HYDROGEN
FUTURE INDUSTRIES

Final Results

Released : 31.01.2024

RNS Number : 5444B
Hydrogen Future Industries PLC
31 January 2024

31 January 2024

Hydrogen Future Industries plc

("HFI" or the "Company")

Final Results for the 12 months ended 31 July 2023

Hydrogen Future Industries plc (AQSE: HFI), a developer of a proprietary wind-based green hydrogen production system featuring an advanced aerodynamic wind turbine and a high-performance electrolyser, presents its financial results for the 12 months ended 31 July 2023.

Highlights

- Acquisition in October 2022 of a suite of international patents
    - Significantly enhanced IP around HFI's wind-based hydrogen production system
    - Potential wider commercial applications for patents beyond HFI's systems
- Prototype testing of 1 metre diameter wind turbine began in November 2022 in Montana, USA and continues to date:
    - Phase I and II testing completed:
        - 20-hour live test, confirming aerodynamics align to wind direction, with no distinguishing noise from rotor blades, and no fouling of blades with cowling
        - Successful testing in variable weather and temperature conditions in wind speeds as high as 58 MPH
    - Phase III testing of upgraded turbine to measure energy output and gather data ongoing:
        - Data collected to date have been consistent with those collected in the 15,000 hours of computational fluid dynamics and wind tunnel testing and suggests an increase in energy production of upwards of 270% compared to open rotor wind turbines
- Announced in January 2023 an investment in, and collaboration with, Tower Green Holdings Limited ("Tower"), a developer of hydrogen production and distribution facilities that is establishing multipurpose hydrogen hubs in the southwest of England to provide energy storage and hydrogen as a fuel
    - HFI's system to be implemented as Tower's preferred green hydrogen production technology
- Announced in May 2023 that concept testing of an electrolyser for the hydrogen production system had commenced in California, USA, led by quantum-physicist, Dr Nicholas Blake
    - Objective to build electrolyser with cheaper and more readily available materials that improves power efficiency and longevity
    - Announced after the period-end in September 2023 exceptional efficiency of up to 97%
- Announced in May 2023 the establishment of a facility in Birmingham, UK, where work is ongoing to incorporate the variable hydraulic drive and/or electro-magnetic clutch and lower the cost of energy production of the system
- Announced in May 2023 the purchase of the remaining 49% of HFI IP Holdings Limited from Timothy Blake, who is leading HFI's development activities, by way of a staged share issue
    - As a result Mr Blake became the largest shareholder in HFI with 28.28%
- Post year-end in September 2023, appointed Neil Ritson, an energy sector professional with a career spanning over 40 years, as Non-Executive Chairman
    - Dan Maling transitioning to the role of Executive Director to focus on driving the commercial and business development elements of the business strategy
    - David Ormerod stepped down as a Non-Executive Director to focus on his other commitments in Australia

Neil Ritson, Non-Executive Chairman, commented:

"HFI is making extraordinary strides both in prototype testing of the wind turbine in Montana, with limited initial data corroborating wind tunnel results, and the novel electrolyser in California, which has recorded impressive efficiency from initial testing.

The performance improvement of the HFI wind turbine over existing ones is potentially game changing on a world-scale and we *look forward to moving closer to a position whereby we can demonstrate this."*

Enquiries:

Hydrogen Future Industries plc	
Daniel Maling, Executive Director	+44 (0)20 3475 6834
Vigo Consulting (Investor Relations)	
Ben Simons	+44 (0) 20 7390 0230
Peter Jacob	
Cairn Financial Advisers LLP (AQSE Corporate Adviser)	
Ludovico Lazzaretti	+44 (0) 20 72130 880
Liam Murray	
Peterhouse Capital Limited (Broker)	
Duncan Vasey	+44 (0) 20 7469 0930

Inside Information
This announcement contains inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company accept responsibility for the contents of this announcement.

About Hydrogen Future Industries
Hydrogen Future Industries was established to invest in projects and companies focused on the Hydrogen Economy. We are developing a proprietary wind-based hydrogen production system, featuring an advanced aerodynamic wind turbine and a high-performance electrolyser. Through this technology, we aim to significantly reduce the cost of hydrogen production from renewable sources and provide on-demand energy storage in the form of hydrogen at a fraction of the cost of lithium-ion battery storage. Click here for more information about Hydrogen Future Industries.

Visit our website: www.hydrogenfutureindustries.com
Follow us on social media:
LinkedIn: @Hydrogen Future Industries
X (formerly Twitter): @HydrogenFI

Caution Regarding Forward Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not a guarantee of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

Chairman's Statement

Introduction

I am pleased to present the financial results for the 12 months ended 31 July 2023, my first since being appointed as chairman after the period-end, in September 2023. The Company has made significant progress during the period in the development of its green hydrogen production system through the testing of key components of the system, including the wind turbine and novel electrolyser. Crucially, we were also able to strengthen the intellectual property around the system.

Development activities

Wind turbine development

On 1 November 2022, HFI announced the commencement of prototype testing of the wind element of the Company's hydrogen production system 1 metre diameter prototype in Montana, USA. A key element of the prototype is its proprietary wind turbine, which has been designed with notably distinct features which allow the turbines to be more efficient than current open rotor turbines due to modified aerodynamics, with cowling directing air flow across the rotor blades to create a multiple factor increase in wind speed. The cowling also directs the flow of wind out and away from the rear of the turbine, reducing the potential for still air to block the flow through the turbines. We believe the increased efficiency of the turbine could in turn increase the efficiency and ultimately lower the cost of hydrogen production.

The prototype is being tested in an area selected for its consistent wind speeds and regulatory support for wind turbine development and wind farm placement. HFI has a local development facility where the turbines are fabricated and mounted onto towers for testing in local wind speeds. The power output from the prototype turbines is being compared to predicted results. The cowling and rotor blades are a product of aerodynamic development and have been 3D printed on site.

The first stage of the outdoor test programme - a 20-hour live test - was successfully completed in November 2022, confirming the aerodynamics align to the wind direction as planned, there is no distinguishing noise from the rotor blades, and there is no fouling of the blades with the cowling.

The next phase of testing - variable weather and temperature conditions - was successfully undertaken between February and April 2023, in temperatures that dropped below -20^{O}C and in wind speeds of up to 58 MPH. The test was undertaken to see how the wind turbine would react to extreme cold temperatures and consistent high wind speeds. The wind turbine completed the test without any issues.

A third and final phase of an enhanced version of the 1 metre diameter wind turbine ultimately began after the period-end, in September 2023 following numerous upgrades. This upgraded wind turbine is currently being used to measure the energy output over extended periods. The performance data is being compared to earlier wind tunnel results and will be used in the design of the larger diameter wind turbines. Data collected to date have been consistent with those collected in the 15,000 hours of computational fluid dynamics and wind tunnel testing and suggests an increase in energy production of upwards of 270% compared to open rotor wind turbines.

The test site in Montana is adjacent to a tailings facility operated by a major mining company. The Company has agreed to collaborate on a feasibility study, the first stage of which includes the data collection from the prototype wind turbine testing detailed above and the sharing of mine site processing samples. The purpose of the feasibility study is to demonstrate the use of HFI's system to utilise wastewater from the tailings operation as a feedstock to generate both clean energy and clean water for on-site mining operations.

Electrolyser development

HFI announced in May 2023 that concept testing of an electrolyser for the hydrogen production system was underway California, USA, led by quantum-physicist, Dr Nicholas Blake, a consultant to HFI. The objective is to build an Anion Exchange Membrane Water Electrolyser (AEMWE) without platinum group metal catalysts, using cheaper and more readily available materials.

Dr Blake has since completed the build of two complete electrolyser test cells. The series of tests undertaken achieved an exceptional efficiency of up to 97%. To date, HFI has tested 30 different electrodes, including the current catalysts to demonstrate the efficiency gains from the Company's design. Following the completion of the initial test phase, the Company will lodge various patent applications before proceeding with further development including that in collaboration with the University of Bristol as commented on in further detail below.

Smart Hydraulic Drive development

HFI announced in May 2023 the establishment of a facility in Birmingham, UK, where work is ongoing to incorporate the variable hydraulic drive and/or electro-magnetic clutch, which are part of the patents acquired and announced in October 2022, to increase efficiency and lower the cost of energy production.

Corporate activities

Patent Acquisition

On 5 October 2022, HFI announced the acquisition by our joint venture subsidiary HFI IP Holdings Limited of a suite of international patents which are relevant to the system being developed by the Company. This acquisition significantly enhanced the intellectual property around HFI's wind-based hydrogen production system. The patents cover a range of works including ducted wind turbine rotor configurations; a dynamic telescopic tower to optimise wind farm energy production and reduce maintenance cost; a variable hydraulic drive and electro-magnetic clutch to increase efficiency and lower the cost of energy production; and the conversion of stored energy to green hydrogen.

The patents acquired were granted to HW Power Limited in respect of work undertaken by Timothy Blake between 2015 and 2018, prior to him joining HFI as Chief Executive Officer of HFI Energy Systems Limited, the Company's wholly owned product development subsidiary. Given the considerable efficiency gains we believe our turbine will offer compared to existing open rotor wind turbines in use today, the commercial applications for our patents may not be limited to hydrogen and could be of value in the wider wind energy generation sector.

In May 2023, HFI announced the purchase of the remaining 49% of HFI IP Holdings which it did not already own from Timothy Blake, who is leading HFI's development activities, by way of a staged issue of shares in HFI at a considerable premium to the prevailing share price, linked to progress and other milestones (see 23 May 2023 announcement). As a result, Mr Blake became the largest shareholder in HFI and is interested in 28.28% of the Company. This transaction consolidated HFI's valuable intellectual property ownership under the exclusive control of the Company and aligned all interests at the top company level, while the 10p issue price reflects the confidence of the parties in HFI's potential for scalable production of affordable green hydrogen.

Investment in Tower Green Holdings Limited

On 16 January 2023, HFI announced an investment in, and collaboration with, Tower Green Holdings Limited ("Tower"), a developer of hydrogen production and distribution facilities which is establishing multipurpose hydrogen hubs in the southwest of England to provide energy storage and hydrogen as a fuel. Under the agreement, HFI's system will be implemented as Tower's preferred green hydrogen production technology.

HFI made an initial investment of £100,000 in Tower for a 20% equity stake, £50,000 of which was paid in cash and £50,000 was settled by the issue of 500,000 new ordinary shares in HFI at a price of 10p per share. In addition, HFI has the right to invest a further £50,000 in Tower upon Tower signing an agreement to collaborate with certain specific project partners for an additional 10% equity stake in Tower.

Our system aims to produce affordable green hydrogen and so is well placed to support companies like Tower as they develop downstream infrastructure and partnerships to get hydrogen into vehicles and support the decarbonisation of transport. Tower has made significant progress in building its position as the preferred hydrogen infrastructure developer for Southwest England. Tower attracted widespread media coverage for its Appledore project, which seeks to develop onshore hydrogen production and refuelling infrastructure in north Devon and supply offshore wind support vessels. Tower will continue to develop these proposals throughout 2024 and enhance its position as the provider of maritime hydrogen refuelling projects in support of offshore wind and other clean maritime operations in the region.

Tower has also built a pipeline of other infrastructure projects throughout the southwest, including a road mobility project in Devon, with real estate and partnerships secured to supply hydrogen directly to industrial off-takers and to the strategic road network. This project is anticipated to become operational in 2026. Further project announcements are expected to be made throughout the year.

Board Changes

In September 2023, after the period-end, I joined the Board as Non-Executive Chairman. In conjunction with my appointment, David Ormerod stepped down as a Non-Executive Director to focus on his other commitments in Australia and Daniel Maling transitioned from Executive Chairman to the role of Executive Director, enabling him to devote more time to driving the commercial and business development elements of the business strategy.

I have been an energy sector professional for over 40 years, including 20 years in various technical and managerial positions with British Petroleum, and can state that I am enormously excited by what I am seeing at HFI. Our system could genuinely change the energy landscape as we know it.

Financial Review

Financial highlights for the Group for the 12 months ended 31 July 2023 are stated below:

- Cash and cash equivalents at year end were approximately £262,000
- Loss before taxation for the year was approximately £1,113,000
- Net cash outflow for the year was approximately £1,123,000
- The Group held net assets at year end of approximately £809,000

The Group has invested significantly in research and development in the period which accounts for a significant portion of the loss incurred. As prototype and other testing progresses through the next phases, the Group will look to capitalise this expenditure once it satisfies the necessary requirements laid out in "IAS 38 - Intangible Assets." The remaining loss in the period relates to general administrative expenses of running the Group and can be further viewed at Note 4.

Post balance sheet events

University Collaboration

We were delighted to announce on 7 December 2023 that we had signed a Memorandum of Understanding with the University of Bristol ("UoB") to collaborate to advance respective technologies, secure funding for joint research and development and accelerate commercial opportunities. UoB is a leading research university with several active research and development projects related to hydrogen. In particular, UoB has identified HFI's technology as having synergies with its Hydrogen Depleted Uranium Storage project involving EDF UK. UoB has also identified several pilot or demonstrator sites suitable for locating HFI's green hydrogen production system including potential use of university sites outside the city of Bristol. We are excited to be working with them to accelerate the development of HFI's system, especially the Anion Exchange Membrane Water Electrolyser. Having access to sites in the UK to develop and demonstrate the complete green hydrogen system, from generation to utilisation, is very important to both parties and I look forward to communicating further on this next year.

Mining sector Feasibility Study

HFI has commenced its first mining sector feasibility study (the "FS"), which is being undertaken in collaboration with a mining major on a working mine site in the USA. The mine site operations involve the treatment of mine tailings and associated water. The purpose of the FS is to demonstrate the use of HFI's system to utilise wastewater from tailings as a feedstock to generate both clean energy and clean water for on-site mining operations. The first stage of the FS is underway and includes data collection from HFI's prototype wind turbine in Montana and the sharing of mine site processing samples.

MoU signed with Australian renewable energy microgrid partner

Considering Australia's ambitions to become a global hydrogen leader, the country has been identified by HFI as a target market for the initial deployment of its patented green hydrogen production system. A Memorandum of Understanding has been signed with Capricorn Clean Energy Limited to facilitate the identification of local project and partnering opportunities, particularly those related to the Australian Renewable Energy Agency's ("ARENA") Regional Microgrids Programme ("RMP") established in August 2023 to support the development and deployment of renewable energy microgrids. ARENA has committed up to A$125 million in funding toward the RMP, which is split into two streams as follows: A) Regional Australia Microgrid Pilots; and B) First Nations Community Microgrids.

HFI's Board believes the Company's energy system is uniquely placed to economically provide on-demand green energy through microgrids across Australia.

Conclusion

In closing, HFI is making extraordinary strides both in prototype testing of the wind turbine in Montana, with limited initial data corroborating wind tunnel results, and the novel electrolyser in California, which has recorded impressive efficiency from initial testing.

The performance improvement of the HFI wind turbine over existing ones is potentially game changing on a world-scale and we look forward to moving closer to a position whereby we can demonstrate this.

Neil Ritson
Non-Executive Chairman
30 January 2024

Independent auditor's report to the members of Hydrogen Future Industries Plc

Opinion

We have audited the consolidated financial statements of Hydrogen Future Industries Plc (the 'parent company') and its subsidiaries ('the group') for the year ended 31 July 2023 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Parent Company Statement of Financial Position, Consolidated Statement of Change in Equity, Parent Statement of Change in Equity, Consolidated Statement of Cashflow, Parent Statement of Cashflow and notes to the consolidated financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law UK adopted international accounting standards.

In our opinion:

- the consolidated financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2023 and of the group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the consolidated financial statements, Article 4 of the IAS Regulation 5.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the consolidated financial statements section* of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

Our scoping of the group audit was tailored to enable us to give an opinion on the consolidated financial statements as a whole. The group was subject to a full scope audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Intangible assets

Refer to Note 10 to the consolidated financial statements

The group tested the amount of intangible assets for impairment. This impairment test is significant to our audit because the balance of intangible assets of approximately GBP476,000 as at 31 July 2023 is material to the consolidated financial statements. In addition, the group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);

We consider that the group's impairment test for intangible assets is supported by the available evidence.

Our application of materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the consolidated financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the consolidated financial statements and parent company financial statements as a whole to be £19,500, based on 2% of group total assets.

We used different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the consolidated financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at £14,600 for the group and the parent.

Where considered appropriate performance materiality may be reduced to a lower, such as, for related party transactions and Directors' remuneration.

We agreed to report to it all identified errors in excess of £2,300. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Material uncertainty related to going concern

We draw attention to note 2.2 in the consolidated financial statements, which indicates that whilst forecast cash inflows are in advance stages of negotiation there is no certainty regarding the quantum or timing of these cashflows. As stated in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the consolidated financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's consolidated financial statements projections which covered a period of at least 12 months from the date of approval of the consolidated financial statements.
- Challenging management on the assumptions underlying those projections particularly on the nature and timing of forecast cash inflows.
- Obtaining the latest management accounts post period end to benchmark how the group is performing toward achieving the forecast.
- Assessing the completeness and accuracy of the matter described in the going concern disclosure within the significant accounting policies as set out on note 2.2.

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

Other information

The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the consolidated financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

In preparing the consolidated financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Lee Lederberg FCCA (Senior Statutory Auditor)
For and on behalf of
Edwards Veeder (UK) Limited
Chartered accountants & statutory auditor
4 Broadgate Broadway Business Park
Chadderton, Oldham OL9 9XA

HYDROGEN FUTURE INDUSTRIES PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2023

	Note	Audited Year ended 31 July 2023 £'000	Audited Year ended 31 July 2022 £'000
Continuing Operations			
Revenue from continuing operations		-	-
Costs associated with listing		-	(159)
Directors fees		(108)	(70)
Professional fees		(208)	(52)
Research and development		(402)	-
Share based payments		(13)	(31)
Depreciation & amortization		(44)	-
Administrative expenses	4	(328)	(388)
Operating loss		**(1,103)**	**(700)**
Finance expenses		(3)	-
Share of (loss) of equity accounted associates		(7)	-
Loss before taxation		**(1,113)**	**(700)**
Taxation on loss or ordinary activities	7	-	-
Loss for the year from continuing operations		**(1,113)**	**(700)**
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	-	18	-
Total comprehensive loss for the year attributable to shareholders from continuing operations		**(1,095)**	**(700)**
Basic & dilutive earnings per share - pence	8	(3.14)	(3.433)

The notes form an integral part of these consolidated financial statements

HYDROGEN FUTURE INDUSTRIES PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 JULY 2023

	Note	Audited As at 31 July 2023 £'000	Audited As at 31 July 2022 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	25	18

Intangibles assets	10	476	-
Right-of-use assets	11	72	22
Investments in associate	12	93	-
TOTAL NON-CURRENT ASSETS		**666**	**40**
CURRENT ASSETS			
Cash and cash equivalents	13	262	1,383
Trade and other receivables	14	51	210
TOTAL CURRENT ASSETS		313	1,593
TOTAL ASSETS		**979**	**1,633**
NON-CURRENT LIABILITIES			
Lease liabilities	11	24	5
TOTAL NON-CURRENT LIABILITIES		**24**	**5**
CURRENT LIABILITIES			
Trade and other payables	16	103	82
Lease liabilities	11	43	17
TOTAL CURRENT LIABILITIES		146	99
TOTAL LIABILITIES		**170**	**104**
NET ASSETS		**809**	**1,529**
EQUITY			
Share capital	17	478	298
Share premium	17	3,482	1,900
Share based payment reserve	18	44	31
Foreign exchange reserve		18	-
Retained earnings		(3,213)	(700)
TOTAL EQUITY		**809**	**1,529**

The notes form an integral part of these consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board on 30 January 2024.

Neil Ritson
Non-Executive Chairman

HYDROGEN FUTURE INDUSTRIES PLC
PARENT COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 JULY 2023

	Note	Audited As at 31 July 2023 £'000	Audited As at 31 July 2022 £'000
NON-CURRENT ASSETS			
Right-of-use assets	11	72	22
Investments in associate	12	93	-
Intercompany receivables	15	2,791	326
TOTAL NON-CURRENT ASSETS		**2,956**	**348**

CURRENT ASSETS			
Cash and cash equivalents	13	248	1,294
Trade and other receivables	14	41	210
TOTAL CURRENT ASSETS		289	1,504
TOTAL ASSETS		**3,245**	**1,852**
NON-CURRENT LIABILITIES			
Lease liabilities	11	24	5
TOTAL NON-CURRENT LIABILITIES		24	5
CURRENT LIABILITIES			
Trade and other payables	16	77	78
Lease liabilities	11	43	17
TOTAL CURRENT LIABILITIES		120	95
TOTAL LIABILITIES		**144**	**100**
NET ASSETS		**3,101**	**1,752**
EQUITY			
Share capital	17	478	298
Share premium	17	3,482	1,900
Share based payment reserve	18	44	31
Retained earnings		(903)	(477)
TOTAL EQUITY		**3,101**	**1,752**

The notes form an integral part of these consolidated financial statements.

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account has not been presented for the Company. The Company's loss for the financial year was approximately £426,000.

The financial statements were approved and authorised for issue by the board on 30 January 2024.

Neil Ritson
Non-Executive Chairman

HYDROGEN FUTURE INDUSTRIES PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2023

	Share capital	Share premium	SBP reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Loss for period	-	-	-	-	(700)	(700)
Total comprehensive income for year	-	-	-	-	**(700)**	**(700)**
Transactions with owners in own capacity						
Ordinary Shares issued in the period	298	2,007	-	-	-	2,305

Broker Warrants Issued	-	-	31	-	-	31
Share Issue Costs	-	(107)	-	-	-	(107)
Transactions with owners in own capacity	298	1,900	31	-	-	2,229
Balance at 31 July 2022	**298**	**1,900**	**31**	**-**	**(700)**	**1,529**
Loss for period	-	-	-	-	(1,113)	(1,113)
Other comprehensive income	-	-	-	18	-	18
Total comprehensive income for year	-	-	-	18	**(1,113)**	**(1,095)**
Transactions with owners in own capacity						
Ordinary Shares issued in the period	180	1,616	-	-	-	1,796
Acquisition of subsidiary - HFI IP Holdings	-	-	-	-	(1,400)	(1,400)
Employee options issued	-	-	13	-	-	13
Share issue costs	-	(34)	-	-	-	(34)
Transactions with owners in own capacity	180	1,582	13	-	(1,400)	375
Balance at 31 July 2023	**478**	**3,482**	**44**	**18**	**(3,213)**	**809**

HYDROGEN FUTURE INDUSTRIES PLC
PARENT STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2023

	Share capital	Share premium	SBP reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Loss for period	-	-	-	(477)	(477)
Total comprehensive income for year	-	-	-	**(477)**	**(477)**
Transactions with owners in own capacity					
Ordinary Shares issued in the period	298	2,007	-	-	2,305
Broker Warrants Issued	-	-	31	-	31
Share Issue Costs	-	(107)	-	-	(107)
Transactions with owners in own capacity	298	1,900	31	-	2,229
Balance at 31 July 2022	**298**	**1,900**	**31**	**(477)**	**1,752**
Loss for year	-	-	-	(426)	(426)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for year	-	-	-	**(426)**	**(426)**
Transactions with owners in own capacity					
Ordinary Shares issued in the year	180	1,616	-	-	1,796
Employee options issued	-	-	13	-	13
Share issue costs	-	(34)	-	-	(34)
Transactions with owners in own capacity	180	1,582	13	-	1,775
Balance at 31 July 2023	**478**	**3,482**	**44**	**(903)**	**3,101**

HYDROGEN FUTURE INDUSTRIES PLC
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 JULY 2023

	Note	Audited Year ended 31 July 2023 £'000	Audited Year ended 31 July 2022 £'000
Cash flow from operating activities			
Loss for the financial year		(1,113)	(700)
Adjustments for:			
Share of loss of equity accounted associate		7	
Share based payments		13	31
Depreciation on fixed assets		8	-
Depreciation on right-of-use assets		19	-
Amortization on intangible assets		16	-
Finance expenses		3	-
Foreign exchange		19	-
Cash generated from operations		**(1,028)**	**(669)**
Decrease / (increase) in trade and other receivables		45	(210)
Increase in trade and other payables		20	82
Cash generated from operations		**(963)**	**(797)**
Interest paid		(3)	-
Net cashflow from operating activities		**(966)**	**(797)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(16)	(18)
Investment in associate		(50)	-
Purchase of intangible assets		(33)	-
Net cash flow from investing activities		**(99)**	**(18)**
Cash flows from financing activities			
Proceeds from issue of shares		-	2,305
Share issue costs		(34)	(107)
Lease liabilities		(24)	-
Net cash flow from financing activities		**(58)**	**2,198**
Net increase / (decrease) in cash and cash equivalents		**(1,123)**	**1,383**
Cash and cash equivalents at beginning of the year		1,383	-
Foreign exchange effect on cash balance		2	-
Cash and cash equivalents at end of the year		**262**	**1,383**

The notes form an integral part of these consolidated financial statements

HYDROGEN FUTURE INDUSTRIES PLC
PARENT COMPANY STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 JULY 2023

	Note	Audited Year ended 31 July 2023 £'000	Audited Year ended 31 July 2022 £'000
Cash flow from operating activities			
Loss for the financial year		(426)	(477)
Adjustments for:			
Share of loss of equity accounted associate		7	-
Share based payments		13	31
Depreciation on right of use assets		19	-
Finance expenses		3	-
Cash generated from operations		**(384)**	**(446)**
Decrease / (increase) in trade and other receivables		495	(536)
Increase in trade and other payables		(1)	78
Cash generated from operations		110	(904)
Interest paid		(3)	-
Net cashflow from operating activities		**107**	**(904)**
Cash flows from investing activities			
Investment in associate		(50)	-
Net cash flow from investing activities		**(50)**	**-**
Cash flows from financing activities			
Proceeds from issue of shares		-	2,305
Share issue costs		(34)	(107)
Loan to subsidiaries		(1,045)	
Lease liabilities		(24)	-
Net cash flow from financing activities		**(1,103)**	**2,198**
Net increase in cash and cash equivalents		**(1,046)**	**1,294**
Cash and cash equivalents at beginning of the year		1,294	-
Foreign exchange effect on cash balance		-	-
Cash and cash equivalents at end of the year		**248**	**1,294**

The notes form an integral part of these consolidated financial statements

1. General Information

The Company was incorporated on 13 July 2021 in England and Wales with Registered Number 13508782 under the Companies Act 2006. The principal activity of the Group is as a developer of proprietary wind-based green hydrogen production systems. The Group is currently in the research and development phase with the aims to look to begin producing a commercially viable product in the short to near future.

The address of its registered office is Eccleston Yards, 25 Eccleston Place, London SW1W 9NF, United Kingdom.

The Group commenced trading on the Aquis Stock Exchange ("AQSE") Growth Market on 1 December 2021.

2. Accounting policies

The principal accounting policies applied in preparation of these consolidated financial statements ("financial statements") are set out below. These policies have been consistently applied unless otherwise stated.

2.1 Basis of preparation

The financial statements for the year ended 31 July 2023 have been prepared by Hydrogen Future Industries Plc in accordance with UK-adopted International Accounting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements, are disclosed in Note 2.22.

The financial statements present the results for the Group and Company for the year ended 31 July 2023.

The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently in the financial statements. The financial statements are prepared in Pounds Sterling, which is the Group's presentational currency, and presented to the nearest £'000.

2.2 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities as they fall due.

The Group has cash and cash equivalents of approximately £263k (2022: £1.383m) at 31 July 2023 as it approaches the 24 month anniversary of its initial fundraise. The Directors have prepared detailed forecasts and analysis that account for their best estimate of committed expenditure and expected cash inflows and are of the view this is sufficient to fund the Group's expenditure over the next 12 months from the date of approval of these financial statements.

Due to the timing in relation to the confirmation of the expected cashflows the auditors have identified a material uncertainty which may cast doubt over the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and demand deposits with banks and other financial institutions.

2.4 Equity

Share capital is determined using the nominal value of shares that have been issued.

The Share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the Share premium account, net of any related income tax benefits.

Equity-settled share-based payments are credited to a share-based payment reserve as a component of equity until related options or warrants are exercised or lapse.

Retained losses includes all current and prior period results as disclosed in the income statement.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve except to the extent that the translation difference is allocated to non-controlling interests.

2.5 Foreign currency translation

(i) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(ii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in the foreign currency translation reserve.
On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.6 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 July each year. Per IFRS 10, control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

2.7 Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

When the Group acquires any plant and equipment it is stated in the accounts at its cost of acquisition less depreciation and any impairments.

Depreciation is charged to write off the costs less estimated residual value of plant and equipment on a straight line basis over their estimated useful lives being:

- Plant and equipment 5 - 7 years
- Computer & IT equipment 3 years

Estimated useful lives and residual values are reviewed each year and amended as required.

2.9 Financial instruments

IFRS 9 requires an entity to address the classification, measurement and recognition of financial assets and liabilities.

a) Classification

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss);
- those to be measured at amortised cost; and
- those to be measured subsequently at fair value through profit or loss.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

b) Recognition

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

d) Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with any debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.10 Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

2.11 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.12 Leases

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In all instances the leases were discounted using the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period. Right-of-use assets are measured at cost which comprises the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Payments associated with short-term leases (term less than 12 months) and all leases of low-value assets (generally less than £5k) are recognised on a straight-line basis as an expense in profit or loss. The short term lease exemption has been utilised by the Company in relation to property leases held in the US based subsidiary HFI Energy Systems US Inc. These leases are on a rolling month-month basis and hence there is no long term commitment entered into.

2.13 Intangible assets

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold
- adequate resources are available to complete the development
- there is an intention to complete and sell the product
- the Group is able to sell the product
- sale of the product will generate future economic benefits, and - expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the administrative expenses, in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as research and development costs as incurred.

Asset Acquisition
During the year, the Group, through its subsidiary HFI Energy Systems Ltd, acquired the remaining 49% of the share capital of HFI IP Holdings Ltd. In assessing the acquisition, the Group applied the concentration test under IFRS3 and determined that the acquired set of activities and assets at the time of acquisition did not constitute a business, hence considered it to be an asset acquisition.

Patents
During the period the Group acquired a suite of international patents related to the development of its wind and water-based hydrogen production systems. Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Amortisation is charged to write off the cost less estimated residual value of patents on a straight line basis over their estimated useful lives which are:

- Patents 30 years

Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). As of the end of the period none of the intangible assets show any indicators of impairment.

2.14 Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.15 Share based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees and advisors. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

2.16 Segmental analysis

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2.17 Related parties

a. A related party is a person or entity that is related to the Group.
    I. A person or a close member of that person's family is related to the Group if that person:
    II. has control or joint control over the Group;
    III. has significant influence over the Group; or
    IV. is a member of the key management personnel of the Company or of a parent of the Company.

b. An entity is related to the Group if any of the following conditions applies:
    I. The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    II. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    III. Both entities are joint ventures of the same third party.
    IV. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    V. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
    VI. The entity is controlled or jointly controlled by a person identified in (A).
    VII. A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
    VIII. The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

2.18 Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.19 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.
Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated

reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

2.20 Events after reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

2.21 New standards and interpretations not yet adopted

In the current year, the group has adopted all the new and revised UK adopted international accounting standards that are relevant to its operations and effective for its accounting year beginning on 1 August 2022. The adoption of these new and revised UK adopted international accounting standards did not result in significant changes to the group's accounting policies, presentation of the group's financial statements and amounts reported.

2.22 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

Share based payments - Note 18

The Group issues options and warrants to its employees, directors, investors and advisors. These are valued in accordance with IFRS 2 "Share-based payments". In calculating the related charge on issuing shares and options the Group will use a variety of estimates and judgements in respect of inputs used including share price volatility, risk free rate, and expected life. Changes to these inputs may impact the related charge.

Impairment of investments and loans to subsidiaries - Note 15 & 19

The Group and the Company assess at each reporting date whether there is any objective evidence that investments in and loans to subsidiaries are impaired. To determine whether there is objective evidence of impairment, a considerable amount of estimation is required in assessing the ultimate realisation of these investments/receivables, including valuation, creditworthiness and future cashflows. As at the year end the Directors do not assess there to be any impairment of these amounts.

Recoverable value of intangible assets - Note 10

Costs capitalised in respect of the Group's intangible assets are required to be assessed for impairment. Such an estimate requires the Group to exercise judgement in respect of the indicators of impairment and also in respect of inputs used in the models which are used to support the carrying value of the assets. Such inputs include estimates of production profiles, commodity prices, capital expenditure, inflation rates, and pre-tax discount rates that reflect current market assessments of (a) the time value of money; and (b) the risks specific to the asset for which the future cash flow estimates have not been adjusted. The Directors concluded that there was no impairment as at 31 July 2023.

3. Segmental analysis

The Group manages its operations in two segments, being the development of proprietary wind and water-based green hydrogen production systems primarily in North America and corporate functions in the United Kingdom. The results of these segments are regularly reviewed by the board as a basis for the allocation of resources and to assess their performance.

The Group generated no revenue during the year ended 31 July 2023 (2022: £0)

	United Kingdom £'000	North America £'000	Consolidated £'000
Revenue	-	-	-
Directors fees	(108)	-	(108)
Salaries and wages	(48)	-	(48)
Professional fees	(207)	(1)	(208)
Research and development	(180)	(222)	(402)
Share based payments	(13)	-	(13)
Other administrative expenses	(178)	(75)	(253)
Foreign exchange	(2)	(25)	(27)
Depreciation & amortization	(36)	(8)	(44)
Operating loss	**(772)**	**(331)**	**(1,103)**
Finance expenses	(3)	-	(3)
Share of (loss) of equity accounted associates	(7)	-	(7)
Operating loss before taxation	**(782)**	**(331)**	**(1,113)**

Reportable segment assets	946	33	979
Reportable segment liabilities	(170)	-	(170)
	776	**33**	**809**

4. Administrative expenses

Administrative expense for the Group are detailed below:

	Audited Year ended 31 July 2023 £'000	Audited Year ended 31 July 2022 £'000
Salaries & wages	(48)	(90)
Travel & business development	(78)	(7)
Insurance	(11)	(34)
Other administrative expenses	(164)	(242)
Foreign exchange	(27)	-
Exclusivity fees	-	(15)
	(328)	**(388)**

5. Employees

The average number of persons employed by the Group (including Directors) during the year ended 31 July 2023 was:

	No of employees 2023	No of employees 2022
Management	5	3
	5	**3**

The aggregate payroll costs of these persons (including Directors) were as follows:

	£'000	£'000
Management	156	160
Research and development (technical staff)	180	-
	336	**160**

6. Auditor's Remuneration

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
In respect of the audit of the Group accounts	22	35
Other non-audit services	-	20
	22	**55**

7. Taxation

A reconciliation of the value from the statement of comprehensive income is detailed below:

	Year ended 31 July 2023 £'000	Year ended 31 July 2022 £'000
Corporation tax on the results for the year	-	-
A reconciliation of tax charge is provided below:		
Loss before taxation per the financial statements	(1,113)	(700)
Tax credit at the weighted average of the standard rate of corporation tax in UK of 19% (31 July 2022: 19%)	(211)	(133)
Tax effect of capital items disallowed for corporation tax purposes	-	44
Current year losses for which no deferred tax asset is recognised	211	89
Income tax charge for the year	-	-

The Company has total carried forward losses of approximately £1,580,000. The taxed value of the unrecognised deferred tax asset is approximately £300,000 and these losses do not expire. No deferred tax assets in respect of tax losses have not been recognised in the accounts because there is currently insufficient evidence of the timing of suitable future taxable profits against which they can be recovered.

On 23 September 2022, the Chancellor announced that he has cancelled the planned corporation tax increase and rather than rising to 25 per cent from April 2023, the rate will remain at 19 per cent for all firms, regardless of the amount of profit made.

8. Earnings per share

The calculation of the basic and diluted earnings per share is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares in issue during the year.

	Audited Year ended 31 July 2023	Audited Year ended 31 July 2022
Net loss for the year attributable to ordinary equity holders for continuing operations (£'000)	(1,113)	(700)
Weighted average number of ordinary shares in issue	35,463,562	20,388,381
Basic and diluted earnings per share for continuing operations (pence)	**(3.14)**	**(3.433)**

There is no difference between the diluted loss per share and the basic loss per share presented. Share options and warrants could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the year presented.

9. Fixed assets

Group Total

	PP&E £'000	Computer equipment £'000	Total £'000
Cost			
Opening balance	-	-	-
Additions in the year	3	15	18
At 31 July 2022	**3**	**15**	**18**
Additions in the year	15	-	15
At 31 July 2023	**18**	**15**	**33**
Depreciation			
Opening balance	-	-	-
Charge for the year	-	-	-
At 31 July 2022	**-**	**-**	**-**
Charge for the year	1	7	8
At 31 July 2023	**1**	**7**	**8**
Net book value 31 July 2022	**3**	**15**	**18**
Net book value 31 July 2023	**17**	**8**	**25**

10. Intangible assets

	Patents £'000	Total £'000
Cost		
Opening balance	-	-
At 31 July 2022	**-**	**-**
Additions in the year	492	492
At 31 July 2023	**492**	**492**
Amortization		
Opening balance	-	-
At 31 July 2022	**-**	**-**
Charge for the year	(16)	(16)

At 31 July 2023	**(16)**	**(16)**
Net book value 31 July 2022	**-**	**-**
Net book value 31 July 2023	**476**	**476**

On 5 October 2022 the Group successfully completed the acquisition of a suite of international patents which are relevant to the systems being developed by the Company. The board believes the patents may have commercial applications within both the Group's future wind based green hydrogen production systems and the wider wind energy generation sector.

11. Leases
Company

	As at 31 July 2023 £'000	**As at 31 July 2022 £'000**
Right-of-use assets		
Motor vehicles	15	22
Property	57	-
	72	**22**
Lease liabilities		
Current	43	5
Non-current	24	17
	67	**22**

Right of use assets
A reconciliation of the carrying amount of the right-of-use asset is as follows:

	As at 31 July 2023 £'000	**As at 31 July 2022 £'000**
Motor vehicles		
Opening balance	-	-
Additions	22	22
Depreciation	(7)	-
	15	**22**
Property		
Opening balance	-	-
Additions	69	22
Depreciation	(12)	-
	57	**22**

Lease liabilities
A reconciliation of the carrying amount of the lease liabilities is as follows:

	As at 31 July 2023 £'000	**As at 31 July 2022 £'000**
Opening balance	22	-
Additions	69	22
Repayments	(27)	-
Finance charge	3	-
	67	**22**

12. Investment in associates

The following entities have been included in the consolidated financial statements using the equity method:

Proportion of

	Country of incorporation	ownership interest held as at 31 July 2023
Tower Green Holdings limited[1]	United Kingdom	20%

[1] On 23 January the Group acquired a 20% interest in Tower Green Holdings Limited ("TGH") over which the Group has determined that it holds significant influence as:

- HFI & TGH have one mutual director
- Material shareholding of 20%

Based on this the Group considers that they have the power to exercise significant influence.
Summarised financial information (material associates):

	As at 23 January 2023 £'000
Current assets	35
Net assets total	35
Group share of net assets (20%)	7
Period from investment to 31 July 2023	
Revenues	-
Loss from continuing operations	(34)
Group share of loss (20%)	(7)
Investment in TGH	100
Investors share of net assets at acquisition	7
Implied goodwill	93
Share of net loss	(7)
Carrying value of investment - 31 July 2023	93

13. Cash and cash equivalents

	Company 31 July 2023 £'000	Group 31 July 2023 £'000	Company 31 July 2022 £'000	Group 31 July 2022 £'000
Cash at bank	248	262	1,294	1,383
	248	**262**	**1,294**	**1,383**

Majority of the cash is held with Alpha FX foreign exchange trading platform who utilise the banking facilities of Lloyds Banking Group Plc (credit ratings: S&P's BBB+, A3, Fitch A). Daily working capital amounts are held through the Wise online banking platform in the UK and Rocky Mountain Online Bank in the US. These online banking platforms do not currently have credit ratings available.

The denomination of amounts in foreign currencies is as follows:

	Company 31 July 2023 £'000	Group 31 July 2023 £'000	Company 31 July 2022 £'000	Group 31 July 2022 £'000
USD	-	10	32	71
GBP	248	252	1,262	1,312
	248	**262**	**1,294**	**1,383**

14. Trade and other receivables

	Company 31 July 2023 £'000	Group 31 July 2023 £'000	Company 31 July 2022 £'000	Group 31 July 2022 £'000
Prepayments	10	20	140	140
Lease deposit	13	13	-	-
VAT receivable	18	18	70	70
	41	**51**	**210**	**210**

15. Intercompany receivables

	Company 31 July 2023 £'000	Group 31 July 2023 £'000	Company 31 July 2022 £'000	Group 31 July 2022 £'000
Loans to subsidiaries	2,791	-	326	-
	2,791	**-**	**326**	**-**

16. Trade and other payables

	Company 31 July 2023 £'000	Group 31 July 2023 £'000	Company 31 July 2022 £'000	Group 31 July 2022 £'000
Trade payables	48	48	36	36
Accruals	22	22	42	46
Employer obligations	7	33	-	-
	77	**103**	**78**	**82**

17. Share capital and share premium

	Ordinary shares £'000	Share capital £'000	Share premium £'000	Total £'000
Issue of ordinary shares on incorporation[1]	50,000	1	-	1
Issue of ordinary shares	5,850,000	58	-	58
Issue of ordinary shares	1,600,000	16	-	16
Issue of ordinary shares	22,300,000	223	2,007	2,230
Share issue costs	-	-	(107)	(107)
At 31 July 2022	**29,800,000**	**298**	**1,900**	**2,198**
Issue of ordinary shares [2]	3,450,000	35	311	345
Issue of ordinary shares [3]	500,000	5	45	50
Issue of ordinary shares[4]	14,000,000	140	1,260	1,400
Share issue costs	-	-	(34)	(34)
At 31 July 2023	**47,750,000**	**478**	**3,482**	**3,959**

[1] On 5 October 2022, the Company issued 3,450,000 ordinary shares of £0.01 at their nominal value of £0.01.

[2] On 16 January 2023, the Company issued 500,000 ordinary shares of £0.01 at a price of £0.1 per share.

[3] On 23 May 2023, the Company issued 14,000,000 ordinary shares of £0.01 at a price of £0.1 per share.

There is currently an authorised share capital limit in place for the Company which is subject to review at the next Annual General Meeting.

18. Share based payment reserves

	Company £'000	Group £'000
At 13 July 2021	-	-
Broker warrants issued	6	6
Advisor warrants	25	25
At 31 July 2022	**31**	**31**
Employee options issued [1]	13	13
At 31 July 2023	**44**	**44**

[1] On 4 November 2022, the Company issued 6 million employee options to the directors, the CEO of HFI Energy Systems Ltd (Tim Blake) and a consultant. The options are exercisable at the price of £0.10 per ordinary share and are exercisable, either in whole or part, for a period of 5 years from the date of issue. All options vest immediately apart from 1.5 million options issued to Tim Blake which have separate performance conditions.

The estimated fair values of warrants & options which fall under IFRS 2, and the inputs used in the Black-Scholes pricing model to calculate those fair values are as follows:

Date of grant	Number of warrants	Share price	Exercise price	Expected volatility	Expected life	Risk free rate	Expected dividends
5 October 2022	1,625,000	£0.065	£0.12	15%	3	4.25%	0.00%

Date of grant	Number of options	Share price	Exercise price	Expected volatility	Expected life	Risk free rate	Expected dividends
4 November 2022	6,000,000	£0.065	£0.10	15%	5	4.25%	0.00%

Warrants

	As at 31 July 2023 Weighted average exercise price	Number of warrants
Brought forward at 1 August 2022	5p	8,050,000
Granted in year	12p	1,625,000
Vested in year	12p	1,625,000
Outstanding at 31 July 2023	6.25p	9,675,000
Exercisable at 31 July 2023	6.25p	9,675,000

The average weighted time to expiry of the warrants is 1.62 years

Options

	As at 31 July 2023 Weighted average exercise price	Number of options
Brought forward at 1 August 2022	-	-
Granted in year	10p	6,000,000
Vested in year	10p	4,500,000

Outstanding at 31 July 2023	10p	6,000,000
Exercisable at 31 July 2023	10p	4,500,000

The average weighted time to expiry of the options is 4.27 years

19. Investments - Subsidiaries

Name	Holding	Business Activity	Country of Incorporation	Registered Address
HFI Energy Systems Ltd	100%	Research & development	England & Wales	Eccleston Yards, 25 Eccleston Place, London SW1W 9NF
HFI Energy Systems US Inc	100%	Research & development	United States of America	16 Nugget Court, Whitehall, MT 59759
HFI IP Holdings Ltd	100%	IP holding company	England & Wales	Eccleston Yards, 25 Eccleston Place, London SW1W 9NF
HFI Development Ltd	100%	Research & development	England & Wales	Eccleston Yards, 25 Eccleston Place, London SW1W 9NF
HFI Consulting Ltd	100%	Consulting	England & Wales	Eccleston Yards, 25 Eccleston Place, London SW1W 9NF

20. Financial Instruments and Risk Management

Principal financial instruments

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The overall strategy of the Company and the Group is to minimise costs and liquidity risk while simultaneously executing its business strategy.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, share premium, foreign exchange reserves and retained earnings as disclosed in the Consolidated Statement of Changes of Equity.

The Group is exposed to a number of risks through its normal operations, the most significant of which are credit, foreign exchange and liquidity risks.

The management of these risks is vested to the Board of Directors. The sensitivity has been prepared assuming the liability outstanding was outstanding for the whole year. In all cases presented, a negative number in profit and loss represents an increase in expense/decrease in income.

General objectives and policies

As alluded to in the Directors report the overall objective of the Board is to set policies that seek to reduce risk as far as practical without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are detailed below.

Principal financial instruments

The principal financial instruments used by the Group from which the financial risk arises are as follows:

Policy on financial risk management

The Group's principal financial instruments comprise cash and cash equivalents, other receivables, trade and other payables. The Group's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 2 - "Accounting Policies".

The Group does not use financial instruments for speculative purposes. The carrying value of all financial assets and liabilities approximates to their fair value.

Derivatives, financial instruments and risk management

The Group does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Foreign currency risk

The Group operates in a global market with costs arising in multiple currencies and is exposed to foreign currency risk arising from commercial transactions, translation of assets and liabilities and net investment in foreign subsidiaries. Exposure to commercial transactions arise from purchases by operating companies in currencies other than the Group's functional currency. Currency exposures are reviewed regularly.

The Group has a limited level of exposure to foreign exchange risk through its foreign currency denominated cash balances:

$USD	31 Jul 2023 $'000
Cash and cash equivalents	10
	10

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are monitored by the Board of Directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Group applies IFRS 9 to measure expected credit losses for receivables, these are regularly monitored and assessed. Receivables are subject to an expected credit loss provision when it is probable that amounts outstanding are not recoverable as set out in the accounting policy.

The Group's principal financial assets are cash and cash equivalents. Cash equivalents include amounts held on deposit with financial institutions.

The credit risk on liquid funds held in current accounts and available on demand is limited because the Group's counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has zero trade receivables and therefore there is no risk relating to a 3rd party being unable to service its obligations.

No financial assets have indicators of impairment.

Liquidity risk

During the year ended 31 July 2023, the Group was financed by cash raised through equity funding. Funds raised surplus to immediate requirements are held as cash deposits in Sterling except for minor working capital requirements held in subsidiary bank accounts.

In managing liquidity risk, the main objective of the Group is to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its liabilities as they fall due.

The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 July 2023 on the basis of their earliest possible contractual maturity.

	Total £'000	Within 2 months £'000	Within 2-6 months £'000
At 31 July 2023			
Trade payables	48	48	-
Employer obligations	33	33	-
	81	**81**	-

21. Financial assets and liabilities

	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Total £'000
At 31 July 2023			
Trade and other receivables*	31	-	31
Cash and cash equivalents	262	-	262
Trade and other payables	-	(103)	(103)
	393	**(103)**	**190**

	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Total £'000
At 31 July 2022			
Trade and other receivables*	70	-	70
Cash and cash equivalents	1,383	-	1,383
Trade and other payables	-	(82)	(82)
	1,453	**(82)**	**1,371**

**Trade and other receivables exclude prepayments*

22. Related Party Transactions

Directors Remuneration
See the Directors Remuneration Report prior to the financial statements for details on Director remuneration.

Related party - Consultants
Dr Nick Blake provides consulting services to the Company's US based subsidiary "HFI Energy Systems US Inc". Dr Nick Blake is the brother of the CEO of HFI Energy Systems Ltd and hence classified as a related party as defined in Note 2.17.a. During the year Dr Nick Blake received consulting fees amounting to USD$91,114 for consulting related

specifically to the development of electrolyser prototype development.

Service Agreements
Orana Corporate LLP, of which Director Daniel Maling is a partner, has a service agreement with the Company for the provision of accounting and company secretarial services. In the year, Orana Corporate LLP accrued £61,033 for these services from the Company of which £6,120 was owed at year end.

23. Ultimate Controlling Party
As at 31 July 2023, Timothy Blake is a person with significant control as he controls ownership of between 25-50% of the share capital of the Company.

24. Capital Commitments
The Company does not have any other capital or contingent liabilities at year end.

25. Events Subsequent to period end

Directorate change - 8 September 2023
On 8 September 2023 the Company appointed Mr Neil Ritson as Non-executive Chairman with immediate effect replacing David Ormerod.

Issue of equity - 6 October 2023
On 6 October 2023 the Company issued ,750,000 new ordinary shares at a price of 10 pence per new ordinary share and warrants over 875,000 new ordinary shares with an exercise price of 12 pence per new ordinary share (which can be exercised immediately and will expire three years from the date of issue) as the second tranche of consideration payable to the vendors of various patents acquired by the Company as announced on 5 October 2022.

NEXDZGFMGMVGDZM