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Powerhouse Energy Group PLC

Half Year Report

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Powerhouse Energy Group PLC

06 September 2023

6 September 2023

Powerhouse Energy Group plc
("Powerhouse", "PHE", the "Group" or the "Company")

Half Year Report

Powerhouse Energy Group plc (AIM: PHE), the UK technology company pioneering integrated technology that converts non-recyclable waste into low carbon energy, is pleased to announce its unaudited half year report for the six months ended 30 June 2023.

Highlights

Management and Business Strategy

- Appointment of new Non-Executive Chairman (Antony Gardner-Hillman) and three Non-Executive Directors (David Hitchcock, Tony Gale and Prof. Karol Kacprzak) with Paul Emmitt as Acting Chief Executive Officer.
- Acquisition of the remaining portion of Engsolve shares (51.61%) to complete the 100% ownership of Engsolve and integration into the Powerhouse Group.

- Announced new Business Strategy in the Annual Report to develop revenue streams through provision of engineering services and being actively involved in developing capital projects using project finance methodology.

Commercial Development

- Framework Services Agreement signed with Petrofac for provision of engineering services on request.
- Completed acquisition of 100% of the shareholding in Protos Waste to Hydrogen No1 Ltd, the special purpose vehicle for the Waste to Hydrogen development at Protos. PHE is managing the project and working with Petrofac to finalise details prior to procurement of plant and equipment.
- Established representation in Northern Ireland with view to developing capital project in Ballymena.
- Signed heads of agreement on a joint venture with Hydrogen Utopia International plc (LON: HUI) at Longford, replacing project at Lanespark, Tipperary.
- Progressing prospects in south-east Asia and Australasia.

Technology and Innovation

- Entered into lease and took possession of self-contained building in Bridgend, Wales for establishment of the Powerhouse Technology Centre, expected to open in Q1 2024.
- Feedstock Testing Unit in manufacture by Mitchell Dryers to be installed in the Powerhouse Technology Centre. Anticipated operational by Q1 2024.
- European patent on temperature control in kiln formally allowed to go forward for registration.
- Collaboration with University of Manchester on computerised fluid dynamics and new methods of hydrogen separation from syngas.

Financial Performance

- Revenues for the half year of £nil (H1 2022: £353k).
- Gross Profit for period £nil (H1 2022: £79.9k).
- £4.90m cash at bank at 30 June 2023 (30 June 2022: £7.54m).

- Placing to raise £1m before expenses on 21 August 2023, supplementing the Group's resources.

The Group's revenues and gross profit for the half year ended 30 June 2023 decreased compared to the same period in 2022 due to the Company changing strategy and acquiring Engsolve Ltd (Engineering Services Supplier) and Protos Waste to Hydrogen No.1 Ltd (Waste to Energy Project). These acquisitions formed part of the Company's future strategy and changed the transactions between these companies from third party supplies and third party sales to intragroup transactions which were therefore eliminated from the consolidation.

Statement from Tony Gardner-Hillman, Non-Executive Chairman of Powerhouse Energy Group Plc

"PHE took a major step forward in 2023 with a new business strategy and a new board to deliver it whose members have committed to the Company and are expanding its activities to secure its future. I welcome David Hitchcock, Tony Gale and Karol Kacprzak as new board members and thank Paul Emmitt and Hugh McAlister for their ongoing support. I also welcome the Engsolve team and look forward to the positive contribution they will make to PHE. Keith Riley has just announced his resignation from the board and as Acting CEO. My thanks to Keith were set out in the Company's announcement on that topic on 06 September 2023.

The profit and loss statement in this half year report does not, in my view, reflect the true trading potential of the Company. Following the acquisition of the Protos SPV, the revenues reported last year in servicing the Protos project have now been internalised, and so are reported as a cost. Meanwhile the acquisition of Engsolve occurred late in the period, so minimal benefit from Engsolve revenues is recognised in these accounts. Good progress has been made on the development of the Powerhouse Technology Centre. The board held its July board meeting there. The building is now ready, and the Feedstock Testing Unit is well into manufacture. I look forward to the Centre being operational early next year and believe it will become a cornerstone in PHE's ability to promote its technology and know-how. The Centre will also help to support the Company's investments in capital projects, which are now moving forward in

Northern Ireland and the Republic of Ireland as well as Protos. Considerable interest in PHE's offering is also being expressed in south-east Asia and Australia.

There is much work to be done. We need to ensure the integration of Engsolve, and PHE must grow its presence in the provision of engineering services as well getting other commercial projects underway. The changes implemented during the first half of this year will enable this to happen. We look forward to updating investors on our progress as we continue through the year."

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About Powerhouse Energy Group plc

Powerhouse Energy has developed a proprietary process technology - DMG® - which can utilise waste plastic, end-of-life-tyres, and other waste streams to convert them efficiently and economically into syngas from which valuable products such as chemical

precursors, hydrogen, electricity, and other industrial products may be derived. Powerhouse's technology is one of the world's first proven, "distributable modular generation", energy from waste processes.

Powerhouse's process produces low levels of safe residues and requires a small operating footprint, making it suitable for deployment at enterprise and community level.

Powerhouse is quoted on the London Stock Exchange's AIM Market under the ticker: PHE and is incorporated in England and Wales.

For more information see www.powerhouseenergy.co.uk

Consolidated Statement of Comprehensive Income

		(Unaudited)	(Unaudited)	(Audited)
		Group	Company	Company
		Six Months	Six Months	Year
		Ended	ended	Ended
		30 June	30 June	31 Dec
	Note	2023	2022	2022
		£	£	£
Revenue	1	-	352,713	380,277
Cost of sales		-	(272,808)	(295,912)
Gross Profit		-	79,905	84,365
Engineering Project Costs		(368,154)	-	-

Administrative expenses		(979,432)	(1,050,400)	(2,258,177)
Acquisition costs		(31,457)	-	-
Share of associate		67,302	49,694	60,326
Operating loss (pre-exceptional items)		(1,311,741)	(920,801)	(2,113,486)
Exceptional Items:				
Exclusivity Impairment		-	-	(500,000)
Goodwill Impairment		-	-	(40,660,000)
Fair Value Gain on Equity Investment	2	282,150	-	-
Loan Reversal	3	453,017	-	(2,159,274)
(Revenue)/Engineering Impairment		-	-	(986,392)
Operating (Loss) (post exceptional items)		(576,574)	(920,801)	(46,419,152)
Net finance revenues		-	21,434	65,448
(Loss) before taxation		(576,574)	(899,367)	(46,353,704)
Income tax credit/(charge)			(9,273)	155,025
(Loss) after taxation		(576,574)	(908,640)	(46,198,679)
Total comprehensive (loss)		(576,574)	(908,640)	(46,198,679)
Total comprehensive (loss) attributable to:				
Owners of the Company		(576,574)	(908,640)	(46,198,679)
Non-controlling interests		-	-	-
(Loss) per share from continuing operations (pence)	6	(0.01)	(0.02)	(1.17)

The figures as presented are not strictly comparable with the prior year period as the comparative figures are non-consolidated, with the Group only coming into effect in 2023.

The notes numbered 1 to 9 are an integral part of the half year financial information.

Statement of Consolidated Financial Position

		(Unaudited) Group	(Unaudited) Company	(Unaudited) Company	(Audited) Company
		As at	As at	As at	As at
		30 June	30 June	30 June	31
					December
	Note	2023	2023	2022	2022
		£	£	£	£
ASSETS					
Non-current assets					
Intangible fixed assets	5	3,155,337	2,503,585	43,654,220	2,502,073
Tangible fixed assets		456,672	444,978	23,901	5,795
Investments in subsidiary undertakings		1	827,838	1	1
Investments in associated undertakings		-	-	179,026	187,638
Total non-current assets		3,612,010	3,776,401	43,857,148	2,695,507
Current Assets					
Loans receivable		-	-	1,925,112	-
Trade and other receivables		250,620	100,128	1,441,287	403,247
VAT Recoverable		333,223	376,380	-	-
Corporation tax		-	-	-	166,318
Cash and cash equivalents		4,897,457	4,424,877	7,536,341	5,882,897

Total current assets		5,481,300	4,901,385	10,902,740	6,452,462
Total assets		9,093,310	8,677,786	54,759,888	9,147,969
LIABILITIES					
Current liabilities					
Creditors: amounts falling due within one year		(801,221)	(1,120,864)	(601,186)	(279,306)
Total current liabilities		(801,221)	(1,120,864)	(601,186)	(279,306)
Total assets less current liabilities		8,292,089	7,556,922	54,158,702	8,868,663
Creditors: amounts falling due after more than one year		-	-	-	-
Net assets		8,292,089	7,556,922	54,158,702	8,868,663
EQUITY					
Shares and stock	4	22,900,856	22,900,856	22,900,856	22,900,856
Share premium		61,291,710	61,291,710	61,291,710	61,291,710
Merger relief reserve		-	-	36,117,711	-
Accumulated deficit		(75,900,477)	(76,635,644)	(66,151,575)	(75,323,903)
Total surplus		8,292,089	7,556,922	54,158,702	8,868,663

The figures as presented are not strictly comparable with the prior year period as the comparative figures are non-consolidated, with the Group only coming into effect in 2023.

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Consolidated Statement of Cash Flows

(Unaudited)(Unaudited) (Audited)
Group Company Company
Six months Six months Year ended

	Note	Ended 30 June 2023 £	Ended 30 June 2022 £	31 December 2022 £
Cash flows from operating activities				
Operating (loss)		(576,574)	(920,801)	(46,419,152)
Adjustments for:				
- Share based payments		-	(18,629)	(18,629)
- Amortisation		4,810	4,810	10,263
- Depreciation		2,633	11,021	27,970
- Goodwill impairment		-	-	41,160,000
- Loan Impairment	3	*(453,017)	-	2,077,600
- Share of associate		(67,302)	(49,694)	(49,033)
- Fair Value Gain on Equity Investment		(282,150)	-	-
- Loan Interest Charge	3	-	-	81,674
- Other none cash movements		(13,635)	-	3,006
Changes in working capital:				
- Decrease/(Increase) in trade and other receivables		(14,278)	(477,639)	560,401
- Increase/(decrease) in trade and other payables		521,915	50,007	(284,475)
- Tax credits received		-	155,227	166,318
Net cash used in operations		(877,598)	(1,245,698)	(2,684,057)
Cash flows from investing activities				
Dividends received from associate		-	1,935	-
Cash for investment in Engsolve		(572,896)	-	-
Cash acquired on acquisition		466,771	-	-
Loans advanced		-	(737,520)	(927,600)
Purchase of intangible fixed assets		-	(104,532)	(117,838)
Purchase of tangible fixed assets		(1,512)	(1,830)	(673)
Net cash used in investing activities		(107,637)	(841,947)	(1,046,111)

Cash flows from financing activities

Proceeds from issue of shares	-	-	-
Payments of principal under leases	-	(12,602)	(23,455)
Net finance costs	(205)	(872)	(940)

Net cash flows used in financing activities

(205)	(13,474)	(24,395)
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Net (decrease) in cash and cash equivalents

(985,440)	(2,101,119)	(3,754,563)
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Cash and cash equivalents at beginning of period

5,882,897	9,637,460	9,637,460
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Cash and cash equivalents at end of period

4,897,457	7,536,341	5,882,897
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The figures as presented are not strictly comparable with the prior year period as the comparative figures are non-consolidated, with the Group only coming to effect in 2023.

The notes numbered 1 to 9 are an integral part of the half year financial information.

Statement of Changes in Equity

Ordinary	Share Merger				
Share capital	Deferred shares	premium account	relief reserve	Accumulated deficit	Tot
£	£	£	£	£	

Balance at 1		3,113,785				
Jan 2022						
(audited)	19,787,071		61,291,710	36,117,711	(65,224,306)	55,085,9
Transactions with equity participants:						
- Shares issued on exercise options	-	-	-	-	-	-
- Shares issued on exercise warrants	-	-	-	-	-	-
- Other share issues	-	-	-	-	-	-
Share based payment	-	-	-	-	(18,629)	(18,62
Share issue costs	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(908,640)	(908,64
Balance at 30		3,113,785				
June 2022	19,787,071		61,291,710	36,117,711	(66,151,575)	54,158,70
(unaudited)						
Transactions with equity participants:						
- Shares issued on exercise options	-	-	-	-	-	-

Share based		-			
payment	-		-	-	-
Reserve					
transfer -					
goodwill					
impairment			(36,117,711)	36,117,711	
Total		-			
comprehensive					
loss	-		-	-	(45,290,039)(45,290,03
Balance at 31		3,113,785			
Dec 2022					
(audited)	19,787,071		61,291,710	- (75,323,903)	8,868,61
Share based		-			
payment	-		-	-	-
Total		-			
comprehensive					
(loss)	-			-	(576,574) (576,57
Balance at					
30 June					
2023	19,787,071	3,113,785	61,291,710	- (75,900,477)	8,292,08
(unaudited)					

The following describes the nature and purpose of each reserve within equity:

Deferred shares: Represents the combined total of all deferred shares (0.5p, 4p and 4.5p).

Share premium: Amount subscribed for share capital in excess of nominal value.

Merger relief reserve: Amount subscribed for share capital in excess of nominal value where merger relief applies.

Accumulated deficit: Accumulated deficit represents the cumulative losses of the Company and all other net gains and losses and transactions with shareholders not recognised elsewhere.

The notes numbered 1 to 9 are an integral part of the half year financial information.

Notes (forming part of the half year Group financial information)

1. Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

1.1. Basis of preparation

This half year consolidated financial information is for the six months ended 30 June 2023 and has been prepared in accordance with International Accounting Standard 34 "Interim Financial Statements". The accounting policies applied are consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) as adopted for use in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS (except as otherwise stated). The accounting policies and methods of computation used in the half year financial information are consistent with those of the previous financial year and corresponding half year reporting period (save that, as mentioned above, prior year comparative figures are non-consolidated, with the Group only coming to effect in 2023) and with those expected to be applied for the year ending 31 December 2023.

The Group does not consider any new and amended standards that became applicable for the current reporting period to have any impact on the Groups results.

The unaudited results for period ended 30 June 2023 do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the period ended 31 December 2022 for the Company are

extracted from the audited financial statements which contained an unqualified audit report and did not contain statements under Sections 498 to 502 of the Companies Act 2006.

This half year financial statement will be, in accordance with the AIM Rules for Companies, available shortly on the Company's website.

As the Group did not come into existence until the current period it should be noted that comparatives are for Company only. Details on types of investment are in Note 1.4 below.

1.2. Going concern

The Directors have considered all available information about future events when considering going concern. The Directors have prepared and reviewed cash flow forecasts for 12 months following the date of these Financial Statements. The projections show that the Group will have sufficient funding to be able to continue as a going concern on the basis of its cash balances as at 30 June 2023.

The half year financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

1.3. Functional and presentational currency

This half year financial information is presented in £ sterling which is the Group's functional currency.

1.4. Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the Company has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.5. Revenue

The Group provides engineering services for the application of the DMG technology, the intellectual property that the Group owns. Revenue from providing services is recognised in the accounting period in which services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided to the extent to which the customer receives the benefits. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Where a contract includes multiple performance obligations as specified by the work scope, the transaction price will be allocated to each performance obligation based on the estimated expected cost-plus margin.

Estimates of revenues, costs, or extent of progress toward completion of services are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If a contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice.

2. FAIR VALUE GAIN ON EQUITY INVESTMENT

On 12 August 2021, the Company acquired a 48.39% interest in Engsolve Limited, an engineering consultancy company incorporated and operating in England and Wales. On 21 June 2023, the Company completed the acquisition of the balance of the issued share capital of Engsolve (51.61%). The previous shareholding in Engsolve (48.39%) was subsequently revalued leading to a fair value gain of £282,150 on the original shareholding. Please refer to note 8 below.

3. impairment of INTER Company loans & transactions

Prior to December 2022 the Company entered into transactions with Protos to provide funding via a loan facility with the balance at 31 December of £2,159,274 and also made sales to Protos of £986,392. It was determined by the Company on 31 December 2022 that these amounts were no longer recoverable and were therefore written off within the Company. The write off of the loan facilities has been recognised against capitalised development expenditure in the sum of £2,692,649. The remaining £453,017 has been written off to the profit and loss account in the consolidated financial statements. This write off was to reflect the impairment of the transactions with the understanding of the fact that the impairment maybe unwound should Protos achieve sufficient results to be able to repay the loan and sales.

4. SHARE CAPITAL

	0.5 p Ordinary shares	0.5p Deferred shares	4.5 p Deferred shares	4.0 p Deferred shares
Balance at 1 January 2023	3,957,414,135	388,496,747	17,373,523	9,737,353
Shares issued	-	-	-	-

Balance at 30	3,957,414,135		17,373,523	9,737,353
June 2023		388,496,747		

The deferred shares have no voting rights and do not carry any entitlement to attend general meetings of the Company. They carry only a right to participate in any return of capital once an amount of £100 has been paid in respect of each ordinary share. The Company is authorised at any time to effect a transfer of the deferred shares without reference to the holders thereof and for no consideration.

5. INTANGible Assets

Intangible assets in the period increased due to £651,752 of goodwill being generated from the combination of the Group including Protos and Engsolve. Please refer to note 8 below.

6. (Loss) per share

	(Unaudited)	(Unaudited)	(Audited)
	As at	As at	As at
	30 June	30 June	31 December
	2023	2022	2022
	£	£	£
Total comprehensive (loss)	(576,574)	(908,640)	(46,198,679)
Weighted average number of shares	3,957,414,135	3,957,414,135	3,957,414,135
Basic loss per share in pence	(0.01)	(0.02)	(1.17)
Diluted loss per share in pence	(0.01)	(0.02)	(1.17)

7. SHARE BASED PAYMENTS

The expense recognised for share-based payments during the year is shown in the following table:

	(Unaudited)	(Unaudited)	(Audited)
	As at	As at	As at
	30 June	30 June	31
	2023	2022	December
	£	£	2022
			£
Share based payment charge/(credit) recognised in Income Statement			
Expense arising from equity-settled share-based payment transactions:			
- Share options for Directors and employees	-	(18,629)	(18,629)
Total share-based payment in Income Statement	-	(18,629)	(18,629)
Share based payment charge recognised in Share Premium			
- Warrants for third party services	-	-	-
Total share-based payment in Share Premium Account	-	-	-
Total share-based payment charges/(credits) recognised	-	(18,629)	(18,629)
Other share-based payment movements			
Exercise of options by Directors and employees	-	-	-
Exercise of warrants for third party services	-	-	-
Total share-based payment	-	(18,629)	(18,629)

The were no liabilities recognised in relation to share based payment transactions.

8. acquisitions During THE REPORTING PERIOD

The Company announced on 28 April 2023 that it had acquired full ownership of Protos Plastics to Hydrogen No.1 Ltd from Peel NRE Ltd for a nominal payment of £1. Protos Plastics to Hydrogen No. 1 Limited is a special purpose vehicle and owner of the development of the Protos plant, the first proposed commercial application of the Company's DMG™ technology. The acquisition of Protos generated goodwill of £64,326 and net liabilities of £64,325.

Details of the transaction:

Non-Current Assets:	Book Value	
Fair Value		
Goodwill		64,326
Property Plant & Equipment		
2,692,649		
Current Assets:		
Bank	5,787	5,787
Other Debtors - VAT	412,634	412,634
Current Liabilities:		
Loans	(3,145,666)	0
Creditors	(29,729)	(29,729)
Total Value of assets acquired	(64,325)	
453,018		

Cash flows

Cash Consideration to old owners	£1
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On 12 August 2021, the Company acquired a 48.39% interest in Engsolve Limited, an engineering consultancy company incorporated and operating in the UK. On 21 June 2023, the Company completed the acquisition of the entire outstanding share capital of Engsolve (51.61%) for a cash consideration of £572,896. The previous shareholding in Engsolve was subsequently revalued leading to a fair value gain on the original

shareholding of £282,150. On acquisition the Company acquired net assets of £522,560. The goodwill generated on acquisition amounted to £587,426. The Company considers this as a strategic acquisition as it brings engineering expertise in-house and enables the Company to generate a regular income stream through the provision and development of engineering services into the UK market.

The investment of £827,838 on the Company's stand-alone Balance Sheet includes the cost of the original investment in Engsolve of £99,990, share of profits to 30 June 2023 of £156,887, less dividends of £1,935 plus the cash consideration for the acquisition of the outstanding shares in Engsolve of £572,896.

Details of the transaction:

Non-Current Assets:	Book Value	
Fair Value		
Goodwill		587,426
Property, Plant & Equipment	11,694	
11,694		
Current Assets:		
Bank	466,793	466,793
Other Debtors	150,492	150,492
Current Liabilities:		
Creditors	(106,419)	(106,419)
Total Value of assets acquired	522,560	
1,109,986		

Cash flows

Cash Consideration to old owners	£572,896
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9. EVENTS AFTER THE REPORTING PERIOD

On 21 August 2023, the Company raised £1 million, before expenses, through a placing at a price of 0.5p per share ("Issue Price") (the "Placing"). The Placing was arranged by the Company's broker, Turner Pope Investments (TPI) Ltd ("TPI").

A total of 200,000,000 new Ordinary Shares of 0.5p each in the capital of the Company ("Ordinary Shares") was placed by TPI at the Issue Price with clients of TPI. TPI received 8,000,000 new Ordinary Shares by way of remuneration, having elected to receive Ordinary Shares at the Issue Price instead of cash in respect of certain professional fees.

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