AMTE POWER PLC

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTH PERIOD ENDED 31 DECEMBER 2020

Chief Executive's Statement

Introduction

We are pleased to make the following inaugural interim statement for AMTE Power as a public company. The six months under review to 31 December 2020 was an important period for the business. In November 2020 the UK Government set out its plan for a "Green Industrial Revolution" in the UK, voicing the need to establish a battery manufacturing base of scale in the UK and committing to back UK based battery related product development. As a leading developer and manufacturer of battery cells focussed on specialist markets, combined with the visible acceleration in the global move to decarbonisation and our recent successful IPO, means, we believe, that we are well placed to achieve our commercial goals. The next phase of our business is the continued product development of our three highly differentiated battery cells through to product release over the next three years.

During the period we invested in our sales and marketing team as we saw increased interest in our product offerings. This increased investment, along with the enhanced profile that the IPO has given us, should elicit further engagements with new potential customers. Our objective is to secure long-term engagements with clients who are aligned with our timeline for when our products become accredited and ready for volume production.

To be able to produce our battery cells at scale we need to finalise the manufacturing processes which continued to be developed in line with expectations through the period. The Government established the UK BIC to help UK companies prove whether their battery related technologies - from subcomponents such as electrodes and cell materials through to full cells and battery modules and packs - can be manufactured at the required volume, speed, performance and cost, in order to be commercially successful. To this end, the framework agreement we have with the UK BIC was negotiated in the period and signed soon afterwards in February 2021. This agreement will take us a long way towards our volume production goals.

Alongside the product development, we continued to progress our plans for a 'gigafactory' as part of the proposed expansion of our production capability, developing our ability to meet the expected customer demand for our products.

Operational overview

The value of potential sales in our pipeline continued to grow throughout the period. A key driver of this growth has been the interest being shown in our Ultra High Power and Ultra Energy cells from specialised automotive manufacturers, resulting in a growing number of engagements with end users.

We are delighted that progress under our development and supply agreement with an equipment manufacturer within the oil and gas sector continued in line with expectations. With the further work completed in the period on our Ultra Prime product, our client began to disclose further details on the demand profile expected for this product.

We have always believed that Ultra Safe, aimed at the energy storage market, whilst at an earlier stage than the other pipeline products, has the greatest opportunity to be a transformational product in the battery market place, given the significant potential advantages it has over lithium-ion based battery cells as a storage medium in terms of safety, efficacy and cost. We are therefore delighted to say that we continue to make good progress, in line with expectations, towards product release.

We are also seeing early demand opportunities for some of our products outside of the UK, including India, Africa, and, importantly, Australia where the Group has signed a Memorandum of Understanding concerning the establishment of a joint venture with InfraNomics (an Australian company which developed the strategy for Lithium Valley, a substantial battery supply chain initiative in Australia) to facilitate access for energy storage cells to that market, which the Board perceives to be one of the world's most active markets for such cells.

Financial results

Total income for the period was £0.62million (H1 19/20: £0.58million), an increase of 7.8%. During the reporting period we secured ten new projects with an aggregate value of £1.90 million, of which seven are due to finish by 30 June 2020. These provide a significant increase in the growth trajectory of income for the second half of the year.

The loss before tax for the period was £1.46 million (H1 19/20: loss £0.86 million). The primary driver of the rise in losses was the Group's accelerated investment in its people, including the expansion of its sales and business development team, and the ongoing development of its products. The Group continues to seek support for its development work from grant schemes such as the UK's Faraday Challenge and funding bodies such as Innovate to help support investment in product development. At 31 December 2020, the Group was active on live grant funded projects with a total of £2.90 million of income remaining, which we expect to recognise over multiple financial periods.

At 31 December 2020, the Group had cash and short-term deposits of £0.22 million (H1 19/20: £0.61 million). The cash position was further supplemented in early February 2021 with £0.25 million of funds attributable to the Group's R&D tax credit and expenditure credit submissions for the period ended 30 June 2020. The Group raised £11.33 million net of fees as part of its IPO on AIM in March 2021.

Outlook

Following our successful IPO, the Group is in a strong financial position. We continue to build opportunities across all of our core markets. As at the end of February we had 80 active engagements on a range of opportunities including commercial development and product request opportunities as well as discussions to create consortia to secure grant funding for focused projects aimed at financing key work streams relating to our product development work. We expect to continue to make good progress in all these areas.

Consolidated statements of comprehensive income

	Unaudited 6 months ended 31 December 2020 £	Unaudited 6 months ended 31 December 2019 £	Audited 15 months ended 30 June 2020 £
Continuing operations			
Revenue	623,536	578,702	1,264,855
Cost of sales	(460,782)	(537,554)	(1,231,343)
Gross profit	**162,754**	**41,148**	**33,512**
Other income	88,356	125,977	199,760
Administrative expenses	(1,565,838)	(942,170)	(2,111,959)
Operating loss	**(1,314,728)**	**(775,045)**	**(1,878,687)**
Finance income	1,169	8,204	16,741
Finance expense	(142,110)	(89,771)	(242,111)
Loss before taxation	**(1,455,669)**	**(856,612)**	**(2,104,057)**
Taxation	45,926	154,000	222,271
Loss and total comprehensive loss for the period	(1,409,743)	(702,612)	(1,881,786)
Basic loss per share	(£21.38)	(£12.26)	(£32.57)
Diluted loss per share	(£21.38)	(£12.26)	(£32.57)

Consolidated statements of financial position

	Note	Unaudited As at 31 December 2020 £	Unaudited As at 31 December 2019 £	Audited As at 30 June 2020 £
Non-current assets				
Intangible assets	5	19,438,264	16,575,141	18,061,139
Property, plant and equipment	6	1,104,329	1,156,842	1,165,179
Right-of-use assets	7	1,059,007	312,739	1,146,450
Investments		2	-	2
Total non-current assets		**21,601,602**	**18,044,722**	**20,372,770**
Current assets				
Inventories		231,755	155,926	219,133
Trade and other receivables		1,151,471	1,086,716	889,120
Tax receivables		142,469	45,926	96,543
Receivables under sub-leases		-	-	-
Cash and cash equivalents		221,218	607,122	949,569
Total current assets		**1,746,913**	**1,895,690**	**2,154,365**
Total assets		**23,348,515**	**19,940,412**	**22,527,135**
Current liabilities				
Trade and other payables		(1,011,228)	(427,926)	(610,042)
Borrowings		(20,349)	(19,276)	(20,350)
Patent licence obligations		(575,177)	(411,043)	(500,401)
Lease liabilities		(114,060)	(73,130)	(106,316)
Deferred income		(28,564)	(24,327)	(28,564)
Total current liabilities		**(1,749,378)**	**(955,702)**	**(1,265,673)**
Non-current liabilities				
Borrowings		(85,509)	(59,669)	(95,216)
Patent licence obligations		(15,184,713)	(13,947,269)	(14,595,655)
Lease liabilities		(937,328)	(172,476)	(1,001,304)
Deferred income		(2,178,862)	(1,481,540)	(1,898,091)
Provisions for dilapidations		(208,687)	(203,551)	(208,309)
Total non-current liabilities		**(18,595,099)**	**(15,864,505)**	**(17,798,575)**
Total liabilities		**(20,344,477)**	**(16,820,207)**	**(19,064,248)**
Net assets		**3,004,038**	**3,120,205**	**3,462,887**
Equity				
Share capital		336	302	321
Share premium		9,023,909	7,096,361	8,067,562
Share options reserve		122,584	104,130	128,052
Accumulated losses		(6,142,791)	(4,080,588)	(4,733,048)
Total equity		**3,004,038**	**3,120,205**	**3,462,887**

Consolidated statements of changes in equity

	Share capital	Share premium	Retained deficit	Share options reserve	Total
	£	£	£	£	£
Balance at 1 April 2019	**267**	**5,092,139**	**(2,851,262)**	**62,446**	**2,303,590**
Share based payments	-	-	-	15,869	15,869
Total comprehensive loss for the period	-	-	(526,714)	-	(526,714)
Balance at 30 June 2019	**267**	**5,092,139**	**(3,377,976)**	**78,315**	**1,792,745**

Balance at 1 July 2019	**267**	**5,092,139**	**(3,377,976)**	**78,315**	**1,792,745**
Share based payments	-	-	-	25,815	25,815
Issue of shares (less fundraising costs)	35	2,004,222	-	-	2,004,257
Total comprehensive loss for the period	-	-	(702,612)	-	(702,612)
Balance at 31 December 2019	**302**	**7,096,361**	**(4,080,588)**	**104,130**	**3,120,205**

Balance at 1 January 2020	**302**	**7,096,361**	**(4,080,588)**	**104,130**	**3,120,205**
Share based payments	-	-	-	23,922	23,922
Issue of shares (less fundraising costs)	19	971,201	-	-	971,220
Total comprehensive loss for the period	-	-	(652,460)	-	(652,460)
Balance at 30 June 2020	**321**	**8,067,562**	**(4,733,048)**	**128,052**	**3,462,887**

Balance at 1 July 2020	**321**	**8,067,562**	**(4,733,048)**	**128,052**	**3,462,887**
Share based payments	-	-	-	(5,468)	(5,468)
Issue of shares (less fundraising costs)	15	956,347	-	-	956,362
Total comprehensive loss for the period	-	-	(1,409,743)	-	(1,409,743)
Balance at 31 December 2020	**336**	**9,023,909**	**(6,142,791)**	**122,584**	**3,004,038**

Consolidated statements of cash flows

Cash flow from operating activities	Unaudited 6 months ended 31 December 2020 £	Unaudited 6 months ended 31 December 2019 £	Audited 15 months ended 30 June 2020 £
Losses after taxation	(1,409,743)	(702,612)	(1,881,786)
Adjustments for non-cash items	272,282	148,484	641,139
Tax credits received	4,691	224,864	224,864
Cash flow used in operating activities before changes in working capital	**(1,132,770)**	**(329,264)**	**(1,015,783)**
Change in working capital			
Change in inventories	(12,622)	(68,711)	(196,217)
Change in current receivables	(272,396)	(423,674)	(209,243)
Change in current non-interest bearing liabilities	401,186	(519,971)	335,832
Cash flow from/(used-in) changes in working capital	**116,168**	**(1,012,356)**	**(69,628)**
Net cash flow used in operating activities	**(1,016,602)**	**(1,341,620)**	**(1,085,411)**
Investing activities			
Intangible fixed asset additions	(546,618)	(381,754)	(1,055,027)
Purchase of property, plant and equipment	(121,807)	(145,384)	(415,562)
Investments	-	-	(2)
Repayment of sub-lease	-	41,499	62,250
Interest received	7,198	1,812	4,573
Net cash used in investing activities	**(661,227)**	**(483,827)**	**(1,403,768)**
Financing activities			
Proceeds from borrowings	-	50,000	100,000
Re-payment of borrowings	(6,884)	(5,627)	(18,585)
Proceeds on issue of shares	956,362	2,004,256	2,975,477
Cash flow from financing activities	**949,478**	**2,048,629**	**3,056,892**
Net change in cash and cash equivalents	**(728,351)**	**223,182**	**567,713**
Cash and cash equivalents, beginning of year	949,569	383,940	381,856
Cash and cash equivalents, end of year	221,218	607,122	949,569
Cash and cash equivalents for continuing operations	**221,218**	**607,122**	**949,569**

1. General information

AMTE Power plc is a public company incorporated in the England and Wales. The address of its registered office is Suite 1, 3rd Floor 11-12 St. James's Square, London, United Kingdom, SW1Y 4LB.

AMTE Power develops a range of lithium-ion and lithium-ion derivative battery cells to meet the needs of specialist customers. Such customers, which include manufacturers of high-performance vehicles, energy storage solutions and specialist engineering equipment, are not the primary focus of the international battery cell manufacturers and thereby offer a significant and scalable opportunity for the Group.

2. Basis of preparation and significant accounting policies

(a) BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of AMTE Power has been prepared in accordance with international accounting standards (IAS) in conformity with the requirements of the Companies Act.

The interim condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments which are required to be measured at fair value. The financial information has been prepared on a going concern basis and is presented in Sterling.

The Group changed its year-end from 31 March to 30 June and the period ended 30 June 2020 is the first financial reporting period for the new year end date. The Group extended its reporting period to allow it to complete certain changes to its policies and an internal restructuring of the business ahead of the admission to AIM, see Note 10. As a result, the period ended 30 June 2020 is a 15-month period. The audited consolidated numbers for that period were as presented in the Group's Admission Document, as the financial statements of the company were previously prepared under FRS 102 and were unaudited. The Company changed its name from AMTE Power Ltd. to AMTE Power plc on 3 March 2021.

(b) SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The unaudited interim condensed consolidated financial information comprises the financial information of AMTE Power and its subsidiaries. The subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The results, assets and liabilities of associates are accounted for under the equity method of accounting.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those set out in the Group's Admission Document. The Group will continue to review its accounting policies in the light of emerging industry consensus on the practical application of IFRS.

3. Segmental analysis

Operating segments are determined by the chief operating decision maker based on information used to allocate the Group's resources. The information as presented to internal management is consistent with the statement of comprehensive income. It has been determined that there is one operating segment, the development of battery cells. In the periods covered in the interim condensed consolidated financial information, the Group operated mainly in the United Kingdom. All non-current assets are located in the United Kingdom.

4. Loss per share

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

	Unaudited 6 months ended	Unaudited 6 months ended	Audited 15 months ended
	31 December 2020	*31 December 2019*	*30 June 2020*
	£	*£*	*£*
Basic loss per share (£)	(£21.38)	(£12.26)	(£32.57)
Diluted loss per share (£)	(£21.38)	(£12.26)	(£32.57)
Loss attributable to equity shareholders	(1,409,743)	(702,612)	(1,881,786)
Weighted average number of shares in issue	65,926	57,318	57,777

Diluted earnings per share
There are share options and warrants outstanding as at the end of each period which, if exercised, would increase the number of shares in issue. However, the diluted loss per share is the same as the basic loss per share, as the loss for the year has an antidilutive effect.

5. Intangible fixed assets

The Group's intangible fixed assets, which include Development Battery Cells and IP Rights, had additions of £1,622,552 in the six months to 31 December 2020 (six months to 31 December 2019: £1,587,173; 15 months to 30 June 2020: £3,622,519).

The Group capitalised the development costs relating to the products it is developing, in line with IAS 38, however it has not yet amortised the costs. The Group also records the value of the IP Rights it holds through licences. The amortisation of the IP Rights and the interest arising from the licence obligations has been capitalised into the intangible assets (Development Battery Cells) whilst the battery cells are being developed. Amortisation of IP Rights were £245,427 (2019: £188,987; 15 months to 30 June 2020: £447,943) for the same periods above.

No impairments of intangible assets were made.

6. Property, plant and equipment

There were no significant movements on tangible fixed assts over the period of the interim accounts.

7. Right-of-use assets

The Group has lease contracts for buildings and equipment used in its operations, which have the following lease terms:

- Leased equipment has terms of between 3 and 5 years,
- Property leases have terms of under 3 years in the case of office space near Oxford and for 10 years for manufacturing facility in Thurso,
- The sub-lease has a duration of under 3 years.

Right-of-use assets include additions of £nil for the six months to 31 December 2020 (six months to 31 December 2019: £145,176; 15 months to 30 June 2020: £1,144,569). During the six months to 30 June 2020 the Group ended a property lease with a sub-lease which was fully written down. The charge for depreciation was £87,441 (2019: £86,722; 2020: £110,723) for the same periods above.

8. Principle risks

The risks anticipated by the Group have not changed from those provided for in the Admission Document. These risks include:

Interest rate risks

The Group's activities expose it to the financial risks of interest rates. The Group reviews its risk management strategy on a regular basis and if appropriate it will enter into derivative financial instruments in order to manage interest rate risk. At present, the Group does not have any financial leases that have a floating interest rate, however should it take on such facilities where this is the case, then it will review the risk exposure it has.

Foreign currency risks

The Group has limited exposure to transactional foreign currency risk from trading transactions. The Group considers the need to mitigate this exposure as and when appropriate and will enter into forward foreign exchange contracts to mitigate any significant risks. The Group also seeks to issue invoices to customers based in Europe or USA in the respective currencies to provide a natural hedge against a small portion of the Group's overall costs.

At present, the Group has taken out a forward contract on its US dollar exposure of US$ 150,000.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The ability to do this relies on the Group expanding its customer base, collecting its trade receivables, completing financings in a timely manner and by maintaining sufficient cash and cash equivalents on hand.

The Group monitors its payables on a periodic basis and uses the credit terms to manage the timing of payments to suppliers.

Market Risk

Due to the development nature of the contracts and product programmes that the Group enters into, currently it is not materially exposed to a market directly. However, its products are focused on meeting certain current or expected requirements of individual markets, and these requirements could evolve before the Group is able to complete its product development programmes.

The Group periodically reviews the markets, and demands expected of products, to minimise the risk to its business. It is also reviewing new markets to identify future demand outside of the initial intended markets.

Once the Group has released products, then it will carry out an assessment of the market risk it is exposed to and will carry out sensitivity analysis on the impact that each risk will have on the product(s)' performance and the wider impact on the Group's income statement and its financial position.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

On an ongoing basis, trade receivable balances attributable to each customer are monitored and appropriate action is taken to follow up on those balances when they are considered overdue. In a limited number of customer contracts, an initial payment is secured which helps to mitigate the overall credit risk of a project.

Although the Group has its own terms and conditions with a 30-day payment expectation, under some contracts it accepts longer terms with suitable customers. Should a trade debtor exceed the payment terms, then the Group engages to ensure swift payment. Due to the development nature of the contract, any payments that continue to be delayed may result on discussions over the delivery of the rest of the project. Should there be no engagement from the customer for a period of time then a provision is made for the amount outstanding.

9. Statement of Directors' Responsibilities

The Directors confirm to the best of their knowledge that:

a. The condensed interim financial information has been prepared in accordance with IAS 34; and
b. The interim management report includes a fair review of the information required by the FCA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R).

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

10. Events after the reporting period

The following events have taken place after 31 December 2020.

Capitalisation of Share Premium Account and Reduction of Capital

On 20 January 2021, a sum of £134,548 standing to the Company’s share premium account was capitalised by the issue of bonus shares, in the form of ordinary shares in the Company (“Bonus Shares”).

The Bonus Shares have been issued to Shareholders pro rata to each shareholder's existing holding, such that each Shareholder has received 400 Bonus Shares for each ordinary share held. The proposed rights attaching to the Bonus Shares are identical to the existing ordinary shares. Following the issue of Bonus Shares, the total number of ordinary shares in issue was 26,976,874.

On 20 January 2021, the capital (consisting of the share capital and share premium) of the Company was reduced so that the Company would therefore satisfy the net assets criteria of the Companies Act. This action has the effect of reducing the un-distributable reserves, and therefore the capital, by £8,825,536.88 such that the net assets of the Company are above the revised capital of the Company, as required by the Act in order that the Company could re-register as a public limited company.

Issue of Ordinary Shares

Following the reporting period, the Company issued 286,715 shares at par to David Morgan, Chair of the Group, on 20 January 2021.

Admission to AIM and Fundraise of £13.0m of gross proceeds.

On 12 March 2021, the Company's shares were admitted to trading on AIM, the market operated by the London Stock Exchange Plc. The Company issued 7,402,438 shares at 175 pence per share, raising net proceeds of £11,332,712.