

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).

29 June 2022

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

Interim Results

AFC Energy (AIM: AFC), a leading provider of hydrogen power generation technologies, is pleased to announce its interim results for the half year ended 30 April 2022.

Commercial Highlights

- First commercial order of S Series liquid cooled fuel cell system received from ABB worth up to £4m
 - High power density system
 - Initially to be configured for EV charging use in grid constrained environments
 - System design contemplates other applications especially maritime and data centres
 - £2m non-refundable deposit received from ABB (revenue recognition upon milestone achievement)
 - Next milestone payment of £1 million due upon delivery of initial 100kW unit scheduled for this year
- Considerable progress has been made since the launch of the Company's new power dense S Series fuel cell systems and Power Tower products in Q1 2022
 - Partners and customers have opted to amend earlier agreements in order to upgrade to the Company's latest Hydrogen power generation platforms.
- Order book of further qualified fuel cell deployment enquiries continues to strengthen, leading to system leasing contracts
- Secured series of initial leasing contracts with construction sector:
 - Acciona Power Tower field trial to be conducted across several months in Spain during H2
 - Power Tower system leased to Keltbray for UK construction site deployment in coming weeks
 - Power Tower system leased to Kier for South West construction site deployment in August 2022 (signed post period-end)
- Extreme E contracted to continue to use AFC Energy's L Series fuel cell for all five rounds of Season 2 following a successful inaugural season
- Successful deployment of L Series fuel cell system to Urban-Air Port's Air One deployment in Coventry designed to support electric vertical take-off and landing (eVTOL) aircraft and serve as a hub for other sustainable modes of transport like electric vehicles (EVs)
- Successfully achieved Approval in Principle ("AiP") in December 2021 from international certification agency DNV for Ammonia based fuel cell and cracker system for cargo ships in conjunction with ship builder, VARD
 - AiP receipt has led to multiple new enquiries from ship builders interested in exploring auxiliary and propulsion systems .

Financial Highlights

- Revenue of £0.28 million (HY 2021: £0.15 million) includes revenue earned for Extreme E second season series contract renewal
- Initial payment of £2 million collected from ABB
- Half year cash balance of £48.6m (HY 2021: £61.3m) with a loss for the period of £8.5m (HY 2021: £3.6m)
- Company continues to target full year growth in revenue

Operational Highlights

- Production, technical and operating capacity significantly enhanced during the period with employee numbers up to 87 at period end (2021: 34) further improving depth of skills and experience
- Significant facility upgrades completed with new offices, manufacturing and testing facilities
- Graeme Lewis, Chief Financial Officer, has today informed the Company that he wishes to retire. In order to ensure an orderly handover to his successor, Graeme has agreed to stay with the Company until 30 April 2023. The Company has commenced the process of recruiting a successor and will update the market in due course.

Technology Highlights

- Launched the new S Series Power Tower utilising AFC Energy's Hybrid Fuel Cell ("HFC") platform
 - offers materially higher energy density than earlier generation products
 - aimed at the ability to use Methanol and Ammonia alongside Hydrogen to offer fuel cell customers a "flex fuel" solution
- Development of the 2.5kW air cooled, high energy dense, fuel cell technology platform which is the core component of the Power Tower system
- Working with methanol reformer and ammonia cracker technologies to optimise whole of system operation to drive reductions in Total Cost of Ownership ("TCO")
- Completed Front End Engineering and Design ("FEED") study for Fuel Tower concept utilising methanol reformer technology platforms to support Power Tower deployments
- A number of further technology developments are expected in the second half of the year, including:
 - Integration of methanol reformer into Power Tower unit validating new fuel flex platform
 - Taking receipt of scaled up ammonia cracker technology for integration with fuel cell systems
 - Creation of new technology platforms upstream of the fuel cell for wider value chain exposure
 - Multiple Power Tower configuration to increase power output and higher voltage efficiencies

Outlook

- Series of Power Tower deployments at construction sites in the UK and Spain in H2 will deliver valuable field data ahead of wider customer deployment
 - Initial leased system deployments to construction market expected to lead to further deployments and commercial orders
 - ACCIONA Power Tower system undergoing final commissioning before deployment to Spain over the next fortnight
- Expected delivery in latter part of the year of ABB's first milestone of 100kW high energy dense S Series Liquid Cooled fuel cell system run on Hydrogen
- System cost reductions combined with high cost of diesel and the removal of UK diesel subsidies are driving increased levels of customer enquiries
- Revenues from the leasing of Power Tower systems to be supplemented by the associated supply of Hydrogen on commercial terms
- Continued cost reduction of system and components through engineering and volume pricing
- Ongoing dialogue with maritime sector raising profile of AFC Energy's technology for shipping and portside applications

Adam Bond, Chief Executive of AFC Energy, said:

"I am pleased that following the launch earlier this year of our Power Tower fuel cell platform, AFC Energy will see several of these new systems being operated by strategic partners in off-grid environments in the coming months. We are carefully selecting strategic partners that have a pressing need and desire to lead in the decarbonisation of their industries in line with Net Zero aspirations.

"We continue to assess our manufacturing scale up and supply chain and are preparing for growth in system production and deployment. The Power Tower, whilst currently focussing on Hydrogen fuel, will also be able to meet the demands of clients for Hydrogen carrier fuel compatibility later this year with the integration of methanol reformer technology. We believe, based on market feedback, that this will lead to an increase in the number of systems deployed and also the size of those systems.

"Our robust cash position enables us to continue to invest in our people, products and technology platforms to maximise our potential within the global clean energy space. The macro environment of high global energy prices and drive for enhanced energy security and independence continues to create a compelling environment for accelerated growth of the global Hydrogen market and we remain focused on delivering tangible deployment expectations for the full year."

-ENDS-

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About AFC Energy plc

AFC Energy plc is a leading provider of hydrogen fuel cell power systems 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.

Operational review

AFC Energy continues to scale up its operations supporting the global transition to Net Zero. We have invested both in people and facilities to create a global centre of excellence in fuel cells and flex fuelling systems unrivalled in the world. This team, together with contributions from our strategic partners, aims to deliver competitive integrated fuel cell solutions to meet the needs of a sustainable transition away from diesel generators.

We continue to engage with customers and other end users whose feedback is important to help us continually align our product development roadmap with their needs and timelines.

Commercial activity

Our target markets remain unchanged with our immediate focus being the displacement of diesel generators from the off-grid / grid constrained environment. With the UK's removal of fiscal subsidies on the red diesel traditionally used in construction and off-grid power markets, together with the growing cost of diesel fuel due to macro circumstances, we are seeing an acceleration in the all in cost of highly pollutant generators making premium priced "green" alternatives a more viable solution in the market today.

AFC Energy's commercial activity therefore continues to target those markets where industry dynamics and policy drivers support early adoption of our hydrogen fuel cells. The optionality afforded by our "fuel flex" approach, giving customers the choice of fuel between direct Hydrogen or Hydrogen carrier fuels such as Green Ammonia and Green Methanol to achieve the lowest total cost of ownership, is driving increased market engagement and continues to be our unique selling point into the off-grid power market.

The construction sector continues to be a market where the desire and need for immediate change is most evident and is therefore expected to be one of the first sectors to transition from diesel generators to Hydrogen fuel cells. Deployment agreements signed with Keltbray and Kier Group, two leading UK contractors, in addition to Spanish construction group, Acciona, will generate revenue this year and provide valuable proof points for customers, regulators, procurement authorities and most importantly, site operators. Initial contracts will allow counter parties to familiarise themselves with our 10kW Power Tower, before larger capacity Power Towers become available with the next design series. A unique selling point sought by all these customers is a flexible fuelling technology which sets us apart from competing technologies by offering a lower total cost of ownership. The Company is confident that successful initial deployments will lead to further commercial orders.

Our current pipeline is principally front ended with short term leases which will provide modest revenues (compared to eventual sales) but the quality of our customers, due to their scale and market influence (including with plant hire businesses), gives us confidence of successfully demonstrating our systems to the industry, with resultant growth and quantum of revenue following thereafter.

Extreme E, following a successful partnership in the inaugural season, has contracted to continue to use our "L" Series fuel cell platform, for the five round, 2022 season. This partnership continues to provide evidence of how AFC Energy's technology can operate in the harshest of conditions in some of the remotest locations on Earth. The championship continues to also provide high levels of publicity and customer enquiries whilst also generating revenue from the leasing of equipment for the year.

Progress on collaborations

In November 2021, we announced the sale and development agreement with ABB. Under the agreement, ABB has already paid £2 million with two further instalments, worth a combined total of £2 million, due on successful completion of laboratory and field testing.

By committing to purchase the first 'S' series liquid cooled system, ABB is helping to fund the wider liquid cooled platform project – the basis for all larger (>100KW) fuel cell systems envisaged for use in maritime, data centre and large stationary power installations. ABB's participation provides us with direct end user feedback on the system which will form the basis for continuous product development improvements.

The majority of work performed to date has been setting up the infrastructure, both people and manufacturing equipment, and the design and development of the core technology for the key components of this next generation fuel cell platform. Our current expectation is for laboratory validation to begin in the latter part of the year.

Whilst the platform is specifically intended for high voltage EV charging, the system, once delivered, will also form the basis of collaborations across other ABB markets, including maritime and data centre applications. Over the past six months, through ABB, we have commenced dialogue with several of their customers in the maritime and data centre sectors.

Our relationship with Juelich continues to evolve. Their original order was for a 100 kW “L” series bespoke system; however, after further discussions on our product development roadmap, agreement was reached to review and update the deliverables in line with technology progression. However, Juelich has advised due to further delays with regards the civils of the project mean they will be unable to take possession until the H2 2023. In the interim, Juelich has made a down payment to AFC Energy to demonstrate its ongoing commitment to the project.

In December 2021, we announced that DNV, the international certification agency, had awarded “Approval in Principle” (“AiP”) status for the ZeroCoaster ammonia fuelled cargo ship, confirming independently that the design concept was feasible. Vard, the consortium leader, are leading commercial activities in regards the marketing of the vessel’s design to customers. We see this as a sizeable medium to long term opportunity as the transition to zero / low carbon shipping technologies takes place. Following receipt of the AiP, we have received a significant number of enquiries from ship yards and maritime operators seeking to undertake diligence over our technology platforms, ranging from cracker to fuel cell. We have also had early interest from ship builders in green methanol based solutions, however these also represent early discussions and are longer term opportunities within the global maritime sector.

Discussions with Al Taaqa Alternative Solutions for a distribution agreement has continued with valuable insights received on the end user demand which can be summarised as a >100 kW system supported by flexible fuelling solutions. The relationship is ongoing and we are currently evaluating these requirements into our product roadmap and looking at ways to accelerate the timeline whereby we can deliver to their needs.

A joint deployment team has been set up with Acciona and a construction project in Andalucia has been identified and evaluated as the planned test site. The unique selling point Acciona see with our solution is access to a flexible fuelling solution which provides a lower total cost of ownership than other similar competing technologies. We are finalising the production of the first Power Tower and expect to have the unit on site shortly.

Fuel cell platforms

Investment focus has been on the design and accelerated build of our latest 2.5kW air cooled fuel cell module and the associated “S” series stack which is the fundamental building block of our air-cooled fuel cell solutions aimed at near term target markets. The 2.5kW module forms the basis of our 10kW Power Tower. The performance of the 2.5kW module has surpassed expectations in terms of system efficiency and power output and, in collaboration with our supply chain partners, we are already seeing sizeable cost reductions across key component parts.

Due to global supply chain challenges experienced by many industries at present, we have made early investments into the purchase of long lead items so that when finalised we are in a position to embark upon a sizeable initial production run of hybrid units for customers.

Further development work has been done on integration platforms which drive modularity and scalability for our customers; specifically, the first Power Tower units have been developed and are part of the initial production run for field trialling. It is likely that the air cooled platform will form the basis of all systems up to (approx.) 100kW nameplate capacity.

In addition to the 2.5kW air cooled fuel cell module, we have also commenced a sizeable piece of work in delivering a fast track liquid cooled system supported by ABB’s partnership with us. The liquid cooled system will most likely be sized in modules of 100kW and therefore provide the platform for larger scaled systems designed for the maritime and data centre markets.

In each of these configurations, being air cooled or liquid cooled, we expect to have the ability to offer both alkaline and hybrid based systems. In the short term, focus will be on early stage hybrid system deployment at sub 100kW scale where hydrogen or methanol are likely to provide an earlier route to market, with ammonia lending itself to larger scale systems.

In respect to core technology development, we have been assessing our own MEA technology against externally available materials in order to balance time to market, performance specifications and durability – all of which are critical to the total cost of ownership for our customers. Ultimately, our aim is to develop a suite of polymer options

allowing us to tailor chemistries to meet the specific application and fuel requirements – “flex fuelling”. This is fully consistent with the alkaline and hybrid fuel cell platforms under development. Importantly, we are focussing on technologies which give us fastest route to market whilst also matching customer fuelling strategies.

During the past six months, work has continued with independent institutions to validate the performance of AFC Energy’s AlkaMem membrane in water electrolyser formats. The results have been very encouraging and whilst not an immediate priority for the Company, the membrane in electrolyser format clearly affords value creation opportunities beyond the immediate corporate focus of fuel cell system deployment.

De Nora continue to support us and Extreme E through the provision of electrodes for the L series units.

Fuel systems

As part of our “fuel flex” strategy, AFC Energy has evaluated a wide range of existing ammonia cracker and methanol reformer technologies which are available in the market today. At present, AFC Energy has in operation working crackers and reformers at its Dunsfold facility with work ongoing to fully integrate the operability of these systems into Power Towers and the ABB 200kW system set for deployment in 2023. These technologies are at the heart of our fuel flex approach to fuel cells with the objective of driving down total cost of ownership based on low cost fuelling alternatives.

A FEED study has recently been completed for the Fuel Tower concept using methanol as an alternative hydrogen carrier to support our suite of Power Tower branded products with options for scaling up to >100kW systems already in play.

A design for a 100kW+ ammonia cracker has also been completed in house with orders placed for systems sourced from third party suppliers.

An important part of the upstream integration is the proprietary controls and systems interfaced being designed by AFC Energy for customer deployment. A new team of professionals have been hired to develop these systems, creating further value to end users and shareholders alike. Our experience in the fuel cell market is that these services are rarely offered by our peers, and is a key differentiator to our customers.

Whilst focus has been on the integration of third party crackers and reformers into our fuel cell platforms, work has commenced on a fuelling product roadmap, distinct from the fuel cell platforms, building on proprietary knowledge built up in this area and identify opportunities to develop incremental upstream technology ourselves.

Our original manufacturing agreement with BK Gulf, announced in November 2020, was for the assembly of “L” Series units. This agreement remains in place. However, with the strong shift in customer interest towards the “S” Series, we are realigning our manufacturing strategy towards mass production of these systems. We continue to benefit from a strong relationship with BK Gulf and are exploring models for how this partnership might develop.

Facilities scale up

Significant investment has been made during the period to upgrade offices and manufacturing facilities. Our new facilities can accommodate almost double the number of staff than before and also incorporate new electronics labs, cracker and reformer test facilities, manufacturing scale up space and system commissioning infrastructure. The majority of this work is now coming to an end with only minor upgrades still required to some lab-based assets.

Growing our workforce

Our workforce grew from 34 to 87 staff since this time last year and continues to grow with total staff numbers now of just over 100.

Graeme Lewis, Chief Financial Officer, has today informed the Company that he has elected to retire. Graeme has been CFO at the Company for four years. Graeme, who joined the Board of Directors in 2020, will not be standing for re-election at the next AGM but will remain with the Company until 30 April 2023 to ensure an orderly handover as it searches for a replacement. Warren Partners has been appointed to support the Company in its search for a new CFO. We wish to thank Graeme for his contribution and support to the Company over the past four years and wish him every success for the future.

Finances

At the end of the period our cash balance was £48.6 million (2021: £61.3 million), compared to cash absorbed by operating and investing activities of £6.7 million (2021: £6.8 million). The cash absorbed is after receipt of deferred customer income of £2 million (2021: £0.4 million).

Loss before tax for the period was £8.5 million (2021: £3.6 million).

Outlook

The macro outlook for sustainable energy remains very strong. Global commitments to transition towards a net zero world are now being complemented by pan Governmental commitments to enhance energy independence through displacement of Russian sourced natural gas. This, along with high oil, gas and coal prices, is leading to unprecedented investments across the Hydrogen economy, particularly in Europe.

AFC Energy will see its first Power Tower deployments in the market this year with strategic customers, particularly in the construction sector, who are able to influence and drive sustainable change in the decarbonisation of construction sites and temporary power. These case studies cannot be undervalued as a means of further validating our value proposition to the wider temporary power market. Initial revenue from these deployments will be built around short term funded validations, which are expected to open up new growth opportunities to rent or sell fuel cell platforms thereafter.

Our partnership with ABB is expected to generate further revenue through our S Series, new liquid cooled technology platforms capable of deployment across a range of sectors.

We remain in a strong financial position. Our customers and partners are aligned with our product development and manufacturing roadmaps, and whilst the wider economic environment remains uncertain, the need for investment into sustainable technologies to deliver on environmental priorities is stronger than ever.

I would like to again express my thanks to all our employees and partners who have invested significant effort over these past six months to position AFC Energy to again make strides in driving the Hydrogen economy to a commercial reality.

Adam Bond
Chief Executive Officer
29 June 2022

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 April 2022

		Six-months ended 30 April 2022	Six-months ended 30 April 2021	Year ended 31 October 2021
	Note	£ Unaudited	£ Unaudited	£ Audited
Revenue from customer contracts	4	275,590	149,062	592,800
Cost of sales		(250,668)	(145,235)	(576,831)
Gross income		24,922	3,827	15,969
Other income		197	-	25,470
Operating costs	5	(8,626,462)	(3,589,960)	(10,450,005)
Operating loss		(8,601,343)	(3,586,133)	(10,408,566)
Finance cost	6	(25,383)	(18,291)	(51,694)
Bank interest receivable	6	83,949	6,155	18,690
Loss before tax		(8,542,777)	(3,598,269)	(10,441,570)
Taxation	7	745,293	283,072	1,063,317
Loss for the financial period and total comprehensive loss attributable to owners of the Company		(7,797,484)	(3,315,197)	(9,378,253)
Basic loss per share	8	(1.06)p	(0.49)p	(1.33)p
Diluted loss per share	8	(1.06)p	(0.49)p	(1.33)p

All amounts relate to continuing operations.

STATEMENT OF FINANCIAL POSITION

As at 30 April 2022

		Six-months ended 30 April 2022	Six-months ended 30 April 2021	Year ended 31 October 2021
	Note	£ Unaudited	£ Unaudited	£ Audited
Assets				
Non-current assets				
Intangible assets		889,500	770,884	745,649
Right of use assets		733,291	1,079,884	884,181
Tangible fixed assets		3,196,972	1,653,806	2,268,569
		4,819,763	3,504,574	3,898,399
Current assets				
Inventory		668,001	759,596	660,678
Receivables	9	935,070	838,409	1,014,391
Income tax receivable		1,778,146	801,171	1,581,416
Cash and cash equivalents		48,578,378	61,292,135	55,375,366
Restricted cash		612,000	260,772	612,000
		52,571,595	63,952,083	59,243,851
Total assets		57,391,358	67,456,657	63,142,250
Capital and reserves attributable to owners of the Company				
Share capital		734,544	732,823	734,484
Share premium		116,457,305	116,186,140	116,448,125
Other reserve		2,672,598	1,752,974	2,456,045

Retained deficit		(67,549,677)	(53,898,053)	(59,752,193)
Total equity attributable to Shareholders		52,314,770	64,773,884	59,886,461
Current liabilities				
Payables	10	3,919,984	1,286,753	1,695,758
Lease liabilities		266,294	660,283	322,179
		4,186,278	1,947,036	2,017,937
Non-current liabilities				
Lease liabilities		489,808	434,565	583,952
Provisions		400,502	301,172	653,900
		890,310	735,737	1,237,852
Total liabilities		5,076,588	2,682,773	3,255,789
Total equity and liabilities		57,391,358	67,456,657	63,142,250

CASH FLOW STATEMENT

For the six months ended 30 April 2022

	Six-months ended 30 April 2022	Six-months ended 30 April 2021	Year ended 31 October 2021
	£ Unaudited	£ Unaudited Restated	£ Audited
Cash flows from operating activities			
Loss before tax for the period	(8,542,777)	(3,598,269)	(10,441,570)
Adjustments for:			
Amortisation of intangible assets	61,690	54,621	110,413
Depreciation of right of use asset	150,890	154,170	301,961
Depreciation of property and equipment	559,198	102,310	448,275
Loss on disposal of property and equipment	-	-	3,692
Depreciation of decommissioning asset	-	15,682	31,365
Equity-settled share-based payment expenses	216,553	240,000	1,151,987
Interest received	(83,949)	(6,155)	(18,690)
Lease finance charge	14,767	19,920	37,322
Cash flows from operating activities before changes in working capital and provisions	(7,623,628)	(3,017,721)	(8,375,245)
R&D tax credits received	548,563	-	-
Increase/(Decrease) in restricted cash	-	9,255	(341,973)
Increase in inventory	(7,323)	(510,226)	(411,308)
(Increase)/Decrease in other receivables	79,321	(312,628)	(488,610)
Increase in payables	2,224,226	49,957	458,962
Increase in provision	(253,398)	-	352,728
Cash absorbed by operating activities	(5,032,239)	(3,781,363)	(8,805,446)
Cash flows from investing activities			
Purchase of plant and equipment	(1,487,601)	(802,648)	(1,811,683)
Additions to intangible assets	(205,541)	(56,236)	(86,793)
Interest received	83,949	6,155	18,690
Net cash absorbed by investing activities	(1,609,193)	(852,729)	(1,879,786)
Cash flows from financing activities			
Proceeds from the issue of share capital	-	36,000,000	36,000,000
Costs of issue of share capital	-	(1,347,839)	(1,347,839)
Proceeds from the exercise of options	9,240	137,396	436,597
Lease payments	(150,029)	(144,876)	(292,305)
Lease interest paid	(14,767)	(19,920)	(37,322)
Net cash from financing activities	(155,556)	34,624,761	34,759,131
Net (decrease)/increase in cash and cash equivalents	(6,796,988)	29,990,669	24,073,899
Cash and cash equivalents at start of period	55,375,366	31,301,467	31,301,467
Cash and cash equivalents at end of period	48,578,378	61,292,136	55,375,366

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

The interim results for the six-months ended 30 April 2022 are unaudited. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' in conformity with Companies Act 2006. The 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 2021. The comparative information contained in the report does not constitute the accounts within the meaning of section 240 of the Companies Act 1985 and section 435 of the Companies Act 2006.

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

The Company currently consumes cash resources and will continue to do so until sales revenues are sufficiently high enough to generate net cash inflows. Management have prepared and reviewed five-year financial projections aligned with ongoing technological, operational and commercial strategies. During the initial period of commercialisation there will be negative cash flows dependent upon the speed at which revenue grows. At 30 April 2022 unrestricted cash resources were £48.6 million. The Directors have reasonable expectation that sufficient funding exists to meet payment obligations as and when they fall due. The directors' having taken into account current cash resources, identified risks including the impact of Covid 19 and financial forecasts the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of at least twelve months from the date of this report). Thus, the Directors believe that it is reasonable to continue to adopt the going concern basis in preparing the Annual Report and financial statements.

A number of 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 amended standards.

The cash flow statement for the six months ended 30 April 2021 have been restated to bring the disclosure of Right of Use assets entered into in the period and the proceeds from the issue of share capital and exercise of options in line with that used in the Annual Report and financial statements for the year ended 30 October 2021.

3. 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, the development of fuel cells. In the period to 30 April 2021, the Company operated mainly in the United Kingdom and in Germany. All non-current assets are in the United Kingdom.

4. REVENUE

	Six months ended 30 April 2022	Six months ended 30 April 2021	Year ended 31 October 2021
	£	£	£
	Unaudited	Unaudited	Audited
Rendering of services (earned over time)			
Rental	275,590	149,062	592,800
Revenue	275,590	149,062	592,800
Being			
Cash consideration	81,690	79,283	315,300
Consideration in kind	193,900	69,779	277,500
Revenue	275,590	149,062	592,800

The consideration in kind relates 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.

5. OPERATING COSTS

The operating costs consist of:

	Six months ended 30 April 2022	Six months ended 30 April 2021	Year ended 31 October 2021
	£	£	£
	Unaudited	Unaudited	Audited
Aggregate payroll costs (less equity settled share based payments expense)	2,295,160	1,243,076	3,886,595
Less indirect labour	(639,776)	(524,966)	(1,689,458)
Direct labour	1,655,384	718,110	2,197,137
Project materials	2,648,926	560,174	1,037,379
Project spend	4,304,310	1,278,284	3,234,516
Indirect labour	639,776	524,966	1,689,458
Other employment costs	655,332	396,288	1,212,226
Occupancy costs, repair and maintenance, utilities and sundry rent	971,774	269,853	967,014
Other administrative expenses	984,846	551,920	1,123,370
Cash expenses	7,556,038	3,021,311	8,226,584
Amortisation of intangible assets	61,690	54,620	110,413
Depreciation of Right of Use assets	150,890	150,980	301,961
Depreciation of tangible fixed assets	559,198	102,310	479,640
Less depreciation of rental asset charged to cost of sales	(111,807)	(49,040)	(98,080)
Consideration in kind	193,900	69,779	277,500
Share based payments	216,553	240,000	1,151,987
Operating costs	8,626,462	3,589,960	10,450,005

Operating costs are managed in two pools. Project costs being the discretionary spend by product development teams which includes direct labour and materials incurred and the fixed overheads which includes indirect labour, occupancy costs and other general overheads.

Other administrative expenses are made up of general costs such as training, recruitment, travel and miscellaneous expenses, none of which are materially material.

The warrants granted to ABB are considered to be financial instruments granted on an arm's length basis and have been accounted for in accordance with IFRS 9 Financial Instruments and IAS 32 Financial Instruments: Presentation. As the current market price is below the exercise price of the warrants there is no financial impact in the operating costs of the period.

6. FINANCE COST

	Six-months ended 30 April 2022	Six-months ended 30 April 2021	Year ended 31 October 2021
	£	£	£
	Unaudited	Unaudited	Audited
Lease interest	(14,767)	(12,724)	(37,322)
Exchange rate differences	(9,377)	-	(1,684)
Bank charges	(1,239)	(5,567)	(12,688)
Total finance cost	(25,383)	(18,291)	(51,694)
Bank interest receivable	83,949	6,155	18,690
Total finance (cost)/income	58,566	(12,136)	(33,004)

7. TAXATION

	Six-months ended 30 April 2022	Six-months ended 30 April 2021	Year ended 31 October 2021
	£ Unaudited	£ Unaudited	£ Audited
Recognised in the statement of comprehensive income:			
R&D tax credit - current period	745,293	283,072	1,033,588
R&D tax credit - prior year	-	-	29,729
Total tax credit	745,293	283,072	1,063,317

8. 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 2022	Six-months ended 30 April 2021	Year ended 31 October 2021
	Unaudited	Unaudited	Audited
Basic loss per share (pence)	1.06p	0.49p	1.33p
Diluted loss per share (pence)	1.06p	0.49p	1.33p
Loss attributable to equity Shareholders	£7,797,484	£3,315,197	£9,378,253
Weighted average number of shares in issue	734,500,248	674,707,843	706,413,693

Diluted earnings per share:

There are share options and warrants outstanding as at 30 April 2022 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.

9. RECEIVABLES

	Six-months ended 30 April 2022	Six-months ended 30 April 2021	Year ended 31 October 2021
	£ Unaudited	£ Unaudited	£ Audited
Trade receivables	57,172	-	299,062
EU grant receivable	-	104,547	-
Other receivable	564,518	430,860	382,810
Prepayments	313,380	303,002	332,519
	935,070	838,409	1,014,391

There is no significant difference between the fair value of the receivables and the values stated above.

10. PAYABLES

	Six-months ended 30 April 2022 £ Unaudited	Six-months ended 30 April 2021 £ Unaudited	Year ended 31 October 2021 £ Audited
Trade payables	770,310	396,171	353,404
Advance payments	2,212,400	112,500	213,903
Other payables	217,380	233,228	143,709
Accruals	719,894	544,854	984,742
	3,919,984	1,286,753	1,695,758

The advance payments include billings received from ABB and Juelich.

11. 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 2021. 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.