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9 March 2022

AFC Energy PLC

("AFC Energy" or the "Company")

Final Results for year ended 31 October 2021

AFC Energy (AIM: AFC), a leading provider of hydrogen power generation technologies, is pleased to announce its results for the year ended 31 October 2021. Highlights of those results are as follows.

Commercial Highlights

- Contracted commercial agreements worth £5M (as at the time of this statement, including post year-end).
- Increased pipeline in Construction, EV Charging, Temporary Power and Data Centre markets.
- First commercial order of "S" Series Fuel Cell System received from ABB for high-power EV charging system (signed post year-end).
- Increased scope of ABB partnership to include data centre and maritime applications.
- First commercial revenue received from Extreme E Season 1 Championship. Contract renewed for 2022.
- Signed commercial lease of fuel cell system with Urban Air Port for deployment in Coventry in April 2022.
- Positive momentum in the construction sector. Strategic Partnerships with Mace and Acciona to assess and deploy zero-emission hydrogen power generators to construction sites.
- Significant progress in the international maritime sector with a new product concept launched incorporating S Series fuel cell and ammonia cracker.
- Maritime concept design awarded "Approval in Principle" status by DNV, the leading global maritime agency with system now available for incorporation into Vard's Zero Coaster programme, a marine design and construction partnership with the Norwegian Government.
- Signed MoU with leading diesel generator hire business, Altaaqa Alternative Solutions, for an exclusive dealership proposal for the MENA region.

Financial Highlights

- Improved year end cash balance of £55.4M (FY 2020: £31.3M).
- Investment in people, product range, manufacturing and facilities reflected in increased operating loss of £10.40M (FY 2020: £4.6M).
- Net cash burn of £10.7M including one off investment in capital assets including office and facility upgrades.
- Completed oversubscribed fundraise of £36M (before expenses) positioning the Company for near term growth.

Operational Highlights

- New Engineering, Manufacturing, Commercial and Research Teams hired to support AFC Energy's route to market strategy.
- New Office and System Assembly Facilities opened at Dunsfold Park headquarters.
- Investment in semi-automated stack manufacturing to facilitate delivery scale up.

- Appointment of new Non-Executive Chairman, Mr Gary Bullard and Non-Executive Director, Dr Monika Biddulph (post year-end) with ongoing process to strengthen governance and increase the independence of the Board.

- Formation of new ESG Committee to reflect the Company's commitment to the building of a sustainable business with a positive impact on society and our stakeholders (post year-end).

Technology Highlights

- New product development of the S Series Hybrid Fuel Cell offering higher energy density, reduced footprint and ability to use green methanol as a fuel as well as green hydrogen.

- New maritime concept designed for maritime propulsion and auxiliary power.

- Customer "Fuel flex" strategy delivers maximum flexibility in adoption of Green Hydrogen, Green Ammonia and Green Methanol fuelling.

- Ammonia cracking unit received at AFC Energy campus. Operational analysis completed with fuel-cell integration underway ahead of commercial deployment.

- New internal product roadmap completed. Integrated system engineering and design underway with initial deployments expected in 2022.

- Validation of AlkaMem® anion exchange membrane in electrolyser mode. Positive results supporting further investment in application.

Outlook

- Environmental and geopolitical drivers supporting diversification from incumbent fossil fuel imports to the UK and Europe. Hydrogen economy seeing a continued and accelerating increase in investment and technical development.

- AFC Energy expect "S" Series Hybrid Fuel Cell deployment on customer sites over coming months.

- ABB and AFC Energy expect initial integrated system to be operational by the end of 2022.

- Upstream Hydrogen fuelling technologies under development with announcements expected later this calendar year.

- New announcements expected for lease deployments across UK construction sites. Significant momentum in UK construction sector following removal of the Red Diesel Subsidy in the UK.

- "S" Series platforms opening new markets for AFC Energy and leading to increasing customer traction. Further commercial progress expected in 2022.

- Well-positioned to capitalise on leading position to displace diesel generators within the next decade

Adam Bond, Chief Executive Officer of AFC Energy, said:

"In 2021 we established a stronger platform for accelerating growth. We strengthened our balance sheet, increased our manufacturing capabilities, recruited a number of talented leaders and, most importantly, materially expanded our product range to offer solutions with reduced footprints and compatibility with a range of fuel sources. We are already seeing this feed through into an increase in contracted revenues.

"The regulatory platform and political will to address climate change has never been stronger which can only help drive transition away from traditional technologies. We are well-placed to continue to make large strides in 2022 towards our goal of displacing pollutant diesel generators for off- grid power as part of the global transition to Net Zero."

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About AFC Energy

AFC Energy plc is commercialising scalable “fuel flexible” fuel cell systems, to provide clean electricity for on and off grid applications. The technology, pioneered over the past twelve years in the UK, is now deployable in electric vehicle chargers, off-grid decentralised power systems and data centre applications with emerging opportunities across maritime and rail as part of a portfolio approach to the decarbonisation of local electricity needs.

Chairman's statement

I am delighted to present my first report as Chairman of AFC Energy PLC. At this time of global uncertainty, the role of the Board to grow a business which contributes to the wider society has never been clearer. By growing and sustaining a financially strong and environmentally responsible business over the long term, with a clear mission and purpose, we can make not only a positive and significant contribution to our clients and people, but also to the economy and wider society.

Following the successful fundraise, we have the financial strength to take a longer-term view of our business strategy, the underlying product development plans and processes considering the feedback we have been receiving from our customers, strategic partners and operational deployments. The message has been clear, in our target diesel generator applications, our customers want both a high-power density fuel cell with flexible choice of fuel and for this reason we have refocused our time and investment to deliver our solid membrane suite of solutions.

Strategic Development

In 2021, we undertook a thorough review of both our own and our customers' strategic objectives which demonstrated the benefits of the ongoing product development strategy to improve power density and fuel flexibility. Marine applications offer the largest value creation opportunity but is an industry seeking to maximise permitted timelines. Nevertheless, power density and fuel flexibility targets are key performance requirements common to our more immediately addressable markets such as EV charging and temporary power. Through this further diversification we are reducing our dependence on specific applications which will build a more balanced portfolio of products resilient to specific market and regulatory changes.

Operational Improvement

During the year, the business has focused on its product development process to provide our customers and strategic partners with competitive technical and economic offerings and our investors with enhanced returns. The lean start-up strategy we are adopting enables us constantly to evaluate and update our assumptions on our end user needs. Combined with traditional project management disciplines we believe this offers the quickest and most cost-effective process to deliver value creating solutions.

Our Response to the Pandemic

Our primary concern has been to ensure the health and safety of our staff, customers and suppliers. This year has been no less challenging than the previous one with tight deadlines, against a backdrop of social distancing and remote working. Our employees, have risen to the challenge to support our projects, both in our offices and in remote locations around the world, despite the challenges posed by the COVID-19 pandemic. These challenges have not gone away, as we have seen this Christmas with the Omicron variant, but on behalf of the Board, I would like to thank the staff and management team for their professionalism, dedication and understanding during this time.

The Board

In line with the recommendations in the QCA Corporate Governance code, an independent review of the effectiveness and performance of the Board has been conducted. This is the first externally facilitated review since listing on AIM in 2007. Several recommendations were made which we are in the process of implementing, including increasing the number of Independent Directors to broaden the skills and experience of the Board. Post year-end

we appointed Dr Monika Biddulph who has extensive experience in product development in a technology setting. We have also consulted with external advisors on the independence of the existing Non-Executives and can confirm that they meet the requirements set out in the code. I believe that the Independent Directors' skills and experience cover research, product development, commercial and finance which reflects the skills we need at this point in time in our development.

Environment, Societal and Governance Role

The Board is committed to high standards of public reporting and has begun to put a formal ESG reporting framework in place to support investors in measuring the positive impact the company has on the wider society and in successfully future proofing itself. Post year end in December, an ESG Board sub-committee was formed by Monika Biddulph, supported by Jim Gibson from the executive team. We have begun to review our internal management information to align them with the wider responsibilities that we all have towards our society, so that we can deliver the commitments we make. In the ESG statement we set out our policy and a self- assessment of where we stand today.

Last year we began to take actions to align remuneration with our stakeholder objectives. During the year we have adopted a new remuneration policy described in more detail in the remuneration committee report. In brief, our policy is to attract and retain the best talent in the sector by offering competitive remuneration packages which reward long term shareholder value creation. This policy has been successful in attracting staff at all levels, whose knowledge and experience have enabled us to widen our focus in terms of size of addressable markets whilst also enabling us to increase our time investment in the development of our technology and allied products.

Investor Communications

The COVID-19 pandemic also directly affected how we communicated with our shareholders during the period. The Board remains committed to regular communication with the market and our investors and is keen to resume its investor day activities as pandemic restrictions are lifted.

Financial Performance

Our successful fundraise provides us with a robust platform. Careful use of this funding prior to year-end meant that we ended the year with an unrestricted cash balance of £55.4 million (2020: £31.3 million). This strong cash position supported our decision to accelerate the S Series development. The operating loss for the year was £10.4 million (2020: £4.6 million), whilst cash absorbed by operations and investing activities was £10.7 million (2020: £4.1 million). This directly reflected our increased investment in our facilities, growing in quality and quantity our team and product roadmap.

Our commercial strategy has been successful in placing systems with customers and strategic partners. Their input and feedback have confirmed the robustness and versatility of our systems, integration with other complementary carbon reduction solutions and our ability to support our product in arduous locations and climates. Our product development roadmap is being developed by listening to our customers and strategic partners, who have confirmed the importance of power density and fuel flexibility as distinguishing features with competing systems.

Dividends

Given the need to use our existing cash headroom to increase headcount, continue product development and to fulfil key customer orders in support of our “Go to Market” strategy, the Board will, as in previous years, not pay a dividend.

Looking Ahead

The regulatory platform and political will to address climate change has never been stronger which can only help drive transition away from traditional technologies. During the coming year I expect to see us take advantage of these favourable environments, reaping the benefits of focusing our time and investment in those matters important to our end users, underwritten by the breadth of skills and experience we are bringing into the business at all levels.

Gary Bullard 8 March 2022

Operational Review

We are pleased that AFC Energy successfully continued during the year to make large strides into its goal of displacing pollutant diesel generators for off- grid power as part of the global transition to Net Zero.

Whilst the macro environment highlights a range of uncertainties affecting capital markets, including geopolitical challenges in Europe, post pandemic recoveries, increasing inflationary pressures on business and consumers, and uncertain supply chains, one constant that remains, is a universal policy and environmental necessity to reduce greenhouse gases and instigate policy objectives that are fully aligned with this outcome. For AFC Energy, this could not be more consistent with our business strategy and the increasing importance placed on hydrogen, and especially hydrogen carriers, as the world transitions away from diesel.

April 2022 marks the end of the United Kingdom's long held subsidy on the use of red diesel. This subsidy, currently valued at 46.81p per litre (versus white diesel), has long had a negative effect on the temporary power and construction industry's motivations to transition away from generator sets. With the playing field now beginning to level from this year, the interest in non-diesel on site power generation is growing, driven by cost factors overlaid with increasing ESG obligations of users.

https://www.gov.uk/government/news/cop-26-ends-with-global-agreement-to-speed-up-action-on-climate-change

Further, in respect to Electric Vehicles ("EV"), many of the largest car manufacturers are now working together to make all new car sales zero emission by 2040 globally and 2035 in leading markets. This initiative is supported by countries and cities who are setting similarly ambitious petrol and diesel car phase out dates. However, from 30 May, new legislation in the UK means that home-based EV charging will be prevented during peak hours to avoid overloading the

national electricity grid and placing it under undue stress during peak demand. This opens further the opportunity to support grid constrained environments through adoption of AFC Energy fuel cell technology as the country, and indeed, global EV deployment begins to outpace grid upgrades.

These and other policy commitments, continue to provide the regulatory platform that will underpin the growth of our business and accelerate the speed at which our future customers will transition away from traditional fossil fuel solutions in off- grid power generation.

Flex Fuelling Strategy

A challenge now all too familiar across the Hydrogen industry is the gas's low energy density by volume (versus incumbent fuels) and therefore, its associated cost of transportation and storage in off-grid locations.

AFC Energy has long held the view that for hydrogen fuel cells to be effective in decarbonising the off-grid power market, adoption of hydrogen carrier fuels must take a clear and transparent role in lowering the total cost of ownership (TCO) and therefore, cost of power. Ammonia, or more accurately, green ammonia, was one such hydrogen carrier fuel which delivered

on this challenge with the propensity to work seamlessly in an alkaline fuel cell environment relative to incumbent PEM based technologies

To this end, we have continued to move ahead in the receipt of commercial scale ammonia crackers during the year, able to liberate hydrogen from base ammonia feedstock, but we are also now reviewing opportunities to drive further

leading-edge innovation in the development of novel and scalable ammonia cracker technology with broader use cases alongside integration with our fuel cell technology. These scalable crackers will have potential for adoption in large- scale, heavy-duty applications such as maritime environments, whilst also supporting traditional stationary genset displacement for zero emission off-grid power.

In engaging with the market however, it became increasingly apparent that ammonia, whilst being the world's most energy dense chemical without a carbon molecule, may not always be the preferred choice in all applications with some

end users preferring green methanol as its primary feedstock of choice. For this reason, to maximise and leverage our new power dense S series fuel cell technology, AFC Energy took the view during the year that it will develop, within the S Series, a variant fuel cell technology known as the "Hybrid Fuel Cell", or "HFC". The HFC adopts most of the same architecture as the alkaline S Series system but can utilise both methanol and hydrogen as its primary feedstock.

Through this innovation, AFC Energy is furthering its “fuel flex” strategy with a unique capability to provide customers with off-grid power solutions fuelled by green hydrogen, green ammonia or green methanol, in a fully integrated and modular format.

This strategy not only makes us one of the most flexible fuel cell offerings in the market today, but by leveraging both low cost and readily available hydrogen carrier fuels such as ammonia and methanol, gives us an advantage on a pure cost basis relative to other fuel cell technologies that require traditional high cost 99.999% grade hydrogen.

The fuel flex strategy increasingly embraced by AFC Energy and its partners is a unique selling point which has driven strong growth in commercial interest in our product range over the past twelve months.

Strategic Partners

This year has been marked by the contribution made by our strategic partners. Valuable operational feedback has been received from both the real-life challenges experienced with Extreme E and through the extensive ABB validation processes conducted during the 2021 year.

The commercial relationship with ABB has continued to grow in 2021, with not only their first investment into AFC Energy made during the year, but also through the work conducted in the development of the fully integrated fuel cell high power EV charging system designed for ABB’s global customer base. The strength of collaboration between ABB and AFC Energy saw the partnership further expand in 2021 to incorporate ABB’s data centre offering where many of their hyperscale data centre customers are now looking to displace diesel backup generators from all sites. It was AFC Energy’s fuel flex approach which was the key driver in ABB’s decision to partner with AFC Energy in this market. A large amount of work also went into ABB’s first

£4 million commercial order of an S Series fuel cell system which, whilst announced after year end, was the result of many months of dialogue which highlighted where ABB sees AFC Energy’s technology platforms best deployed across its customer base.

ABB’s first 200kW system order is sized to meet not only the demands of their e-Mobility customers, producing up to 4.8MW of clean electricity per day, but also to meet the requirements of ABB’s data centre and potentially marine customers, thereby maximising the value of the system order across the ABB verticals.

Key amongst our partners announced in the temporary power and construction industry are Altaaqa Alternative Solutions ("Altaaqa"), one of the world's largest distributors of diesel generators based out of Saudi Arabia, and MACE, one of the UK's leading construction contractors.

We are progressing well on discussions with Altaaqa for a dealership agreement across the Saudi and MENA regions based on their strong focus on transitioning away from fossil fuels in remote power. Altaaqa's current market leading multi gigawatt fossil-based power generator business across Saudi Arabia and surrounding regions fits very well with our aspirations for targeting the Gulf region for fuel cell deployment.

Work has also been continuing constructively with MACE with the two companies undertaking several work programmes since March, including engagement with regulatory bodies, multiple site measurement and assessments of power needs (considering variable power loads from cranes) in advance of system deployment during 2022.

Whilst these discussions take time, they are a valuable input into our product development plans as they give us first-hand insight as to the operating and regulatory needs and concerns of end users which we in turn can build into our designs.

An example of this has been ACCIONA and Jülich who have been engaging with AFC Energy on our new product portfolio expected for release in 2022. Due to previously communicated delays on each site, an opportunity has arisen to review product deployment for each site with a particular interest in the new S Series systems which are expected for early deployment in 2022. These changes in delivery demonstrate the importance of power density and flexible fuelling to end users who have been willing to delay their timelines to leapfrog to a solution better suited to their needs.

Customer Led Product Development

As highlighted above, customers and partners are becoming increasingly aware of the challenges hydrogen presents as a viable gaseous fuel.

in remote off-grid environments, highlighting the importance of hydrogen carrier fuels such as ammonia and methanol, and AFC Energy's ability to leverage its technology to capitalise on such fuels.

This, coupled with AFC Energy's unique approach to system integration of both upstream fuelling technology (such as ammonia crackers) and fuel cell power generators, continues to highlight and raise awareness of the role we expect to play in disrupting the US$20 billion a year diesel generator market.

With news of AFC Energy's recent success in being integrated into the >1MW maritime market, we are now confident of our abilities to capitalise not only on the sizeable stationary power market, but increasingly on, arguably, the largest market for our fuel cell platforms, international shipping.

Technology and Product Range

AFC Energy's technology and product roadmap was for many years dominated by the L Series, liquid electrolyte technology which continues to be in full operation as part of the Extreme E racing series. The L Series platform has highlighted the possibilities of alkaline fuel cells and their fuel flexing capability across both hydrogen and ammonia.

With the incorporation of anion exchange membrane technology and its potential through the S Series fuel cell to drive down costs, increase energy density and reduce overall system footprint relative to the L Series, customers now have a choice on technology platforms.

The S Series platform is being accelerated through the ABB sale agreement, across each of the "air cooled" and "liquid cooled" platforms with early delivery of a 100kW liquid cooled system, and a 200kW liquid cooled system deployment, integrated with an ammonia cracker. It is this product platform which will form the basis of all larger scale, high power dense systems expected to be delivered across the S Series where ammonia or methanol are considered the low-cost hydrogen carriers of choice, including both data centres and maritime.

The product range was augmented during 2021 with work undertaken on a heavy-duty maritime product configuration, with a revised product roadmap developed highlighting the renewed customer interest in the S Series fuel cell system. This roadmap builds on several new products designed in 2021 which we expect to see released during 2022.

Investment into Staffing and Scaled Up Manufacturing

With the proceeds from our capital raises in 2020 and 2021, AFC Energy has maintained an influx of high-quality engineering, commercial, research and manufacturing teams required to deliver the business plan over the coming years.

The engineering team moved into new offices as part of the upgrade to local aircraft hangar facilities at the head office in Surrey over the summer, with the remainder of the hangar installation now being developed for manufacturing scale up.

A mapping of the semi-automated scale up infrastructure required for stack deployment has been made and the first pieces of machinery have arrived on site for acceptance and commissioning. These semi-automated assembly lines will facilitate the build and delivery of the next few years' worth of fuel cell stacks for customer deployment.

Strengthened Contracted Revenue and Pipeline

Commercial agreements currently worth £5.0 million (at the time of this statement, including post year end contracts) reflect an increase from last year. Throughout the course of 2022, we expect this to further increase as commercial interest in our technology continues to rise in off-grid power systems.

Commercial agreements for 2022 are expected to take several forms, including outright fuel cell system sales or leases, funded customer product development programmes and engineering fees. Through our strategic partnership with ABB, we are engaging with several e-Mobility and data centre customers across the US and Europe and see the first £4 million order placed by ABB in November 2021 as a true sign of the market demand for zero emission off-grid power solutions fuelled by hydrogen and hydrogen carrier fuels.

ABB took the early decision that its product demand was to be focussed on the S Series AEM fuel cell system and that across its portfolio of use cases, it was the highest energy density system that would provide the greatest go to market opportunity. The £4 million order received from ABB in November 2021 therefore highlights not only an early product sale of the S Series platform, but also fast-tracked development that will provide ABB with the operating data upon which to package fuel cell systems for client deployment.

The size of the off-grid power market, both in stationary and mobile applications, should not be under-valued and, when considered in the light of the maritime market alone, which is measured in thousands of megawatts, we continue to believe the strength in AFC Energy's addressable markets is weighted heavily towards its technology's ability to accept low grade / low cost hydrogen with a focus on that derived from hydrogen carrier fuels such as ammonia and going forwards, methanol, discussed in more detail below.

Outlook

The alignment of policy and regulatory drivers, coupled with increased product performance and early scale up of manufacturing, positions AFC Energy well for another strong year in 2022.

Our relationship with ABB is now seeing regular customer engagement on AFC Energy's product offerings across multiple verticals and with new product releases made in the maritime and temporary power markets during 2021, we are seeing strong growth in interest across these hard to abate markets.

The fuel flex strategy AFC Energy remains our key market differentiator and one we are leveraging to good effect with our pipeline of projects and customers.

With the introduction of the AEM and HFC S Series systems, AFC Energy is now confident that it affords maximum optionality to its customers in fuelling in a unique way for fuel cell technology. We expect to leverage this "fuel flex" approach to all our commercial partners and customers and believe with this market offering, and the power density we expect to achieve from our S Series platforms, that 2022 will see many new opportunities emerge for the Company to capitalise on its leading position to displace diesel generators within the next decade.

Adam Bond 8 March 2022

Statement of Comprehensive Income
FOR THE YEAR ENDED 31 OCTOBER 2021

	Note	**Year ended 31 October 2021** **£**	Year ended 31 October 2020 £
Revenue from customer contracts	5	592,800	–
Cost of sales		(576,831)	–
Gross income		**15,969**	–
Other income		25,470	32,892
Operating costs		(10,450,005)	(4,639,104)
Operating loss	6	**(10,408,566)**	(4,606,212)
Finance cost	9	(51,694)	(184,575)
Bank interest receivable	9	18,690	6,168
Loss before tax		**(10,441,570)**	(4,784,619)
Taxation	10	1,063,317	559,627
Loss for the financial year and total comprehensive loss attributable to owners of the Company		**(9,378,253)**	(4,224,992)
Basic loss per share	11	(1.33)p	(0.80)p
Diluted loss per share	11	(1.33)p	(0.80)p

All amounts relate to continuing operations. There was no other comprehensive income in the period (2020: £nil).

Statement of Financial Position
AS AT 31 OCTOBER 2021

	Note	31 October 2021	31 October 2020 Restated	31 October 2019 Restated
		£	£	£
Assets				
Non-current assets				
Intangible assets	12	745,649	769,269	606,041
Right of use assets	13	884,181	247,505	361,738
Tangible fixed assets	14	2,268,569	940,218	396,935
		3,898,399	1,956,992	1,364,714
Current assets				
Inventory	15	660,678	249,370	95,423
Receivables	16	1,014,391	525,781	549,003
Income tax receivable	16	1,581,416	518,099	602,995
Cash and cash equivalents	17	55,375,366	31,301,467	1,327,935
Restricted cash	17	612,000	270,027	259,072
		59,243,851	32,864,744	2,834,428
Total assets		**63,142,250**	34,821,736	4,199,142
Capital and reserves attributable to owners of the Company				
Share capital	18	734,484	676,006	447,988
Share premium	18	116,448,125	81,417,845	47,389,424
Other reserve		2,456,045	1,512,974	2,204,774
Retained deficit		(59,752,193)	(50,582,856)	(47,185,257)
Total equity attributable to Shareholders		**59,886,461**	33,023,969	2,856,929
Current liabilities				
Payables	20	1,695,758	1,236,796	667,811
Lease liabilities	21	322,179	113,431	113,431
		2,017,937	1,350,227	781,242
Non-current liabilities				
Lease liabilities	21	583,952	146,368	259,799
Provisions	22	653,900	301,172	301,172
		1,237,852	447,540	560,971
Total liabilities		**3,255,789**	1,797,767	1,342,213
Total equity and liabilities		**63,142,250**	34,821,736	4,199,142

These financial statements were approved and authorised for issue by the Board on 8 March 2022.

ADAM BOND
Chief Executive Officer

GRAEME LEWIS
Chief Financial Officer

AFC Energy plc
Registered number: 05668788

Statement of Changes in Equity
AS AT 31 OCTOBER 2021

	Share Capital £	Share Premium £	Other (SBP) Reserve £	Retained Loss £	Total £
Balance at 31 October 2019	447,988	47,389,424	2,204,774	(47,185,257)	2,856,929
Loss after tax for the year	–	–	–	(4,224,992)	(4,224,992)
Comprehensive income for the year	–	–	–	(4,224,992)	(4,224,992)
Issue of equity shares	226,873	33,798,289	–	–	34,025,162
Exercise of share options	1,145	230,132	–	–	231,277
Equity settled share-based payments	–	–			
- Lapsed or exercised in the period	–	–	(827,393)	827,393	–
- Charged in the period	–	–	135,593	–	135,593
Transactions with owners	228,018	34,028,421	(691,800)	827,393	34,392,032
Balance at 31 October 2020	676,006	81,417,845	1,512,974	(50,582,856)	33,023,969
Loss after tax for the year	–	–	–	(9,378,253)	(9,378,253)
Comprehensive income for the year	–	–	–	(9,378,253)	(9,378,253)
Issue of equity shares	58,478	35,030,280	–	–	35,088,758
Equity settled share-based payments					
- Lapsed or exercised in the period	–	–	(208,916)	208,916	–
- Charged in the period	–	–	1,151,987	–	1,151,987
Transactions with owners	58,478	35,030,280	943,071	208,916	36,240,745
Balance at 31 October 2021	**734,484**	**116,448,125**	**2,456,045**	**(59,752,193)**	**59,886,461**

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of these shares net of share issue expenses.

Other reserve represents the charge to equity in respect of unexercised equity-settled share-based payments. Retained deficit represents the cumulative loss of the Company attributable to equity Shareholders.

Cash Flow Statement
AS AT 31 OCTOBER 2021

	Note	**31 October 2021 £**	31 October 2020 £
Cash flows from operating activities			
Loss before tax for the year		(10,441,570)	(4,784,619)
Adjustments for:			
Amortisation of intangible assets	12	110,413	108,014
Depreciation of right of use asset	13	301,961	114,233
Depreciation of property and equipment	14	448,275	143,758
Loss on disposal of property and equipment		3,692	–
Depreciation of decommissioning asset	14	31,365	31,365
Equity-settled share-based payment expenses	19	1,151,987	135,593
Interest received	9	(18,690)	(6,168)
Lease finance charge		37,322	12,072
Gain on disposal of investment and allied agreements		–	(80,000)
Cash flows from operating activities before changes inworking capital and provisions		**(8,375,245)**	(4,325,752)
R&D tax credits received		–	644,523
Increase in restricted cash		(341,973)	(10,955)
Increase in inventory		(411,308)	(153,947)
(Increase)/decrease in receivables		(488,610)	23,222
Increase in payables		458,962	568,985
Increase in provision		352,728	–
Cash absorbed by operating activities		**(8,805,446)**	(3,253,924)
Cash flows from investing activities			
Purchase of plant and equipment	14	(1,811,683)	(718,406)
Additions to intangible assets	12	(86,793)	(171,242)
Interest received	9	18,690	6,168
Proceeds from disposal of investment and allied agreements		-	80,000
Net cash absorbed by investing activities		**(1,879,786)**	(803,480)
Cash flows from financing activities			
Proceeds from the issue of share capital	18	36,000,000	35,558,667
Costs of issue of share capital	18	(1,347,839)	(1,633,505)
Proceeds from the exercise of options and warrants	18	436,597	231,277
Lease payments	21	(292,305)	(113,431)
Lease interest paid	21	(37,322)	(12,072)
Net cash from financing activities		**34,759,131**	34,030,936
Net increase in cash and cash equivalents		24,073,899	29,973,532
Cash and cash equivalents at start of year		31,301,467	1,327,935
Cash and cash equivalents at end of year	17	**55,375,366**	31,301,467

Notes Forming Part of the Financial Statements

1. CORPORATE INFORMATION

AFC Energy plc ("the Company") is a public limited company incorporated in England & Wales and quoted on the Alternative Investment Market of the London Stock Exchange. The principal activity of the Company is the development of alkaline fuel cell technology and allied equipment.

The address of its registered office is Unit 71.4 Dunsfold Park, Stovolds Hill, Cranleigh, Surrey GU6 8TB.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Going concern

The financial statements of AFC Energy plc have been prepared in accordance with International Accounting Standards ("IASs") in conformity with Companies Act 2006 and those parts of the Companies Act 2006 that applies to companies reporting under IAS in conformity with the Companies Act 2006.

These results are audited, however the financial information does not constitute statutory accounts as defined under section 434 of the Companies Act 2006. The financial information for the year ended 31 October has been derived from the Company's statutory accounts for that year. The auditors' report on the statutory accounts for the year ended 31 October 2021 was unqualified and did not contain statements under section 498 of the Companies Act 2006.

The accounting policies used in completing this financial information have been consistently applied in all periods shown. These accounting policies are detailed in the Company's financial statements for the year ended 31 October 2021 which can be found on the Company's website.

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 to generate net cash inflows. The period covered by the going concern assessment is until 31 October 2023, the period over which the detailed cash flow forecasts are available. On 31 October 2021 unrestricted cash resources were £55.4 million. The Directors have a reasonable expectation that sufficient funds exist to meet payment obligations as and when they fall due, as the majority of the spend during the going concern assessment period are discretional in nature. The directors', having taken into account current cash resources, identified risks including the impact of COVID 19 and financial forecasts, believe the Company has adequate resources to continue in operational existence for the period covered under the going concern assessment (however the minimum period required per standard is 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.

The accounting policies set out below have, unless otherwise stated, been applied consistently in these financial statements.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

Standards, Amendments and Interpretations to Published Standards not yet Effective.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Capital Policy

The Company manages its equity as capital. Equity comprises the items detailed within the principal accounting policy for equity and financial details can be found in the statement of financial position. The Company adheres to the capital maintenance requirements as set out in the Companies Act.

Revenue recognition

To determine whether to recognise revenue, a 5-step process is followed:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue as the performance obligations are satisfied. Revenue is generated from complex contracts covering the
- Sale of goods and parts,
- Sale of services and maintenance, and
- short-term rental contracts.

and may be either a single or multiple contracts. Multiple contracts are accounted for as a single contract where one or more of the following criteria are met

- The contracts were negotiated as a single commercial package,
- Consideration of one contract depends upon the other contract, or
- Some or all the goods and services comprise a single performance obligation.

The promises in each contract are analysed to determine if these represent performance obligations individually, or in combination with other promises. Performance obligations in the contracts are analysed between either distinct physical goods and services delivered or service level agreements. The transaction price of the performance obligations is based upon the contract terms taking into account both cash and non-cash consideration. Non-cash consideration is valued at fair value taking into consideration contract terms and known arm’s length pricing where available. In the event there are multiple performance obligations in a contract, the price is allocated to the performance obligations based on the relative costs of fulfilling each obligation plus a margin.

Revenue is recognised either at a point in time or over time, as the performance obligations are satisfied by transferring the promised goods or services to its customers. Contract liabilities are recognised for consideration received in respect of unsatisfied performance obligation and the Company reports these amounts as other Contract and other liabilities in the statement of financial position.

Similarly, if a performance obligation is satisfied in advance of any consideration, a contract asset or a receivable is recognised in the statement of financial position.

Rental as service and long-term service contracts - Revenue is recognised over time based on outputs provided to the customer, because this is the most accurate measurement of the satisfaction of the performance obligation as it matches the consumption of the benefits obtained by the customer. The customer is simultaneously receiving and consuming the benefits as the Company performs its obligations. Revenue can comprise a fixed rental charge and a variable charge related to the usage of assets or other services (including pass-through fuel).

Sale (standard products) contracts – Revenue from standard products will be recognised at a point of time only when the performance obligation has been fulfilled and ownership of the goods has transferred, which is typically at site or factory acceptance, which is the official handover of control of the goods to the customer. Revenue will be recognised at a point in time for standard products as it would not meet any of the criteria within the standard to recognise over time. The customer would not simultaneously receive and consume the benefit, nor would it control the asset as it was being produced. As the products are not deemed to be bespoke, there are alternative uses to the Company as the products would be able to be resold to other customers.

- During the product build, deposits and progress payments will be reflected in the balance sheet as deferred income.
- Costs incurred on projects to date will not be included in the statement of comprehensive income but will be accumulated on the balance sheet as work in progress (as they are considered recoverable) and transferred to cost of sales once the revenue applicable to those costs can be recognised in the accounts. Should costs exceed anticipated revenues, a provision will be recognised and the surplus costs expensed with immediate effect.

Sale (customised products) contracts – Revenues for customised contracts will be recognised over time according to how much of the performance obligation has been satisfied. This is measured using the input method, comparing the extent of inputs towards satisfying the performance obligation with the expected total inputs required. Any changes in expectation are reflected in the total inputs figure as they become known. The progress percentage obtained is then applied to the revenue associated with that performance obligation. The revenue should be recognised over a point in time as the products under these contracts would be bespoke and therefore not have an alternative use. These contracts would have an enforceable right to payment for performance completed to date.

Other Income

Other income represents sales by the Company of waste materials.

Development Costs

Identifiable non-recurring engineering and design costs and other prototype costs incurred to develop a technically and commercially feasible product are capitalised. In accordance with IAS 38 development costs are capitalised if they meet all the criteria required for capitalisation.

Notes Forming Part of the Financial Statements

Foreign Currency

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (the functional currency) which is pounds sterling. In accordance with IAS 21, transactions entered into by the Company in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. At each Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of Financial Position date.

Inventory

Inventory is recorded at the lower of actual cost and net realisable value, applying the FIFO methodology.

Work in progress comprises direct labour and direct materials. Direct Labour will be allocated on an input basis that reflects the consumption of those resources in the production process.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash balances and bank overdrafts that form an integral part of the Company's cash management process. They are recorded in the SFP and valued at fair value.

Restricted cash are bank deposit accounts where disbursement is dependent upon certain contractual performance conditions.

Other Receivables

These assets are initially recognised at fair value and are subsequently measured at amortised cost less any provision for impairment.

Tangible fixed assets

Property and equipment are stated at cost less any subsequent accumulated depreciation and impairment losses.

Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Depreciation is charged to the statement of comprehensive income within cost of sales and administrative expenses on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Decommissioning asset	life of the lease
Fixtures, fittings and equipment	1 to 3 years
Computer equipment	3 years
Manufacturing and test stands	3 years
Motor vehicles	3 to 4 years
Demonstration equipment	3 to 10 years
Rental fleet	3 to 10 years

Expenses incurred in respect of the maintenance and repair of property and equipment are charged against income when incurred. Refurbishment and improvement expenditure, where the benefit is expected to be long lasting, is capitalised as part of the appropriate asset.

The useful economic lives of property, plant and equipment and the carrying value of tangible fixed assets are assessed annually and any impairment is charged to the statement of comprehensive income.

Right of Use Assets

At inception each contract is assessed whether it conveys the right to control the use of an identified asset -and obtain substantially all the economic benefits from use of the asset- for a period of time in exchange for consideration. In this instance the contract should be accounted as a lease. The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right of use assets comprises the corresponding lease liability, lease payments made before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments and discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the incremental borrowing rate or best estimate of the same. The lease liability continues to be measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of less than 12 months and leases of low value assets. These largely relate to short-term rentals of equipment. The lease payments associated with these leases are expensed on a straight-line basis over the lease term.

Expenditure in establishing a patent is capitalised and written off over its useful life.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation of intangible assets is charged using the straight-line method to administrative expenses over the following period:

Development costs	5 years
Patents	20 years
Commercial rights	5 years

Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness and any impairment is charged to the statement of comprehensive income.

Impairment testing of intangible assets and property, plant and equipment

At each statement of financial position date, the carrying amounts of the assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). In assessing whether an impairment is required, the carrying value of the asset is compared with its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU).

Lease liabilities

Measurement and recognition of leases as lessee

At lease commencement date, a right of use and lease liability are recognised on the Statement of Financial Position. The right of use asset is measured at cost, which comprises the initial measurement of the lease liability, any initial direct costs incurred, an estimate of costs to dismantle and remove the asset at the end of the lease term and any lease payments made in advance of the lease commencement date.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right of use asset is already reduced to zero.

Short term leases and low value assets have been accounted for using the practical expedients set out in IFRS 16 and the payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Financial Instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss (“FVPL”), directly attributable transaction costs. Financial instruments are recognized when the Company becomes a party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

In the periods presented the Company does not have any financial assets categorised as FVPL or FVOCI.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and is not designated as FVPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash, restricted cash, trade receivables and certain other assets are classified as and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities and finance leases are classified as and measured at amortized cost.

Impairment of financial assets

A loss allowance for expected credit losses is recognized in the Statement of Comprehensive Income for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets and liabilities

A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate. A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net earnings.

Share-Based Payment Transactions

The fair value of options granted under the Employee Option Plan is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g., the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g., profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g., the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Modifications after the vesting date to terms and conditions of equity-based payments which increase the fair value are recognised over the remaining vesting period. If the fair value of the revised equity-based payments is less than the original valuation, then the original valuation is expensed as if the modification never occurred.

Where there are unapproved share option plans, a provision for the employers share of National Insurance Contributions is estimated based on the intrinsic value of the exercisable options at the reporting period date. A charge is recorded in the Statement of Comprehensive Income and the liability is included within provisions.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that the Company will be required to settle the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date and are discounted to present value where the effect is material.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date together with any adjustment to tax payable in respect of previous years.

Deferred tax assets are not recognised due to the uncertainty of their recovery.

R&D Tax Credits

The Company's research and development activities allow it to claim R&D tax credits from HMRC in respect of qualifying expenditure; these credits are reflected in the statement of comprehensive income in the taxation line depending on the nature of the credit.

Pension Contributions

The Company operates a defined contribution pension scheme which is open to all employees and makes monthly employer contributions to the scheme in respect of employees who join the scheme. These employer contributions were capped at 4% of the employee's salary and are reflected in the statement of comprehensive income in the period for which they are made.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the preparation of the financial statements, management makes certain judgements and estimates that impact the financial statements. While these judgements are continually reviewed, the facts and circumstances underlying these judgements may change, resulting in a change to the estimates that could impact the results of the Company. In particular:

Significant management judgements:

The following are the judgements made by management in applying the accounting policies of the Company that have the most significant effect on the financial statements:

Customer contracts and revenue recognition

Customer contracts typically include the provision of

- engineering, manufacturing, installation, commissioning, and maintenance of standard and customised alkaline fuel cell systems and integrated auxiliary equipment, and

- access to or sale of technology.

Customer agreements can be complex, involve multiple legal documents and have a duration covering multiple accounting periods including different performance obligations and payment terms designed to manage cash flow rather than the underlying arm's length transaction price. Management use judgement to identify the specific performance obligations and allocate the total expected revenue to the identified performance obligations. These judgements are made based on the interpretation of key clauses and conditions within each customer contract.

Project reviews covering cost forecasts and technical progress are monitored periodically to ensure that any potential losses are recognised immediately in the accounts in accordance with IAS 37. It is management's position that there is unlikely to be a material change in future years in relation to positions taken in this year's financial statements.

Capitalisation of Development Expenditure

The Company uses the criteria of IAS 38 to determine whether development expenditure should be capitalised. Management identifies separately non-recurring engineering, design costs and prototype costs incurred to develop demonstration units used in marketing activities and customer trials. Management believe that the Development Expenditure will continue to support marketing and customer trials for the foreseeable future. This assessment relies upon judgements about future customer behaviour taking in to account the feedback received from prospective customers and future product improvements which influence the economic useful life and residual value of said assets. To the extent that customer demand or competing products enter the market the economic useful life and residual value of the Development Expenditure may change which will impact depreciation and amortisation expenses for the period in which such determination is made.

Share-Based Payments

Certain employees (including Directors and senior Executives) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity- settled transactions").

The fair value is determined using either the Black-Scholes valuation model or a Log-normal Monte Carlo stochastic model for market conditions. Both are appropriate considering the effects of the vesting conditions, expected exercise period and the dividend policy of the Company.

The cost of equity-settled transactions is accrued, together with a corresponding increase in equity over the period the directors expect the performance criteria will be fulfilled. For market performance criteria this estimate is made at the time of grant considering historic share price performance and volatility. For non-market performance criteria an estimate is made at the time of grant and reviewed annually thereafter considering progress on the operational objectives set, plans and budgets.

The estimation uncertainty relating to share-based payments is not at risk of material change in future years other than in relation to management's estimate of the extent to which the non-market and service conditions will be met.

4. 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 year to 31 October 2021, the Company operated mainly in the United Kingdom. All non-current assets are in the United Kingdom.

All revenue in the period was generated from one contract.

5. REVENUE

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Revenue recognised in terms of IFRS 15: Revenue from contracts with customers		
Standard products	–	–
Rendering of services (earned over time)		
Customised product	–	–
Rental	592,800	–
Revenue	**592,800**	–
Being		
Cash consideration	315,300	–
Consideration in kind	277,500	–
Revenue	**592,800**	–

Unsatisfied performance obligations were:

	Total	Withinone year	Within 2 to 5 years
31 October 2020			
31 October 2021	**148.201**	**148,201**	

During the year, revenue was only recognised in relation to rental as a service. The company had also entered into a contract to deliver products. At the balance sheet date, the contract had not commenced, and no revenue has been recognised.

The aggregate amount of the transaction price allocated to contracts that are fully unsatisfied as of 31 October 2021 was

£354,000 (2020: £354,000). The Company expects to recognise these revenues within the next twelve months.

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.

Notes Forming Part of the Financial Statements

6. OPERATING COSTS

The operating costs consist of:

	Note	**Year ended 31 October 2021 £**	Year ended 31 October 2020 £
Aggregate payroll costs (less equity settled share based payment expense)	7	3,886,595	2,166,756
Less indirect labour	8	1,689,458	1,067,709
Direct labour		2,197,137	1,099,047
Materials		1,037,379	572,235
Project spend		**3,234,516**	1,671,282
Indirect labour		1,689,459	1,262,319
Other employment costs		1,212,226	437,396
Occupancy costs, repair and maintenance, utilities and sundry rent		967,014	394,492
Other administrative expenses		1,123,369	535,262
Cash expenses		**8,226,584**	4,106,141
Amortisation of intangible assets	12	110,413	108,014
Depreciation of right to use assets	13	301,961	114,233
Depreciation of tangible fixed assets	14	479,640	175,123
Less depreciation of rental asset charged to cost of sales	14	(98,080)	–
Consideration in kind	5	277,500	–
Share based payment	7	1,151,987	135,593
Administrative expenses		**10,450,005**	4,639,104

Operating costs are managed in two pools, Project costs being the discretional 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 individually material.

Fees paid to the auditors including in the operating costs were:

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Audit	135,500	45,272
Corporation tax services	–	7,450
R & D tax credit services	–	25,000
Other assurance services	11,723	3,900

7. STAFF NUMBERS AND COSTS, INCLUDING DIRECTORS

The average numbers of employees in the year were:

	Year ended 31 October 2021 Number	Year ended 31 October 2020 Number
Support, operations and technical	36	24
Administration	6	6
	42	30
The aggregate payroll costs for these persons were:		
	£	£
Wages and salaries (including Directors' emoluments)	3,107,894	1,901,966
Social security	684,099	192,706
Employer's pension contributions	94,602	72,084
	3,886,595	2,166,756
Equity-settled share-based payment expense	1,151,987	135,593
	5,038,582	2,302,349

8. DIRECTORS' REMUNERATION

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Wages and salaries	1,538,454	963,559
Other compensation	107,369	67,717
Company pension contributions	43,635	36,433
	1,689,458	1,067,709

The highest paid director received remuneration of £863,705 (2020: £476,210). Pension amounts were accrued in the year in respect of 3 (2020: 3) directors.

9. NET FINANCE COST

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Lease Interest	37,322	12,072
Exchange rate differences	1,684	-
Bank charges	12,688	172,503
Total finance cost	51,694	184,575
Bank interest receivable	(18,690)	(6,168)
Net finance cost	**33,004**	178,407

10. TAXATION

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Recognised in the statement of comprehensive income		
R&D tax credit – current year	(1,033,588)	(518,099)
R&D tax credit – prior year	(29,729)	(41,528)
Total tax credit	**(1,063,317)**	(559,627)
Reconciliation of effective tax rates		
Loss before tax	(10,441,570)	(4,784,619)
Tax using the domestic rate of corporation tax of 19% (2020: 19%)	**(1,983,898)**	(907,349)
Effect of:		
R&D tax credit – prior year	(29,729)	(41,528)
Timing differences not deductible for tax purposes	(165,181)	29,792
Enhanced deduction on qualifying R&D expenditure	(765,506)	(383,719)
Tax difference on surrendered losses	320,769	160,789
Depreciation in excess of capital allowances	146,697	27,314
Unutilised losses carried forward	1,413,531	555,074
Total tax credit	**(1,063,317)**	(559,627)

Potential deferred tax assets have not been recognised but are set out below:

	Year ended 31 October 2021 £000s	Year ended 31 October 2020 £000s
Property, plant and equipment, and intangible assets	(95)	178
Share based payments	39	30
Losses carried forward	9,595	5,879
Unrecognised net deferred tax assets	(9,539)	(6,087)

The cumulative tax losses in the amount of £37,846,551 (2020: £30,940,518) that are available indefinitely for offsetting against future taxable profits have not been recognised as the Directors consider that it is unlikely that they will be realised in the foreseeable future.

In the Spring 2021 Budget, The UK Government announced that from 1April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19% as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the reporting date have been measured using these enacted rates and reflected in these financial statements.

11. LOSS PER SHARE

The calculation of the basic loss per share is based upon the net loss after tax attributable to ordinary Shareholders of

£9,378,253 (2020: loss of £4,224,992) and a weighted average number of shares in issue for the year.

	Year ended 31 October 2021	Year ended 31 October 2020
Basic loss per share (pence)	(1.33)p	(0.80)p
Diluted loss per share (pence)	(1.33)p	(0.80)p
Loss attributable to equity Shareholders	£9,378,253	£4,224,992
Weighted average number of shares in issue	**706,413,693**	528,865,765

Diluted earnings per share

As set out in note 19, there are share options and warrants outstanding as at 31 October 2021 which, if exercised, would increase the number of shares in issue. Given the losses for the year, there is no dilution of losses per share in the year ended 31 October 2021 nor the previous year.

12. INTANGIBLE ASSETS

	Development costs £	Patents £	Commercial rights £	**Intangible assets £**
Cost				
1 November 2019	149,460	729,396	–	878,856
Additions	79,583	70,309	121,350	271,242
31 October 2020	229,043	799,705	121,350	1,150,098
Additions	–	86,793	–	**86,793**
31 October 2021	**229,043**	**886,498**	**121,350**	**1,236,891**
Amortisation				
1 November 2019	–	272,815	–	272,815
Retirements	–	–	–	
Charge for the year	28,138	70,775	9,101	108,014
31 October 2020	28,138	343,590	9,101	380,829
Retirements	–	–	–	–
Charge for the year	45,809	40,334	24,270	**110,413**
31 October 2021	**73,947**	**383,924**	**33,371**	**491,242**
Net book value 31 October 2019	149,460	456,581	–	606,041
Net book value 31 October 2020	200,905	456,115	112,249	769,269
Net book value 31 October 2021	**155,096**	**502,574**	**87,979**	**745,649**

The commercial rights include the global preferential rights to integrate the HiiRoc plasma-based technology which were acquired by an initial payment in shares of £100,000 and future payments in kind through the provision of technical support.

13. RIGHT USE OF ASSETS

	Buildings £
Cost	
31 October 2019	475,971
31 October 2020	475,971
Additions	938,637
31 October 2021	**1,414,608**
Depreciation	
31 October 2019	114,233
Charge for the year	114,233
31 October 2020	228,466
Charge for the year	301,961
31 October 2021	**530,427**
Net Book Value	
31 October 2019	361,738
31 October 2020	247,505
31 October 2021	**884,181**

14. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Decommissioning Asset £	Fixtures, fittings and equipment £	Motor vehicles £	Demonstration equipment £	Rental asset £	Computer equipment £	Manufacturing and test stands £	Total £
Cost									
1 November 2019	221,512	301,172	1,324,791	17,994	193,404	–	–	–	2,058,873
Additions	–	–	161,697	–	133,571	423,138	–	–	718,406
Disposals	–	–	–	–		–	–	–	–
1 November 2020	221,512	301,172	1,486,488	17,994	326,975	423,138	–	–	2,777,279
Additions	735,100	–	80,626	–	294,824	280,291	69,665	351,177	1,811,683
Disposals	–	–	(13,202)	–	–	–	–	–	(13,202)
Transfers	–	–	(213,687)	–	–	–	128,687	85,000	–
31 October 2021	**956,612**	**301,172**	**1,340,225**	**17,994**	**621,799**	**703,429**	**198,352**	**436,177**	**4,575,760**
Depreciation									
1 November 2019	221,512	201,850	1,220,582	17,994	–	–	–	–	1,661,938
Charge for the year	–	31,365	89,801	–	53,957	–	–	–	175,123
Disposals	–	–	–	–	–	–	–	–	–
1 November 2020	221,512	233,215	1,310,383	17,994	53,957	–	–	–	1,837,061
Charge for the year	80,220	31,365	42,033	–	144,203	98,080	39,058	44,681	479,640
Disposals	–	–	(9,510)	–	–	–	–	–	(9,510)
Transfers	–	–	(97,618)	–	–	–	46,688	50,930	–
31 October 2021	**301,732**	**264,580**	**1,245,288**	**17,994**	**198,160**	**98,080**	**85,746**	**95,611**	**2,307,191**
Net Book Value									

31 October 2019	–	99,322	104,209	–	193,404	–	–	–	396,935
1 November 2020	–	67,957	176,105	–	273,018	423,138	–	–	940,218
31 October 2021	**654,880**	**36,592**	**94,937**	**–**	**423,639**	**605,349**	**112,606**	**340,566**	**2,268,569**

The Company has set-up a decommissioning asset for the removal of the plant and equipment installed at the Stade site in Germany and for dilapidations associated with the leasehold premises at Dunsfold in the UK, the cost of which is based on estimates. No decision has been taken about the date when the plant will be decommissioned.

15. INVENTORY

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Raw materials	452,885	249,370
Work in progress	207,793	–
Inventory	**660,678**	249,370

Inventory expensed as cost of sales during the year was £nil (2020 £nil).

16. RECEIVABLES

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Current:		
Accounts receivable	299,062	60,000
EU grants receivable	–	106,642
Other receivables	382,810	204,367
Prepayments	332,519	154,772
Receivables	**1,014,391**	525,781
Income tax receivable	**1,581,416**	518,099

There is no significant difference between the fair value of the receivables and the values stated above.
Amounts receivable relating to the income tax receivable have been disclosed separately in Statement of Financial Position and therefore, the comparative figures have been restated.

17. CASH AND CASH EQUIVALENTS

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Cash at bank	119,339	286,578
Bank deposits	55,256,027	31,014,889
	55,375,366	31,301,467

Cash at bank and bank deposits consist of cash. There is no material foreign exchange movement in respect of cash and cash equivalents.
Restricted cash, not included in cash and cash equivalents, is £612,000 held in escrow to support bank guarantees provided under contractual obligations to suppliers and customers.

18. ISSUED SHARE CAPITAL

	Number	Ordinary shares £	Share premium £	Total £
Exercise of options 25 November 2020	55,000	55	4,785	4,840
Exercise of options 1 December 2020	90,000	90	13,770	13,860
Exercise of options 15 January 2021	114,500	115	17,519	17,634
Exercise of options 15 January 2021	25,000	25	2,175	2,200
Exercise of options 15 January 2021	35,000	35	12,478	12,513
Exercise of options 15 January 2021	15,000	15	5,085	5,100
Exercise of options 6 April 2021	150,000	150	61,350	61,500
Fund raise - subscription share issue	7,364,340	7,364	4,742,635	4,749,999
Fund raise – placing share issue	48,404,614	48,405	29,537,231	29,585,636
Fund raise – director subscription	45,000	45	28,980	29,025
New shares issue in payment of advisor fees	445,736	446	287,054	287,500
Exercise of options 26 April 2021	32,500	33	4,973	5,005
Exercise of options 26 April 2021	40,000	40	14,260	14,300
Exercise of options 1 May 2021	55,000	55	8,415	8,470
Exercise of warrants 28 June 2021	1,500,000	1,500	276,000	277,500
Exercise of options 15 July 2021	10,000	10	1,530	1,540
Exercise of options 29 July 2021	30,000	30	4,590	4,620
Exercise of options 15 August 2021	15,000	15	2,295	2,310
Exercise of options 20 September 2021	16,668	17	1,450	1,467
Exercise of options 20 September 2021	10,000	10	1,530	1,540
Exercise of options 20 September 2021	25,000	25	2,175	2,200
Movement for the year	58,478,358	58,478	35,030,280	35,088,758
Issued share capital				
31 October 2020	676,006,310	676,006	81,417,845	82,093,851
31 October 2021	**734,484,668**	**734,484**	**116,448,125**	**117,182,610**

All issued shares are fully paid. The Company considers its capital and reserves attributable to equity Shareholders to be the Company's capital. In managing its capital, the Company's primary long-term objective is to provide a return for its equity Shareholders through capital growth. Going forward the Company will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and to maintain a sufficient funding base to enable the Company to meet its working capital needs. The Company's commercial activities are at an early stage and management considers that no useful target debt to equity gearing ratio can be identified at this time.

Details of the Company's capital are disclosed in the statement of changes in equity.

There have been no other significant changes to the Company's management objectives, policies and processes in the year nor has there been any change in what the Company considers to be capital.

19. SHARE BASED PAYMENTS

Employee Share Option Plan

The establishment of the Employee Share Option Plan was approved by the Board on 1 August 2018 and amended on 10 October 2018. The Plan is designed to attract, retain and motivate employees. Under the Plan, participants can be granted options which vest unconditionally or conditioned upon achieving certain performance targets. Participation in the Plan is solely at the Board's discretion and no employee has a contractual right to participate in the Plan or to receive any guaranteed benefits.

Options are granted under the Plan for no consideration and carry no dividend nor voting rights. When exercisable, each option is convertible into one ordinary share.

Set out below are summaries of options granted under the Plan:

	Average exercise price per share option (£) 2021	**Number of options 2021**	Average exercise price per share option (£) 2020	Number of options 2020
1 November 2020	0.30	14,420,835	0.33	11,745,000
Granted during the year	0.62	1,600,000	0.16	4,885,000
Exercised during the year	0.22	(718,668)	0.17	(1,627,498)
Lapsed during the year	0.33	(350,000)	0.30	(581,667)
31 October 2021	**0.35**	**14,952,167**	0.30	14,420,835
Vested and exercisable at 31 October 2021		9,630,501		

Share options outstanding at the end of the year have the following expiry dates and exercise prices.

Grant date	Expiry date	Exercise price (£)	**Share options 2021**	Share options 2020
7 November 2012	7 November 2022	0.3575	95,000	170,000
2 December 2013	1 December 2023	0.34	120,000	135,000
14 April 2015	13 April 2025	0.41	–	150,000
17 July 2015	17 July 2025	0.22	6,000,000	6,000,000
10 September 2018	1 August 2024	0.088	266,667	658,335
15 October 2018	15 October 2024	0.16	2,500,000	2,500,000
31 December 2019	20 April 2030	0.1635	2,750,000	2,750,000
20 April 2020	20 April 2030	0.154	1,720,500	2,057,500
24 June 2021	28 June 2031	0.617	1,500,000	–
			14,952,167	14,420,835

The table below sets out the inputs used in determining the fair value of the grants of options per the previous table as well as the expense recognised in the accounts in the current year. The grants in the previous table are linked below based on the exercise price and grant date.

Exercise price (pence)	Grant date	Average grant date share price (pence)	Average expected volatility (per annum)	Average risk-free interest rate (per annum)	Average dividend yield (per annum)	Average implied option life (years)	Average fair value per option (pence)	**Amount expensed in 2021 (£)**
15.4	20 April 2020	14.9	99.6%	0.11%	0%	1.5	6.9	46,803
16.35	31 December 2019	16.35	95.5%	0.54%	0%	2.0	8.1	74,443
61.7	24 June 2021	63.5	106.8%	0.18%	0%	3.0	41.8	194,354
22	17 July 2015	58	74.9%	2.08%	0%	2.0	26.0	774,287
Total charge for the year (2020: £(135,593))								**1,089,887**

Warrants

The Board has the discretion to award warrants from time to time to third parties. Typically, warrants are granted and vest upon certain performance targets. Grant of warrants is solely at the Board's discretion.

Warrants are granted for no consideration and carry no dividend nor voting rights. When exercisable, each warrant is convertible into one ordinary share.

Set out below are summaries of warrants granted under the Plan:

	Average exercise price per warrant (£) 2021	**Number of warrants 2021**	Average exercise price per warrant (£) 2020	Number of warrants 2020
1 November 2020	0.20	4,500,000	0.14	5,793,800
Restatement	0.05	900,000		
Granted during the year	0.77	5,000,000	0.20	4,500,000
Exercised during the year	0.19	(1,500,000)		
Lapsed during the year	–	–	0.14	(5,793,800)
31 October 2021	**0.51**	**8,900,000**	0.20	4,500,000
Vested and exercisable at 31 October 2021		(600,000)		

The assessed fair value at grant date of warrants expensed during the year ended 31 October 2021 was:

Warrant price (pence)	Grant date	Average grant date share price (pence)	Average expected volatility (per annum)	Average risk-free interest rate (per annum)	Average dividend yield (per annum)	Average implied option life (years)	Average fair value per option (pence)	**Amount expensed in 2021 (£)**
18.5	19 October 2020	18.56	102.76%	-0.01%	0%	1	4.14	62,100
77.0	13 January 2021	78	104.69%	-0.09%	0%	2	42.37	–
Total charge for the year (2020: £(nil))								**62,100**

Warrants outstanding at the end of the year have the following expiry dates and exercise prices.

Grant date	Expiry date	Exercise price (£)	**Warrants 2021**	Warrants 2020
9 September 2019	9 September 2029	0.05	900,000	900,000
19 October 2020	31 January 2021	0.185	–	1,500,000
19 October 2020	13 October 2021	0.195	1,000,000	1,000,000
19 October 2020	13 April 2022	0.21	1,000,000	1,000,000
19 October 2020	13 October 2022	0.23	1,000,000	1,000,000
13 January 2021	13 March 2025	0.77	5,000,000	–
			8,900,000	5,400,000

SAYE

No SAYE were granted, and the scheme ended during the period. The movements were:

	Average exercise price per SAYE (£) 2021	**Number of SAYE 2021**	Average exercise price per SAYE (£) 2020	Number of SAYE 2020
1 November 2020	–	–	0.12	207,736
Granted during the year	–	–	–	–
Exercised during the year	–	–	–	–
Lapsed during the year	–	–	0.12	(207,735)
31 October 2021	**–**	**–**	–	–
Vested and exercisable at 31 October 2021		–	–	

Share based payment charge:

	2021 £	2020 £
Employee Share Option Plan	1,089,887	135,593
Warrants	62,100	–
SAYE	–	–
	1,151,987	135,593

20. PAYABLES

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Current liabilities:		
Trade payables	353,404	347,167
Advance payments	213,903	150,000
Other payables	143,709	199,261
Accruals	984,742	540,368
	1,695,758	1,236,796

Included in Accruals as of 31 October 2021 is an amount of £507 thousand in relation to Executive director bonuses (2020: £240 thousand).

21. LEASE LIABILITIES

	Year ended 31 October 2021 £
1 November 2019	373,230
Cashflows:	
- Repayment	(125,503)
- Proceeds	–
Non-cash:	
- Additions	–
- Interest expense	12,072
31 October 2020	**259,799**
Cashflows:	
- Repayment	**(329,627)**
- Proceeds	–
Non-cash:	
- Additions	**938,637**
- Interest expense	**37,322**
31 October 2021	**906,131**

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Lease liabilities less than 12 months	322,179	113,431
Lease liabilities more than 12 months	583,952	146,368
	906,131	259,799

Immaterial leases had an expense of £12,659 (2020: £4,220) during the year.

22. PROVISIONS

	National Insurance on unapproved share options £	Decommissioning provision £	Total £
Balance at 31 October 2019	–	301,172	301,172
Balance at 31 October 2020	–	301,172	301,172
Addition	352,728	–	**352,728**
Balance at 31 October 2021	**352,728**	**301,172**	**653,900**

Employer National Insurance Contributions are payable on certain unapproved share option awards on the capital gain when exercised. The provision is estimated using the closing market price less the exercise price applied to the number of share options granted.

The Company has set-up a decommissioning provision for the removal of the plant and equipment installed at the Stade site in Germany, the cost of which is based on estimates. Various scenarios have been considered which estimate the range of costs to be from £35,000 to £420,000 dependent upon agreements reached with lessor.

23. FINANCIAL INSTRUMENTS

In common with other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal Financial Instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

	Note	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Financial instruments held at amortised cost:			
Cash and cash equivalents	17	55,375,366	31,301,467
Receivables	16	681,872	264,367
Total financial assets held at amortised cost		**56,057,238**	31,565,834
Trade and payables	20	865,155	846,796
Total financial liabilities held at amortised cost		**865,155**	846,796

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into three levels based on the degree to which the fair value is observable as defined by IFRS 7:

- Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

All financial instruments are Level 1 and none have been transferred between Levels during the year.

General Objectives, Policies and Processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated part of the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance team. The Board receives reports from the financial team through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce ongoing risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit Risk

Credit risk arises principally from the Company's other receivables and cash and cash equivalents. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements as shown below:

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Receivables	681,872	264,367
Cash and cash equivalents	55,375,366	31,301,467

The Company's principal other receivables arose from:

a) customers, and

b) trade and other receivables

Credit risk with cash and cash equivalents is reduced by placing funds with banks with acceptable credit ratings and government support where applicable and on term deposits with a range of maturity dates. At the year end, most cash were temporarily held on short-term deposit. The credit risk provision is estimated on a case by case basis taking into account public information of the counterparty and payment history and no loss is expected. No expected credit loss accrual has been made as at 31 October 2021 and 2020 as they are estimated to be de minimis.

Liquidity Risk

Liquidity risk arises from the Company's management of working capital and the amount of funding required for the development programme. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The principal liabilities of the Company are trade and other payables in respect of the ongoing product development programme. Trade payables are all payable within two months. The Board receives cash flow projections on a regular basis as well as information on cash balances.

Interest Rate Risk

The Company is exposed to interest rate risk in respect of surplus funds held on deposit and, where appropriate, uses fixed interest term deposits to mitigate this risk.

Fair Value of Financial Instruments

	Year ended 31 October 2021 £	Year ended 31 October 2020 £
Trade and other payables	(865,155)	(846,796)
Receivables	681,872	264,367
Cash and cash equivalents	55,375,366	31,301,467
	55,192,083	30,719,038

There is no difference between the fair value and book value of financial instruments.

The Company does not enter forward exchange contracts or otherwise hedge its potential foreign exchange exposure. The Board monitors and reviews its policies in respect of currency risk on a regular basis.

24. RELATED PARTY TRANSACTIONS

There were no transactions with any related parties during the year ended 31 October 2021 (2020: £nil) other than key management compensation. Key management personnel remuneration includes short term employee benefits (including social security costs) of £1,645,823 (2020 £1,031,276), £43,635 (2020 £36,433) for post-employment benefits and

£848,730 (2020 £89,943) for share-based payment expense.

25. EVENTS AFTER THE REPORTING PERIOD

After the reporting date on 15 November 2021 a sale and development agreement were entered into with an industrial partner whereby a 200KW fuel cell would be delivered for integration with their systems. In consideration, the industrial partner will pay stage payments totalling £4 million related to certain performance criteria and will have the right to subscribe in the 24 months following each progress payment a total of £4 million worth of shares at an exercise price of 58.8p.

On 19 November 2021 awards were made to the Executive directors under the Performance Share Plan as follows

		Benchmark share price (£)	Nil cost options
Adam Bond	Transitional award	0.16	2,250,000
	Initial award	0.597	620,970
Jim Gibson	Transitional award	0.16	984,375
	Initial award	0.597	271,968
Graeme Lewis	Initial award	0.597	206,320

The Scheme is based on annual grants of nil cost options which then vest conditionally three years later based on achievement of performance targets set at grant. For the first year's grant, performance testing will be based on Compound Annual Growth Rate (CAGR) of Total Shareholder Return (TSR), which at this stage will be entirely share price based but accommodating future dividends when these become possible. At the vesting date, the CAGR of TSR will be calculated for the three-year period and tested versus a lower threshold set for this year's award at 5%. Below this level of CAGR the award will be forfeited. At the threshold, 25% of the maximum award will vest and this will increase linearly with CAGR up to full release of the award at an upper limit of 20% CAGR. CAGR levels beyond this limit will not result in the release of any more options, however the holder is rewarded through the increased value the awarded options will have at the higher share price. In addition, the Remuneration Committee has approved a transitional award (the "Transitional Award") to Adam Bond and Jim Gibson in recognition, inter alia, that no new option awards have been made to them in recent years. The Transitional Award is being made on the bases that would have prevailed had the award been made in March 2020. Pursuant to the Transitional Award, Adam Bond and Jim Gibson are receiving 2,250,000 and 984,375 nil cost options respectively. These options have a benchmark price of 16 pence. Below a threshold price of 27.6p no options will vest. At this threshold price, 25% of the maximum award will vest and this will increase linearly up to a fully vesting price of 59.7 pence per share. Providing the thresholds have been achieved, the options will vest in two equal tranches in March 2022 and March 2023 so that each executive will now have LTIP incentivisation awards tested and vesting annually over the next three years. In accordance with IAS 10 Events after the Reporting Period and IFRS 2 Share Based Payments the fair value of the Performance Shares Plan award was not recorded in the period as the vesting period had not begun. A Monte Carlo simulation was used to fair value the Performance Shares Plan awards as they have market-based conditions and the expense to be recorded in future periods is £1,411 thousand and £495 thousand for the transitional award and initial award respectively.

26. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.