29 June 2017

AFC Energy PLC

("AFC Energy", “AFC” or “the Company")

Interim Results

AFC Energy (AIM: AFC), the industrial fuel cell power company, is pleased to announce its interim results for the six-month period ended 30 April 2017.

Highlights

- AFC Energy is on track to reach initial demonstration of a commercially deployable fuel cell by the end of 2017
- Industry de Nora S.p.A (“De Nora”) collaboration continues to evidence improved performance in fuel cell longevity without compromise in power output, availability, cost or efficiency
- Significant technical progress made in performance of the fuel cell system against AFC Energy’s metrics of commercialisation: performance, longevity, availability, cost and efficiency
- Engineering studies commenced in collaboration with Covestro AG in Germany and Peel Environmental in the UK for commercial fuel cell projects
- Several other commercial projects under evaluation with local and international project partners, including those previously announced in Korea and the Middle East
- Successful £8.1 million (before expenses) fundraise through a placement, subscription and shareholder open offer, with new institutional investors welcomed to the share register
- Cash balance at 30 April 2017: £8.4 million (30 April 2016: £2.8 million)
- Receipt of €0.9 million from EU’s Fuel Cells and Hydrogen Joint Undertaking (“FCH JU”)
- Strengthened leadership team with appointment of Chief Operating Officer and Chief Financial Officer

Mr. Adam Bond, AFC Energy’s Chief Executive Officer, said: “I am extremely pleased with the very strong technical progress made by AFC Energy during the first six months of this year, particularly underpinned by the collaboration agreement with De Nora. The Company has a strengthened balance sheet following the fundraise in March 2017, has commenced engineering studies on deployment projects, and strengthened its leadership team, positioning the Company well for the aggressive work programme set for initial demonstration of commercial operating parameters by the end of 2017."

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About AFC Energy

AFC Energy plc has developed and successfully demonstrated its alkaline fuel cell system, which converts hydrogen into "clean" electricity. AFC Energy's key project POWER-UP demonstrated the world's largest operational alkaline fuel cell system at Air Products' industrial gas plant in Stade, Germany in January 2016. The Company is now looking to build upon an already established pipeline of commercial opportunities and drive the findings from the development phase of the technology into a technically optimised and commercially relevant fuel cell system. For further information, please visit our website: www.afcenergy.com

Chief Executive Officer's Report

The success of modern society across the globe increasingly depends to a large degree on the availability of reliable, cost effective and localised electricity. AFC Energy recognises the immediate global demand that exists for delivery of a reliable, affordable and environmentally sustainable power supply that should not only have the potential to displace conventional fossil derived power, but also draw on the most abundant element in the universe as its long-term carbon-free fuel source - Hydrogen.

To deliver these objectives, AFC Energy has been developing a fuel cell system that not only compares positively against its peers in terms of operating metrics, but also against conventional power generation. The Company was challenged at the beginning of 2015 to deliver a commercial fuel cell system capable of deployment within a three-year window – 2017 is the final year of that window.

Over the past six months as the technology has continued to develop, we have seen a number of breakthroughs which, when combined into a single fuel cell system, demonstrate the potential for AFC Energy's fuel cell systems and their varied applications in the real world.

The Company adopts a strict industry led definition of what it believes to be commercial – these have been defined against reference to the "metrics of commercialisation" which, although not unique to AFC Energy, can often be forgotten in the technological roadmap to success.

I have been most proud of the progress AFC Energy has made in the first six months of the financial year in progressing the development of the technology against these metrics. In collaboration with our technology partner, De Nora, AFC Energy has seen significant improvements to the fuel cell system design from the system first commissioned in Stade back in January 2016.

At the annual general meeting of the Company held in April 2017, the Company provided insights, for the first time, on the recent technical improvements we have achieved and the work we still have to complete in the second half of 2017. I am pleased to confirm that the Company remains on target with its work programme for the remainder of 2017.

The following provides an overview of some of these areas of development and progress with many tangible outcomes of this work being seen in the testing conducted since the end of April 2017.

Technical and Operations

In November 2016, AFC Energy successfully completed the development of its Generation 2 ("Gen2") fuel cell system. The Gen2 system incorporates design changes that empirically extended the operating life of the fuel cell stack whilst increasing stack availability and reducing cost. In addition, the Gen2 testing programme demonstrated that AFC Energy's fuel cell system is capable of accepting lower grade industrial hydrogen (direct from industrial plant without clean-up or processing) relative to the laboratory standard hydrogen (99.999%) that has been used by the Company since 2006. The impact this has on addressable market size and affordability of AFC Energy's fuel cell technology should not be underestimated and creates an enlarged market for AFC Energy to pursue.

Technological enhancements have been further progressed via the Joint Development Agreement ("JDA"), announced in mid-2016, between the Company and De Nora, an industry leader in the field of electrochemistry and electrodes. AFC Energy has performed, as at the end of April 2017, more than 145 tests with De Nora using several configurations and different system specifications, targeting specific variations to aspects of the fuel cell system design, utilising De Nora's experience in the water electrolysis and chlor-alkali industry. An expert team from De Nora have collaborated with AFC Energy's team to deliver a number of material improvements to the AFC Energy fuel cell system, particularly increasing electrode longevity which, for most fuel cell companies, has been the ‘Achilles Heel’ of their technology.

As a result of these extensive tests, the Company is increasingly confident that it is possible for AFC Energy fuel cells to exceed the Company's commercial lifetime target of 12 months. Indeed, many of De Nora’s own alkaline electrodes used in industry are warranted for well over 12 months, giving us confidence that prolonged electrode life and system affordability is well within our grasp. Several iterations of the fuel cells have shown a robust performance over an extended period with a materially lower rate of degradation than previously experienced.

Importantly, based on the results obtained under the JDA, AFC Energy is now targeting a commercial life expectancy more than 12 months and at a lower cost of delivery than earlier generations of its fuel cell. This increase in longevity is expected to materially reduce the cost of power produced and consequently, increase the potential market size of the AFC Energy fuel cell system and its profitability.

The improvements in longevity seen in the JDA tests are being integrated into the Company's current fuel cell stack design and AFC Energy plans to execute further longevity demonstrations at industrial scale to confirm these enhancements later in 2017. These latest design modifications, revised stack engineering and the ability of AFC Energy's fuel cells to use a lower grade hydrogen demonstrates a sample of the commercial progression of the AFC Energy fuel cell system which the Company will be able to make use of in penetrating its target markets.

In April 2017, AFC Energy and De Nora agreed to commence the next phase of the JDA and to commit further resources and funding to further improve the overall performance and economics delivered by the AFC Energy fuel cell system. Stage 2 of the JDA will now focus on the integration of the best performing electrodes from Phase 1 within the enhanced fuel cell stack to derive a frozen baseline technology platform capable of warranted mass production. In turn, this will be validated at AFC Energy's industrial facility in Stade, Germany in the second half of 2017. The validation will include verifying the metrics associated with power output, longevity, efficiency and availability.

Commercial

In November 2016 AFC Energy signed an agreement with Peel Environmental Limited (“Peel”) to assess the techno-economic feasibility of the UK’s largest fuel cell precinct at Peel’s Protos Industrial Park. Protos is located between Manchester, Liverpool and Chester and will deliver 250 hectares of industrial development in the North West of England. AFC Energy will conduct the assessment in collaboration with Peel and other third-party partners to review a range of hydrogen sources and offtake arrangements and work with local stakeholders to address potential for deployment of fuel cell projects at Protos. At the time of writing, discussions continue with local partners for the supply of hydrogen to the project.

In March 2017, the Company received confirmation from PowerHouse Energy plc ("PowerHouse") of the Company's first commercial sale of a small-scale alkaline hydrogen fuel cell system. Confirmation of the order is made in accordance with the agreement between AFC Energy and PowerHouse announced to the market in April 2014. AFC Energy will deliver the system once all parties are satisfied that the PowerHouse waste gasification system is generating a hydrogen stream specification appropriate for the operation of the AFC Energy proprietary fuel cell system.

In addition, we continue to hold extensive discussions with other prospective strategic, technical and project-related partners for the development and international deployment of our fuel cell systems, including those partners previously announced to the market since the beginning of 2015 in Korea and the Middle East.

Financial Review

During the six-months to 30 April 2017, an operating loss of £2.7 million (30 April 2016: £3.8 million) was recorded. In the period, the Company continued to recognise grant income under the European Framework Programme 7 for the POWER-UP and ALKOMMONIA projects, albeit at a lower level than in the previous period as these projects enter their final stages. Direct labour and material costs associated with the projects were recognised in cost of sales. Administrative expenses remained largely static, reflecting tight control of costs.

The net cash inflow in the six-months to 30 April 2017 was £5.5 million (30 April 2016: £1.1 million net outflow) as a result of the Company's careful control of operating and capital costs, and the successful fundraise which raised a total of £8.1 million (before costs).

The fundraise consisted of a placing and subscription to raise £6.0 million plus an Open Offer to existing shareholders to raise an additional £2.1 million. We are pleased that the Open Offer to our existing shareholders was oversubscribed by 56.9%, and to welcome Schroder Investment Management onto the share register, who invested £3.3 million into AFC Energy, representing 8.44% of the total share capital.

The cash balance at 30 April 2017 was £8.4 million (30 April 2016: £2.8 million).

The Board of AFC Energy does not intend to declare a dividend in respect of this period.

Outlook

The outlook for the remainder of 2017 is in line with our expectations. Consistent with the three-year window targeted by AFC Energy in 2015 for demonstration of a commercial fuel cell system, the Company has a number of programmes on track that will deliver robust performance enhancement against of the metrics of commercialisation. These include:

- the full integration of the AFC Energy / De Nora JDA electrode into the industrial scale fuel cell system and obtaining operational data from the stack;
- operation of a hydrogen recirculation system increasing the conversion efficiency of hydrogen to power of the system (and thereby reducing the cost of hydrogen in commercial projects);
- demonstration of the fundamental change in stack design with further enhanced gas and liquid flow plates;
- removal of the nickel frame around the electrode which represents a material proportion of the overall stack cost; and
- implementation of a change in design of the air scrubbing unit that will dramatically reduce the cost of processing air for the chemical reaction within the fuel cell stack.

These are a sample of the works currently being integrated into the AFC Energy base design, which by the end of the year, should also include the engineering of a new 1MW system in our portfolio.

AFC Energy continues to assess a range of other highly complementary technologies which, when integrated with our own, could provide a material advantage in our go to market strategy as a strong participant in the hydrogen economy relative to a number of our peers.

We remain fully committed to alkaline fuel cells for our target applications and markets which we continue to believe can provide significant operating and cost benefits once commercially deployed, compared to other fuel cell technologies.

A number of pieces of research work we are now conducting, whilst not affecting the timelines set for this year, will, once demonstrated, further significantly enhance our fuel cell technology and place AFC Energy as a strategic leader in the fuel cell space not only in the UK, but internationally.

Finally, I would like to thank all the staff, partners and contractors working with AFC Energy, together with the EU's FCH JU, and the Board for their continued support and look forward to reporting back to shareholders during 2017 with news of further progress.

Adam Bond

Chief Executive Officer

29 June 2017

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 April 2017

	Note	**Six-months ended 30 April 2017 £ Unaudited**	Six-months ended 30 April 2016 £ Unaudited	Year ended 31 October 2016 £ Audited
EU Grant income		**201,762**	763,204	967,606
Cost of sales		**(312,261)**	(2,072,480)	(1,883,650)
Gross loss		**(110,499)**	(1,309,276)	(916,044)
Other income		**36,558**	80,164	146,479
Administrative expenses		**(2,611,693)**	(2,583,185)	(5,561,096)
Operating loss		**(2,685,634)**	(3,812,297)	(6,330,661)
Finance cost	3	**(969)**	(148,787)	(148,233)
Loss before tax		**(2,686,603)**	(3,961,084)	(6,478,894)
Taxation	4	**250,002**	500,429	822,830
Loss for the financial period and total comprehensive loss attributable to owners of the Company		**(2,436,601)**	(3,460,655)	(5,656,064)
Basic loss per share	5	**(0.73)p**	(1.15)p	(1.86)p
Diluted loss per share	5	**(0.73)p**	(1.15)p	(1.86)p

All amounts relate to continuing operations.

STATEMENT OF FINANCIAL POSITION

As at 30 April 2017

	Note	**30 April 2017**	30 April 2016	31 October 2016
		£	£	£
		Unaudited	Unaudited	Audited
Assets				
Non-current assets				
Intangible assets	6	**358,548**	360,524	344,457
Property and equipment	7	**65,910**	99,596	89,384
Investment		**-**	-	-
		424,458	460,120	433,841
Current assets				
Inventory and work in progress	8	**164,255**	-	150,932
Other receivables	9	**2,011,928**	3,812,294	2,595,963
Cash and cash equivalents	10	**8,419,671**	2,837,130	2,910,862
Restricted cash	10	**105,752**	91,105	112,077
		10,701,606	6,740,529	5,769,834
Total assets		**11,126,064**	7,200,649	6,203,675
Capital and reserves attributable to owners of the Company				
Share capital	11	**390,948**	308,344	310,014
Share premium	11	**45,454,067**	37,604,267	37,843,613
Other reserve		**3,242,858**	2,772,061	3,234,492
Retained deficit		**(38,499,998)**	(34,290,742)	(36,486,151)
Total equity attributable to Shareholders		**10,587,875**	6,393,930	4,901,968
Current liabilities				
Trade and other payables	12	**538,189**	806,719	1,295,904
		538,189	806,719	1,295,904
Non-current liabilities				
Trade and other payables	12	**-**	-	5,803
		-	-	5,803
Total equity and liabilities		**11,126,064**	7,200,649	6,203,675

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 April 2017

	Share Capital £ Unaudited	Share Premium £ Unaudited	Other Reserve £ Unaudited	Retained Deficit £ Unaudited	Total Equity £ Unaudited
Balance at 1 November 2016	310,014	37,843,613	3,234,492	(36,486,151)	4,901,968
Comprehensive loss for the period	**-**	**-**	**-**	**(2,436,601)**	**(2,436,601)**
Issue of equity shares	**80,934**	**7,610,454**	**-**	**-**	**7,691,388**
Equity-settled share-based payments	**-**	**-**	**8,366**	**422,754**	**431,120**
Transactions with owners	**80,934**	**7,610,454**	**8,366**	**-**	**8,122,508**
Balance at 30 April 2017	**390,948**	**45,454,067**	**3,242,858**	**(38,499,998)**	**10,587,875**

	Share Capital £ Unaudited	Share Premium £ Unaudited	Other Reserve £ Unaudited	Retained Deficit £ Unaudited	Total Equity £ Unaudited
Balance at 1 November 2015	289,904	33,947,857	2,207,441	(30,830,087)	5,615,115
Comprehensive loss for the period	-	-	-	(3,460,655)	(3,460,655)
Issue of equity shares	18,440	3,656,410	-	-	3,674,850
Equity-settled share-based payments	-	-	564,620	-	564,620
Transactions with owners	18,440	3,656,410	564,620	-	4,239,470
Balance at 30 April 2016	308,344	37,604,267	2,772,061	(34,290,742)	6,393,930

	Share Capital £ Audited	Share Premium £ Audited	Other Reserve £ Audited	Retained Deficit £ Audited	Total Equity £ Audited
Balance at 1 November 2015	289,904	33,947,857	2,207,441	(30,830,087)	5,615,115
Comprehensive loss for the period	-	-	-	(5,656,064)	(5,656,064)
Issue of equity shares	20,110	3,895,756	-	-	3,915,866
Equity-settled share-based payments	-	-	1,027,051	-	1,027,051
Transactions with owners	20,110	3,895,756	1,027,051	-	4,942,917
Balance at 31 October 2016	310,014	37,843,613	3,234,492	(36,486,151)	4,901,968

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 equity-settled share-based payments.

Retained deficit represents the cumulative loss of the Company attributable to equity Shareholders.

CASH FLOW STATEMENT

For the period ended 30 April 2017

	Six-months ended 30 April 2017 £ Unaudited	Six-months ended 30 April 2016 £ Unaudited	Year ended 31 October 2016 £ Audited
Cash flows from operating activities			
Loss before tax for the period	**(2,686,603)**	(3,961,084)	(6,478,894)
Adjustments for:			
Depreciation and amortisation	**42,847**	72,577	172,608
Profit on disposal of tangible assets	**-**	-	(40,750)
Equity-settled share-based payment expenses	**431,120**	564,620	1,027,051
Payment of shares in lieu of cash	**46,250**	85,850	326,632
Interest received	**(807)**	(900)	(3,415)
R&D tax credits receivable	**250,002**	-	(104,291)
Loss on derivative financial investment	**-**	149,687	149,687
Cash flows from operating activities before changes in working capital and provisions	**(1,917,191)**	(3,089,250)	(4,951,372)
R&D tax credits received	**-**	-	927,121
Decrease/(Increase) in restricted cash	**6,325**	-	(20,972)
(Increase)/Decrease in Inventory and work in progress	**(13,323)**	219,421	68,489
Decrease in other receivables	**584,035**	146,475	862,377
Decrease in trade and other payables	**(763,518)**	(866,840)	(371,852)
Cash absorbed by operating activities	**(2,103,672)**	(3,590,194)	(3,486,209)
Cash flows from investing activities			
Purchase of plant and equipment	**(2,344)**	(35,901)	(81,424)
Additions to intangible assets	**(31,120)**	(42,292)	(70,287)
Proceeds of disposal of tangible assets	**-**	-	40,750
Interest received	**807**	900	3,415
Net cash absorbed by investing activities	**(32,657)**	(77,293)	(107,546)
Cash flows from financing activities			
Proceeds from the issue of share capital	**8,068,426**	3,600,000	3,600,000
Costs of issue of share capital	**(423,288)**	(11,000)	(11,000)
Derivative financial asset	**-**	1,159,172	1,159,172
Net cash from financing activities	**7,645,138**	4,748,172	4,748,172
Net increase in cash and cash equivalents	**5,508,809**	1,080,685	1,154,417
Cash and cash equivalents at start of period	**2,910,862**	1,756,445	1,756,445
Cash and cash equivalents at end of period	**8,419,671**	2,837,130	2,910,862

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies are set out below.

a. Basis of preparation
The interim results for the six-months ended 30 April 2017 are unaudited. They have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU. The interim results have been drawn up using the accounting policies and presentation consistent with those disclosed and applied in the annual report and accounts for the year ended 31 October 2016. The comparative information contained in the report does not constitute the accounts within the meaning of section 240 of the Companies Act 1985 and section 435 of the Companies Act 2006.

b. Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. Revenue arising from the provision of services is recognised when and to the extent that the Company obtains the right to consideration in exchange for the performance of its contractual obligations.

c. Grants
The Company participates in three projects, LASER-CELL, ALKAMMONIA and POWER-UP, which receive funding from the European Union ("EU"). These grants are based on periodic claims for qualifying expenditure incurred by all the entities participating in each project consortium. The Company acts as coordinator for all three projects and submits claims and receives funding on behalf of the other participants in each project consortium. Grant funds of other participants are paid over to them as soon as they are received and only the grant funding relating specifically to the Company's activities is reflected in the statement of comprehensive income. The qualifying expenditure is shown in the statement of comprehensive income as cost of sales. Grants, including grants from the EU, are recognised in the statement of comprehensive income in the same period as the expenditure to which the grant relates.

d. Other Income
Other income represents sales by the Company of waste materials.

e. Development Costs
Development expenditure does not meet the strict criteria for capitalisation under IAS 38 and has been recognised as an expense. Expenditure on and relating to the Company's alkaline fuel cell system installed at Stade in Germany under the EU funded POWER-UP project is considered to be development expenditure to date, as the module is the first of its kind that has been produced.

f. 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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

g. Inventory and Work in Progress
Inventory is recorded at the lower of cost and net realisable value. Cost comprises purchase cost plus production overheads.

h. Other Receivables
Other receivables arise principally through the provision by the Company of activities associated with grant-funded projects. They also include other types of contractual monetary assets. These assets are initially recognised at fair value and are subsequently measured at amortised cost less any provision for impairment.

i. Property and Equipment
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 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:

- Leasehold improvements 1 to 3 years
- Fixtures, fittings and equipment 1 to 3 years
- Vehicles 3 to 4 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.

j. Intangible Assets
Expenditure on research activities is recognised in the statement of comprehensive income as an expense as incurred. 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:

- Patents 20 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.

k. Cash and Cash Equivalents
Cash and cash equivalents comprise cash balances and call deposits with major banking institutions realisable within three months. Restricted cash is €125,000 held in escrow to support a bank guarantee in favour of Air Products GmbH relating to contractual obligations by the Company in relation to the Stade site in Germany.

l. Other Financial Liabilities
The Company classifies its financial liabilities as:

Trade and Other Payables:
These are initially recognised at invoiced value. These arise principally from the receipt of goods and services. There is no material difference between the invoiced value and the value calculated on an amortised cost basis or fair value.

Deferred Income:
This is the carrying value of income received from a customer in advance which has not been fully recognised in the statement of comprehensive income pending delivery to the customer. The carrying value is fair value.

m. Leases
Finance Leases:
Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property. Capitalised leased assets are depreciated over the estimated useful life of the asset. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the statement of comprehensive income.

Operating Leases:
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

n. Financial Assets
All of the Company's financial assets are loans and receivables and investments. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets at fair value and comprise other receivables and cash and cash equivalents. Investments are accounted for at cost less impairment.

o. Financial Instruments
Financial assets and liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

- Cash and cash equivalents comprise cash held at bank and short-term deposits
- Receivables are recognised initially at fair value and subsequently held at amortised cost less an allowance for any uncollectable amounts when the full amount is no longer considered receivable
- Trade payables are not interest bearing and are stated at their nominal value
- Equity instruments issued by the Company are recorded at the proceeds received except where those proceeds appear to be less than the fair value of the equity instruments issued, in which case the equity instruments are recorded at fair value. The difference between the proceeds received and the fair value is reflected in the share-based payments reserve.

p. Valuation of Derivative Financial Instrument
In 2014, the Company placed shares with Lanstead Capital L.P. and at the same time entered into an equity swap agreement in respect of the subscriptions for which consideration will be received monthly over an 18-month period. The amount receivable each month was dependent on the Company's share price performance and gains and losses arising on monthly settlements are reflected in the statement of comprehensive income in administrative expenses. The financial instrument closed in April 2016.

q. Share-Based Payment Transactions
The Company awards share options and warrants to certain Directors and employees to acquire shares of the Company. The fair value of options and warrants granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the Directors and employees become unconditionally entitled to the options or warrants. The fair value of the options and warrants granted is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the options and warrants were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options and warrants that vest only where vesting is dependent upon the satisfaction of service and non-market vesting conditions or where the vesting periods themselves are amended by the introduction of new schemes and the absorption of earlier schemes by agreement

between the Company and the relevant Directors and employees. Where options or warrants granted are cancelled, all future charges arising in respect of the grant are charged to the statement of comprehensive income on the date of cancellation.

r. Taxation

Tax on the profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date together with any adjustment to tax payable in respect of previous periods.

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

s. 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 administrative expenses or in the taxation line depending on the nature of the credit.

t. 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 are currently capped at 3% of the employee's salary and are reflected in the statement of comprehensive income in the period for which they are made.

2. SEGMENTAL ANALYSIS

Operating segments are determined by the chief operating decision maker based on information used to allocate the Company's resources. The information as presented to internal management is consistent with the statement of comprehensive income. It has been determined that there is one operating segment, the development of fuel cells. In the period to 30 April 2017, the Company operated mainly in the United Kingdom and in Germany. All non-current assets are located in the United Kingdom.

3. FINANCE COST

	Six-months ended 30 April 2017 £ Unaudited	Six-months ended 30 April 2016 £ Unaudited	Year ended 31 October 2016 £ Audited
Loss on derivative financial instrument	**-**	(149,687)	(149,687)
Interest on finance lease	**(1,775)**	-	(1,961)
Bank interest receivable	**806**	900	3,415
Total finance cost	**(969)**	(148,787)	(148,233)

4. TAXATION

Recognised in the statement of comprehensive income:	**Six-months ended 30 April 2017 £ Unaudited**	Six-months ended 30 April 2016 £ Unaudited	Year ended 31 October 2016 £ Audited
R&D tax credit - current period	**250,002**	500,429	613,732
R&D tax credit - prior year	**-**	-	209,098
Total tax credit	**250,002**	500,429	822,830

5. LOSS PER SHARE

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

	Six-months ended 30 April 2017 Unaudited	Six-months ended 30 April 2016 Unaudited	Year ended 31 October 2016 Audited
Basic loss per share (pence)	**(0.73)p**	(1.15)p	(1.86)p
Diluted loss per share (pence)	**(0.73)p**	(1.15)p	(1.86)p
Loss attributable to equity Shareholders	**(2,436,601)**	(3,460,655)	(5,656,064)
	Number	Number	Number
Weighted average number of shares in issue	**333,454,674**	301,332,128	304,858,560

Diluted earnings per share:

There are share options and warrants outstanding as at 30 April 2017 which, if exercised, would increase the number of shares in issue. However, the diluted loss per share is the same as the basic loss per share, as the loss for the period has an anti-dilutive effect.

6. INTANGIBLE ASSETS

	Patents £ Unaudited
Cost:	
At 1 November 2015	445,927
Additions	42,292
At 30 April 2016	488,219
Additions	28,229
At 31 October 2016	516,448
Additions	**31,120**
At 30 April 2017	**547,568**
Amortisation:	
At 1 November 2015	107,751
Additions	19,944
At 30 April 2016	127,695
Additions	44,296
At 31 October 2016	171,991
Additions	**17,029**
At 30 April 2017	**189,020**
Net Book Value:	
At 30 April 2016	360,524
At 31 October 2016	344,457
At 30 April 2017	**358,548**

7. PROPERTY AND EQUIPMENT

	Leasehold improvements	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
	Unaudited	Unaudited	Unaudited	Unaudited
Cost:				
At 1 November 2015	337,462	1,321,278	17,994	1,676,734
Additions	-	35,901	-	35,901
At 30 April 2016	337,462	1,357,179	17,994	1,712,635
Additions	-	45,523	-	45,523
Disposals	-	(238,797)	-	(238,797)
At 31 October 2016	337,462	1,163,905	17,994	1,519,361
Additions	**-**	**2,344**	**-**	**2,344**
At 30 April 2017	**337,462**	**1,166,249**	**17,994**	**1,521,705**
Depreciation:				
At 1 November 2015	289,532	1,267,279	3,595	1,560,406
Charge for the period	23,965	25,313	3,355	52,633
At 30 April 2016	313,497	1,292,592	6,950	1,613,039
Charge for the period	23,965	29,224	2,546	55,735
Disposals	-	(238,797)	-	(238,797)
At 31 October 2016	337,462	1,083,019	9,496	1,429,977
Charge for the period	**-**	**22,463**	**3,355**	**25,818**
At 30 April 2017	**337,462**	**1,105,482**	**12,851**	**1,455,795**
Net Book Value:				
At 30 April 2016	23,965	64,587	11,044	99,596
At 31 October 2016	-	80,886	8,498	89,384
At 30 April 2017	**-**	**60,767**	**5,143**	**65,910**

8. INVENTORY AND WORK IN PROGRESS

	30 April 2017	30 April 2016	31 October 2016
	£	£	£
	Unaudited	Unaudited	Audited
Inventory	**164,255**	-	150,932
Work in progress	**-**	-	-
	164,255	-	150,932

9. OTHER RECEIVABLES

	30 April 2017	30 April 2016	31 October 2016
	£	£	£
	Unaudited	Unaudited	Audited
Current:			
R&D tax credits receivable	**923,221**	1,218,452	673,219
EU grants receivable	**599,050**	2,342,625	1,409,642
Other receivables	**489,657**	251,217	513,102
	2,011,928	3,812,294	2,595,963

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

10. CASH AND CASH EQUIVALENTS

	30 April 2017	30 April 2016	31 October 2016
	£	£	£
	Unaudited	Unaudited	Audited
Cash at bank	**1,195,182**	942,274	1,137,819
Bank deposits	**7,224,489**	1,894,856	1,773,043
	8,419,671	2,837,130	2,910,862

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 €125,000 held in escrow to support a bank guarantee in favour of Air Products GmbH relating to contractual obligations by the Company in relation to the Stade site in Germany.

11. ISSUED SHARE CAPITAL

	Ordinary shares	Share Capital	Share premium	Total
	Number	£	£	£
	Unaudited	Unaudited	Unaudited	Unaudited
At 1 November 2015 2015	289,903,943	289,904	33,947,858	34,237,762
Issue of shares on 18 January 2016	18,000,000	18,000	3,571,000	3,589,000
Issue of shares on 21 January 2016	250,000	250	56,625	56,875
Issue of shares on 18 April 2016	190,000	190	28,785	28,975
At 30 April 2016	308,343,943	308,344	37,604,268	37,912,612
Issue of shares on 19 May 2016	720,000	720	50,670	51,390
Issue of shares on 6 July 2016	250,000	250	34,125	34,375
Issue of shares on 19 August 2016	700,000	700	154,550	155,250
At 31 October 2016	310,013,943	310,014	37,843,613	38,153,627
Issue of shares on 25 January 2017	**250,000**	**250**	**46,000**	**46,250**
Issue of shares on 9 March 2017	**80,684,262**	**80,684**	**7,564,454**	**7,645,138**
At 30 April 2017	**390,948,205**	**390,948**	**45,454,067**	**45,845,015**

All issued shares are fully paid.

12. TRADE AND OTHER PAYABLES

	30 April 2017	30 April 2016	31 October 2016
	£	£	£
	Unaudited	Unaudited	Audited
Current liabilities:			
Trade payables	**210,057**	421,217	357,118
Deferred income	**60,973**	228,020	105,727
Finance lease liability	**16,246**	-	16,246
Other payables	**180,376**	77,394	677,211
Accruals	**70,537**	80,088	139,602
	538,189	806,719	1,295,904
Non-current liabilities:			
Finance lease liability	**-**	-	5,803
	-	-	5,803

13. RELATED PARTY TRANSACTIONS
During the six-months to 30 April 2017:

£378 was invoiced to the Company by Richards and Appleby Ltd (a company registered in England & Wales) for expenses associated with the services of Mitchell Field as a Director of AFC Energy plc (2016: £nil). Mr. Field is also a Director and Shareholder of Richards and Appleby Ltd. At 30 April 2017, the sum owing to Richards and Appleby Ltd was £378 (30 April 2016: £nil).

£20,100 (exc. VAT) was invoiced to the Company by Locana Corporation (London) Ltd (a company registered in England & Wales) for consultancy services (2016: £20,100). Mr. Yeo is also a Director and Shareholder of Locana Corporation (London) Ltd. At 30 April 2017, the sum owing to Locana was £3,350 (30 April 2016: £3,350).

14. PUBLICATION OF NON-STATUTORY ACCOUNTS
The financial information contained in this interim statement does not constitute accounts as defined by the Companies Act 2006. The financial information for the preceding period is based on the statutory accounts for the year ended 31 October 2016. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

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