisation				
As at 1 November 2021	74	384	33	491
Charge for the financial period	0	14	47	61
As at 30 April 2022	74	398	80	552
Net book value				
As at 1 November 2021	155	504	88	747
As at 30 April 2022	155	694	41	890

	Development costs £000	Patents £000	Commercial rights £000	Intangible assets £000
Cost				
As at 1 November 2021	229	886	121	1,236
Additions	-	334	-	334
As at 31 October 2022	229	1,220	121	1,570
Amortisation				

As at 1 November 2021	74	384	33	491
Charge for the year	34	422	18	474
Impairment charge	121	173	-	294
As at 31 October 2022	229	979	51	1,259
Net book value				
As at 1 November 2021	155	504	88	747
As at 31 October 2022	-	241	70	311

9. RIGHT-OF-USE ASSETS

	Buildings
	£000
Cost	
As at 1 November 2022	1,885
Additions	606
Disposals	(476)
As at 30 April 2023	2,009
Depreciation	
As at 1 November 2022	909
Charge for the financial period	229
Disposals	(476)
As at 30 April 2023	662
Net book value	
As at 1 November 2022	976
As at 30 April 2023	1,353
Buildings	
£000	
Cost	

As at 1 November 2021	1,415
Additions	-
<hr/>	
As at 30 April 2022	1,415
<hr/>	
Depreciation	
As at 1 November 2021	531
Charge for the financial period	151
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As at 30 April 2022	682
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Net book value	
As at 1 November 2021	884
As at 30 April 2022	733
<hr/>	
	Buildings
	£000
<hr/>	
Cost	
As at 1 November 2021	1,415
Additions	470
<hr/>	
As at 31 October 2022	1,885
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Depreciation	
As at 1 November 2021	530
Charge for the year	379
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As at 31 October 2022	909
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Net book value	
As at 1 November 2021	884
As at 31 October 2022	976
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10.TANGIBLE FIXED ASSETS

Cost						
As at 1 November 2022	4,973	703	318	438	406	6,838
Additions	64	-	9	-	984	1,057
As at 30 April 2023	5,037	703	327	438	1,390	7,895
Depreciation						
As at 1 November 2022	2,710	504	157	185	-	3,556
Charge for the financial period	410	96	46	26	-	578
As at 30 April 2023	3,120	600	203	211	-	4,134
Net book value						
As at 1 November 2022	2,263	199	161	253	406	3,282
As at 30 April 2023	1,917	103	124	227	1,390	3,761

The company has set up a decommissioning asset for the estimated cost of removing the plant and equipment installed at the Stade site in Germany. Having renewed the Stade hydrogen offtake agreement for a further five-years, from January 2023, no decision has been taken as to when the site might be decommissioned.

£1.2m of the assets under construction relate to leasehold improvement work concluded following the end of the six-month period.

Leasehold Improvements	Decommissioning Asset	Fixtures, fittings and equipment	Motor vehicles	Demonstration equipment	Subtotal
£000	£000	£000	£000	£000	£000

£000

Cost						
As at 1 November 2021	958	300	1,340	18	622	3,258
Additions	1,100	-	350	-	-	1,450
Disposals	-	-	-	-	(118)	(118)
As at 30 April 2022	2,058	300	1,690	18	504	4,570
Depreciation						
As at 1 November 2021	302	265	1,244	18	198	2,027
Charge for the financial period	145	10	33	-	105	293
As at 30 April 2022	447	275	1,277	18	303	2,320
Net book value						
As at 1 November 2021	655	35	96	-	424	1,211
As at 30 April 2022	1,611	25	413	-	201	2,250
				Manu-		
				facturin		
			Computer	g	Assets	
			equipmen	and test	under	
	Subtotal	Rental asset	t	stands	construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
As at 1 November 2021	3,258	703	199	436	-	4,576

Additions	1,450	-	64	-	-	1,514
Disposals	(118)	-	-	-	-	(118)
As at 30 April 2022	4,570	703	263	436	-	5,972
Depreciation						
As at 1 November 2021	2,027	98	86	96	-	2,307
Charge for the financial period	293	111	26	38	-	468
As at 30 April 2022	2,320	209	112	134	-	2,775
Net book value						
As at 1 November 2021	1,211	605	113	340	-	2,269
As at 30 April 2022	2,250	494	151	302	-	3,197

	Leasehold Improvements	Decommissioning Assets	Fixtures, fittings and equipment	Motor vehicles	Demonstration equipment	Subtotal
	£000	£000	£000	£000	£000	£000
Cost						
As at 1 November 2021	958	300	1,340	18	622	3,258
Additions	1,620	-	241	-	-	1,861
Disposals	(8)	-	-	-	(118)	(126)

As at 31 October 2022	2,570	300	1,581	18	504	4,973
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Depreciation

As at 1 November 2021	302	265	1,244	18	198	2,027
Charge for the year	444	20	83	-	69	616
Impairment	-	-	-	-	67	67
As at 31 October 2022	746	285	1,327	18	334	2,710

Net book value

As at 1 November 2021	655	35	96	-	424	1,211
As at 31 October 2022	1,824	15	254	-	170	2,263

	Subtotal	Rental asset	Computer equipment	Manu- facturing and test stands	Assets under construction	Total
	£000	£000	£000	£000	£000	£000

Cost

As at 1 November 2021	3,258	703	199	436	-	4,576
Additions	1,861	-	119	2	406	2,388
Disposals	(126)	-	-	-	-	(126)

As at 31 October 2022	4,973	703	318	438	406	6,838
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Depreciation

As at 1 November 2021	2,027	98	86	96	-	2,307
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Charge for the year	616	218	71	89	-	994
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Impairment	67	188	-	-	-	255
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As at 31 October 2022	2,710	504	157	185	-	3,556
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Net book value

As at 1 November 2021	1,211	605	113	340	-	2,269
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As at 31 October 2022	2,263	199	161	253	406	3,282
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11. RECEIVABLES

	30 April 2023	30 April 2022	31 October 2022
	£000	£000	£000
	Unaudited	Unaudited	Audited
Trade receivables	166	57	142
VAT receivables	1,110	-	401
Other receivables	844	565	303
Prepayments	772	313	314
	2,892	935	1,160

There is no significant difference between the fair value of the receivables and the values stated above. Of the £1.1m of VAT receivables, £0.7m was received in May 2023.

The increase in other receivables is mainly due to the increase in advance payments made to suppliers, as the value of materials purchases increases.

12. PAYABLES

	30 April 2023	30 April 2022	31 October 2022
	£000	£000	£000
	Unaudited	Unaudited	Audited
Trade payables	986	770	445
Deferred revenue	1,424	2,177	1,600
Other payables	485	217	349
Accruals	189	756	1,250
	3,084	3,920	3,644

The deferred revenue relates to non-refundable payments made under the November 2021 ABB contract. As part of the renegotiation of this contract in March 2023, it was agreed with ABB that this balance would be earned evenly against pre-agreed discounts over the sale of the first ten units to ABB. If these sales are not all made within the pre-agreed time period then any residual balance will be deemed earned by the company, as the payments are non-refundable.

The £0.2m reduction in deferred revenue between 31 October 2022 and 30 April 2023 reflects the cancellation of the Juelich contract.

13. POST BALANCE SHEET EVENTS

On 18 July 2023, the company announced that it had renewed the hydrogen offtake agreement at the Stade facility in Germany. The contract is for a five-year period, from January 2023, with a six-month notice period.

On 26 July 2023, the company announced that it had secured a UK Government Grant of up to £4.3m in match funding.

On 27 July 2023, the company announced that it had appointed, effective 1 August 2023, Duncan Neale as a non-executive director and chair of the Audit Committee.

On 28 July 2023, the company announced the proposed launch of a dedicated hydrogen powered generator plant hire business as a joint venture with Speedy Hire plc.

14. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information contained in this interim statement does not constitute accounts as defined by the Companies Act 2006. The financial information for the preceding period is based on the statutory accounts for the year ended 31 October 2022. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

Copies of the interim statement may be obtained from the Company Secretary, AFC Energy PLC, Unit 71.4 Dunsfold Park, Cranleigh, Surrey GU6 8TB, and can be accessed from the Company's website at www.afcenergy.com.