INVINITY
ENERGY SYSTEMS

ANNUAL REPORT & FINANCIAL STATEMENTS 2022

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Invinity team members at the Company's Vancouver facility – March 2023

ABOUT INVINITY

Energy storage is vital to the success of the green energy transition.

Invinity Energy Systems is the leading global manufacturer of vanadium flow batteries (VFBs), the most commercially proven alternative to lithium-ion for stationary energy storage. In response to rapidly growing demand for its products, Invinity has now deployed or is delivering over 65 MWh of modular battery systems at more than 70 sites across 15 countries, more than any other company in the space.

Invinity's VFBs provide superior safety, throughput, flexibility and lifetime, allowing our customers to get more from their energy storage systems. Invinity's batteries are already playing an important role in the low-carbon energy transition, unlocking the power of renewable energy by filling in the "missing hours" when the wind does not blow and the sun does not shine.

Invinity has operations in the UK, Canada, the U.S., Australia and China. The Company is listed in the UK on AIM and AQSE and trades in the U.S. on OTCQX.

www.invinity.com

2022 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- 39.2 MWh of sales closed in 2022 (2021: 0.5 MWh)
- £3.6m total income including sales revenue and project related grant income, a 13% increase YoY (2021: £3.2m)
- 12% YoY reduction in loss from operations – £19.0m (2021: £21.3m)
- £23.7m revenue backlog* for delivery in 2023 (as at 31 May 2023) – a 72% increase vs. 2021 Year-end (£13.8m)
- £14.9m inventory and pre-paid inventory – a 51% increase YoY (2021: £9.9m)
- £15.3m current cash as at 31 May 2023. Year-end cash £5.1m
- Post period: £2.5m strategic investment from Taiwanese technology group Everbrite received March 2023. Further discussions with a number of potential strategic partners are ongoing

* Defined as both contracted orders already recognised in 2023 and contracted orders still to be delivered over the remainder of 2023

Launching Invinity's 5 MWh VFB at the Energy Superhub Oxford with representatives from Invinity, Pivot Power (now EDF Renewables), Habitat Energy, accompanied by Robert Llewellyn – 5 July 2022

CUSTOMER PIPELINE PROGRESSION & CURRENT STATUS

Date	Closed MWh	Base MWh	Advanced MWh	Qualified Near-Team[1] MWh	Qualified Further-Term[1] MWh
25 May 2022 (2021 Annual Report)	28.0	11.6	66.3	608.3	—[2]
22 September 2022 (HY22 results)	28.0	22.8	63.5	405.8	—[2]
20 January 2023 (Operational Update)	59.8	15.6	129.4	766.4	1,190
24 May 2023 (FY22 Results)	**64.3**	**42.8**	**73.4**	**957.1**	**1,397**
% change (May 2022 to May 2023)	+129.6%	+269.0%	+10.7%	+57.3%	+17.4%[3]

[1] Near term dates in the Qualified categories are where estimated delivery is within the next 24 months. Further term reflects estimated deliveries that are beyond the next 24 months.
[2] Not reported at time of pipeline publication
[3] Increase given from when figure first reported (Jan 2023) to May 2023
N.B. Definitions of pipeline category terms can be found in the Company's announcements

INVINITY ENERGY SYSTEMS

COMMERCIAL AND OPERATIONAL HIGHLIGHTS

39.2 MWh
Sold January 2022 to December 2022
+7,740% YoY

13.2 MWh
Manufactured January 2022 to December 2022
+100% YoY

£23.7m
Backlog* for delivery in 2023
+72% YoY

A COMPANY AND AN INDUSTRY RACE FORWARD

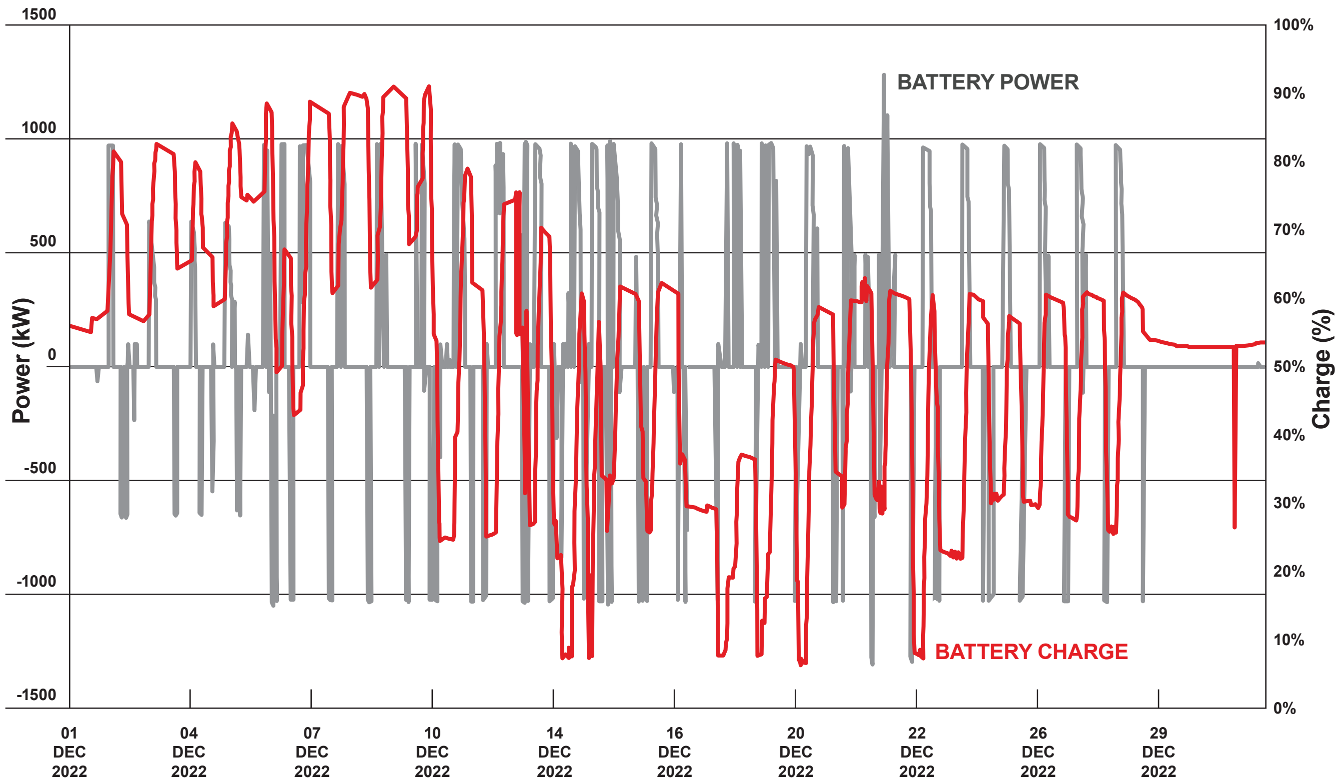
By Matt Harper, Chief Commercial Officer

Last year I talked about how Invinity was at a critical threshold where the three pillars of value, cost and proof – value to our customers, cost of delivering that value, and proof that we and our products can deliver – were the foundation for significantly growing our commercial opportunities. Since that time we were able to solidify those pillars, and I'm thrilled that doing so massively accelerated the commercial acceptance of our product.

THE THREE PILLARS

We and our customers now have data that shows the **value** our pioneering projects are delivering; going above and beyond traditional lithium-ion systems to deliver multiple value streams in parallel. At the Energy Superhub Oxford, for instance, our 5 MWh battery has been operating in wholesale electricity markets and performing ancillary services since the summer of 2022, proving the range of capabilities our products provide for customers. Similarly at Scottish Water Perth, our battery is increasing the on-site use of self-generated, low carbon electricity while also saving the site operator money by decreasing the amount of electricity they purchase when electricity tariffs are at their peak.

OPERATION OF A GRID-CONNECTED INVINITY VS3 BATTERY DURING DECEMBER 2022



> ***"Our batteries can revolutionise energy storage applications the world over in 2023"***

Matt Harper
Chief Commercial Officer

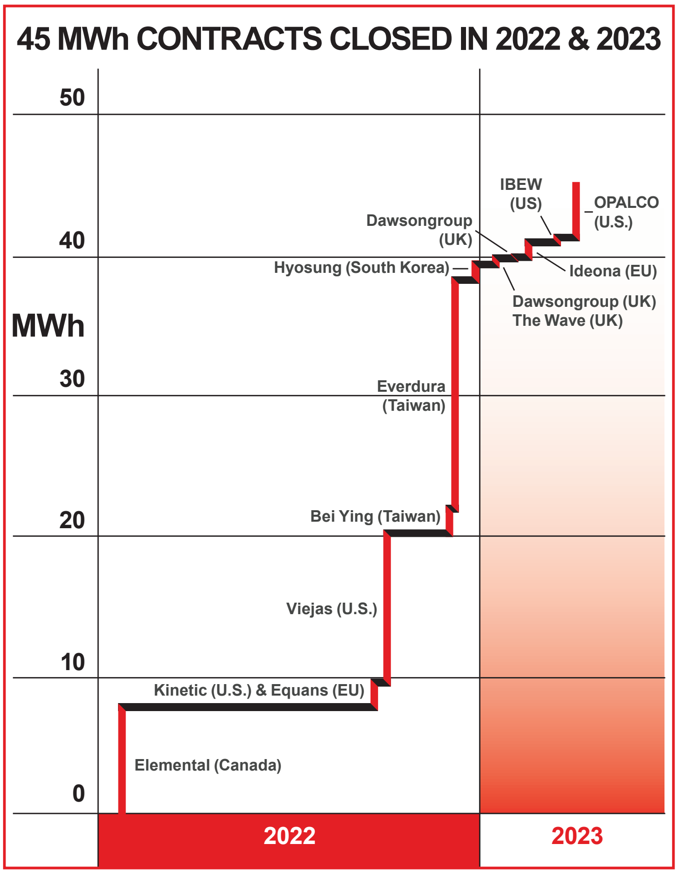
But even the most valuable assets need to be purchased and financed – so **cost** matters, and Invinity made significant advancements in 2022. Product design simplifications, new supply chain partners and new, more streamlined facilities have decreased our production costs, allowing us to sell at prices that contribute to our bottom line while keeping customer business cases resoundingly positive. We have also worked to further decrease the costs our customers incur to operate and maintain our products over a service life measured in decades rather than years, truly maximizing their return on investment. And perhaps most importantly, the focus on full lifecycle cost reduction has set the stage for our next generation product, code-named "Mistral", whose fundamentally simpler, lower-cost design will allow us to compete directly with the most aggressively priced energy storage systems on the market.

Finally, when we think about **proof**, we have made significant leaps in giving new partners – be they customers, financiers, resellers or regulators – confidence that our batteries are the right solution for solving the toughest problems on the electric grid. Not only have we implemented data analytics and reporting tools that show our existing customers how our products are befitting them both in real-time and in aggregate, but we have developed assets such as a bankability report from global assurance and risk management leader DNV to prove how Invinity's vanadium flow batteries deliver as expected.

FROM A STRONG FOUNDATION

And it worked. Invinity saw tremendous commercial success through the latter half of 2022 building directly on these pillars, contracting for more business in that period than in the history of the Company to date. Excitingly this included projects that are in potentially massive new segments like data centres (with Kinetic Solutions in Arizona); that present a first engagement with regional partners who plan to revamp entire national electricity grids (with Hyosung in South Korea, Everdura in Taiwan and, more recently, both Equans and STS in Europe); and that will demonstrate how at any scale our batteries, combined with renewables, can decrease costs and accelerate decarbonization for major electricity users (with Indian Energy in Southern California). With each of these projects progressing towards delivery, we are looking forward to further proving how our batteries can revolutionise energy storage applications the world over in 2023.

Delivering 0.5 MWh of VS3 Invinity flow batteries to Soboba Band of Luiseño Indians – June 2022



"We expect to deliver a fleet of flow batteries totaling over 35 MWh across four continents, embodying almost 1000 individual flow batteries"

FROM ONE TO MANY

The above-stated developments are impressive, and I am energized every day by being part of a team that continues to deliver commercial success year after year. Beyond Invinity's walls, though, those same three pillars of value, cost and proof are beginning to deliver huge leaps forward for grid-connected energy storage in general. In the last year, industry associations like the Long Duration Energy Storage Council have worked to advance a consensus view of how longer duration storage, especially incorporating non-lithium technologies, can create enormous value while unlocking a renewables-fueled global path to net zero. Across the nascent long duration energy storage ("LDES") industry costs are decreasing and supply chains are normalizing; by contrast, the growing EV market is driving costs up and availability down for lithium-ion batteries, broadening the opportunity for competition.

And the proof? One only needs to look to the funding governments and regulators are putting into our industry, from the California Energy Commission (or CEC)'s US$380m for non-lithium LDES to the UK Department of Energy Security and Net Zero (DESNZ)'s £69m for Longer Duration Energy Storage (LODES) solutions for the UK grid. We are delighted to see broad support for our sector and especially thrilled that, in both cases, Invinity is at the forefront, with the CEC and DESNZ providing financial support to our Viejas Resort and Casino project in California and our Phase 2 LODES competition project in the UK, respectively. Additionally, the U.S. Department of Energy has recently published a report titled "Pathways to Commercial Liftoff: Long Duration Energy Storage", which projects that the intra-day LDES market, on which Invinity is focused, is expected to be as large as 274 GW in the U.S. alone by 2050. These and other agencies the world over are convinced long duration storage is critical to a net zero grid; their support of Invinity to date proves they see us as leaders in delivering that vision.


VS3 batteries on site in South Australia – May 2023


Final Invinity VS3 being delivered to site in Alberta, Canada – March 2023

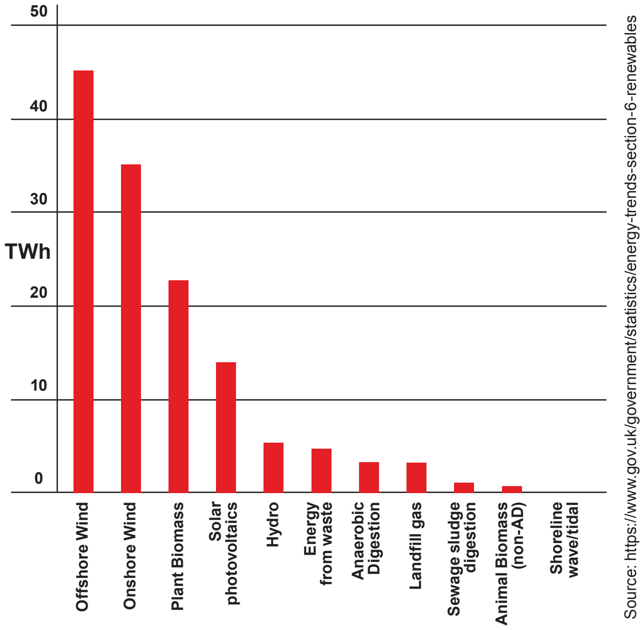

First VS3 deliveries from Baojia New Energy manufacturing plant – August 2022

THE BEST IS YET TO COME

In 2023 Invinity will build on this momentum. First, we expect to deliver a fleet of flow batteries totaling over 35 MWh across four continents, embodying almost 1000 individual flow batteries. That's not just a commercial success; it will give us operational experience, applications expertise and an unparalleled dataset from which to draw the customer, technical and data-driven insights that will accelerate our progress and advance our market-leading position.

Perhaps most exciting though are our plans to initiate on our first projects this year for our next-generation battery, Mistral. This isn't just about developing a cheaper, higher-performance battery; we expect Mistral will define a new category of high-throughput grid-connected energy storage. A major trend in renewables over the last five years has been the combination of solar photovoltaic generation with storage as the dominant paradigm for utility-scale plants. By contrast, maximising intermittent wind output with fast-responding, durable battery storage is a much more demanding service, requiring intervention by the second, by the hour and over days. The economics of delivering that level of throughput over the decades-long service life of a wind farm by lithium-ion batteries simply do not add up.

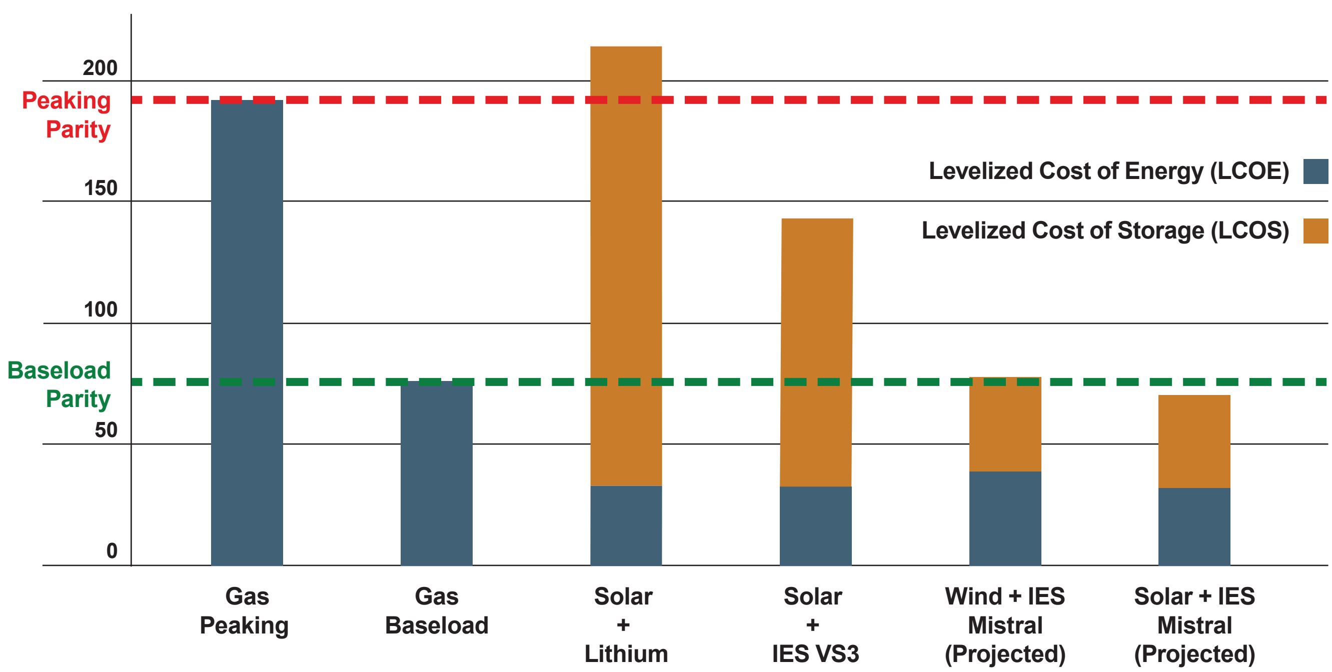
UK RENEWABLE POWER GENERATION 2022 (TWh)



Mistral, whose development draws from deep expertise from the wind industry, will be the first product designed from the ground up to maximise the benefits storage can deliver to renewable generation. This matters because in the UK, wind dominates over solar; but even with recent increases in the cost of gas generation driven by geopolitical uncertainty, wind power's intermittency has limited its ability to substitute for gas as prices rise. Mistral will close that gap, delivering energy on demand from wind and helping to stabilize UK energy prices with low-cost, low-carbon, domestically-produced power.

No matter what proportion of the global energy storage market Invinity is able to capture – and we think we are ideally positioned to capture a large slice of the pie – it is unequivocal that this is a revolutionary opportunity of the kind that comes about only once in a generation. The last two decades have proven that renewables are an inexpensive, effective source of clean energy for the electric grid; the next two will prove that energy storage can turn that energy into on-demand, low-cost power our homes, our industry, and our institutions in a net zero future. The year ahead will see Invinity continue to accelerate our part in making that future a reality.

CHANGING THE ECONOMICS OF ENERGY



Lithium Data: Lazard LCOS 7.0; **Wind + Solar Data:** LCOE 15.0: Lazard assumes unsubsidised gas price of \$3.45/MMBTU; IES figures based on company and development partner programme projections.

BREAKING NEW GROUND

Chairman's Report

Neil O'Brien
Non-Executive Chairman

I am delighted to report to shareholders that Invinity has accelerated its deployment of working assets and built up a significant order book for delivery in 2023 and 2024. We are focused on deploying and operating the units that have been shipped, winning new contracts and developing the next generation of our vanadium flow battery which we believe will play a significant role in Invinity's rapid progression through the current loss-making phase towards becoming a self-sustaining, profitable business. It is worth restating why we see Invinity winning a significant market share in the global energy storage market. Invinity has created a modular, long-duration battery with a 20+ year asset life, capable of achieving some of the lowest possible levelised cost of storage metrics. This means our technology is an ideal solution for both commercial and utility-scale customers wishing to reduce their energy costs, utilise greater amounts of renewable energy and accelerate progress towards net zero. Given the world's urgent focus across these key areas, this opens up a potentially huge addressable global market for Invinity, who are uniquely positioned with a mature, production-ready product which has already been proven in the field.

2022 saw record global deployment of energy storage, particularly in the U.S. and the UK, and I am pleased to note Invinity's own contribution to this trend. We sold a record number of vanadium flow batteries during the period to customers in both new and existing markets, making this our best commercial year to date, and underscoring my belief that the Company has reached a key milestone in terms of commercial acceptance. One of the key drivers of this success was potential customers being able to see our batteries in operation at key sites and I was proud to represent Invinity at the launch of our 5 MWh vanadium flow battery, the UK's largest operational VFB, at the Energy Superhub Oxford in July 2022. Projects such as this attract worldwide attention and have helped to place Invinity at the forefront of many developers' minds.

Delivery is an important target for Invinity. Signing contracts is the first step of the commercial process, but the follow through to delivery and handover generates revenue and ultimately long-term value for our shareholders. Having operational systems in the field is an important indicator of the significant progress the Company has made in this regard, but as a manufacturer of 'emerging' battery technology, at the core of our business will always be our ability to build and deliver our products effectively. Notably, the expansion of our manufacturing capabilities has set us on the path towards delivering even larger projects, faster and more economically than ever before.

During 2022 the team successfully deployed funds that were raised in late 2021 to support our operational and commercial growth and I'm greatly encouraged to report demonstrable progress in both areas during the period. The funds raised at the beginning of 2023 are already supporting the next steps of our growth as we progress from a revenue-generating to a profit-generating business. The work we have done means I remain confident that Invinity is now even better positioned to take advantage of this buoyant market evidenced by our well-developed commercial pipeline, which now includes a first look at the over 1 GWh of qualified commercial interest for our next-generation vanadium flow battery and confirms Invinity's place as one of the global market leaders for vanadium flow battery technology.

My Board and I have ensured Invinity continues to follow a clear and well-developed strategy, set out in detail later in this report. Invinity's core markets remain the UK, North America and Australia and we maintain our belief that these are the most appropriate areas for focus given the Company's current capabilities. However, new markets are also emerging in Europe and Asia and the formation of key partnerships that enable us to expand our reach commercially and operationally without the need for a full corporate presence and the associated overhead costs is another important strategic decision that has been made.

To this end, I am pleased to note we have signed three new reseller partnerships in 2022 that enable us to access some of the fastest growing markets in the world, such as Korea and Taiwan. Encouragingly, this momentum has continued into 2023 with entry into new European markets and further important business relationships initiated in our core UK and U.S. markets. The hard work carried out by our team in establishing and supporting these strategic relationships is already bearing fruit with our largest sale of 2022 being a 15 MWh deal with our Taiwanese partner Everdura.

Looking inward, the Invinity team is operating strongly, winning new contracts, deploying our batteries and continuing to develop our leading-edge technology. I would like to take this opportunity to thank the entire team for their hard work and perseverance during 2022 and the current year to date. I would also like to thank all my Board colleagues for their support and assistance over the year, particularly to Jonathan Marren who, stepping back into an Executive role, is already making a significant impact on the strategic and financial side of the business.

In summary, 2022 can be marked as a key inflection point in Invinity's progress, with almost 40 MWh of sales signed, a £23.7m sales orderbook for delivery across 2023, our largest project to date launched and operational and a growing partnership network that is already bringing commercial benefits to the Company. An improved corporate and operational structure has set us up well for the future and 2023 is already shaping up to be another transformational year, supported by the successful March fundraise and continued commercial progress.

I remain extremely optimistic in the outlook for Invinity. I am extremely grateful for the continued support from you, our shareholders, without which we would not be in our strongest position yet to take this next step on our journey.

Neil O'Brien
Non-Executive Chairman
27 June 2023

PROGRESS ON THE PATHWAY TO PROFITABILITY

Chief Executive Officer's Report

Larry Zulch
Chief Executive Officer

Efforts from years past bore fruit in 2022. We closed deals for more energy storage than we had closed in our entire previous history. As expected, we reported a loss for 2022, but were able to transition from closing loss-making deals to signing ones that are anticipated to yield positive gross margins. I'm pleased to report that all but one of the contracts closed in 2022 is forecast to achieve this requirement. We manufactured more product than in any previous year, progressed our next generation product and established significant new partnerships. Perhaps most importantly, we set the stage for an even better 2023 in every critical measure.

We have set ourselves to a task that is not easy. The significant investment we are making now will ensure Invinity is better prepared commercially, operationally and financially as we take rapid and significant strides towards profitability. We are passionately committed to building a profitable, self-sustaining company that creates a net zero future where vanadium flow batteries deliver renewable power on demand. This means delivering large amounts of high-performance stationary energy storage at a price that customers find compelling and signing contracts in sufficient volume and at low enough costs that we generate corporate profit. We believe our next generation product "Mistral" will play a key role in achieving these goals.

We know what we need to do to achieve this ambition and we are doing it. Our accomplishments in 2022 were largely presented as goals in 2021. In my report for that year, I said that we wanted to achieve demonstrable progress in the fields of sales, partnerships, and delivery, recognise revenue on our existing VS3 product, and progress development of our next-generation product, code-named "Mistral". Our accomplishments in these key areas, despite (or perhaps enhanced by) the challenges we've encountered and overcome marks progress toward our goals and will help us deliver long-term value to our shareholders.

We believe our accomplishments in 2022 allow us to state that we have successfully navigated the difficult transition from a company delivering pilot projects to a commercial entity. Our work continues to require significant effort and resources as we progress, but we are moving purposefully and determinately along our pathway to profitability.

DELIVERY AND SALES

Our success derives from delivering our proven technology to a growing list of customers. I am pleased to report that last year we delivered more than 100 individual VS3 modules and commissioned more than 200 to customers across three continents. At the time of writing, we believe we have delivered more individual flow batteries—each capable of operating independently—than all other flow battery companies combined across their histories.

Current installations of each BESS (Battery Energy Storage System; an industry-standard acronym for stationary storage) incorporating Invinity's products undergo a multi-step process. Contracted project objectives are turned into a storage system architecture and expressed in plans and documentation. Our customer prepares the battery system's foundations, grid connections and supporting infrastructure. Once site works are complete, we deliver the battery modules, ensure those modules are installed correctly and bring the system online. Demonstrating that the battery system can properly store and discharge energy allows us to declare the BESS "energised." Once the system is integrated with site-level controls and fully operating, we formally hand it over to the customer and consider it "commissioned."

During 2022, we commissioned our largest site to date, the 5 MWh system at the Energy Superhub Oxford, in addition to a number of behind-the-meter systems including a project with Scottish Water and one with a Taiwanese industrial group. We also delivered two California Energy Commission-funded projects: for the Soboba Band of Luiseño Indians and at Marine Corps Air Station Miramar near San Diego. In August, we energized our project with the European Marine Energy Centre in the Orkney islands.

Successfully closing a significant number of deals, delivering those products around the world and ensuring they meet our customers' requirements provides important proof of our commercial status. It demonstrates that the market wants our batteries and that we have built an organisation capable of converting market interest into revenue.

We and our customers continued to experience various external challenges, including ongoing supply chain disruptions, in 2022. Those disruptions caused some delays but did not impact our ability to sign nearly 40 MWh of sales contracts for our VS3 batteries. In doing so, the Company sold more batteries in the last three months of 2022 than in Invinity's entire history. These sales were based in part on our ability to demonstrate to new customers how existing projects are already delivered and operating. I am grateful to the entire Invinity team for the work they carried out to make this happen.

Importantly, I believe these recent contract wins, expected to be delivered at positive gross margin, combined with robust growth in the Company's sales pipeline, reflect an inflection point in the commercial acceptance of Invinity's products. The Company is increasingly well positioned to address the growing global demand for commercial, non-lithium and longer-duration energy storage solutions.

PARTNERSHIPS

I stated in my previous report that our strategy included finding substantial partners who can represent us and our products by providing sales, installation and service support. These partnerships are valuable for two reasons.

First, they allow us to reach a wider market without incurring significant costs that would delay profitable growth for the Company, particularly outside our core markets of Europe, North America and Australia. Second, our reputation is enhanced through association with established entities that have chosen to work with us because they recognise the size of the opportunity and the advantages of our product. I am proud that Invinity has developed important relationships with Hyosung Heavy Industries in Korea, Everdura Technology Company and Bei Ying International in Taiwan, Indian Energy in the U.S., and post period, with Dawsongroup in the UK and Ideona Group and STS Group in the EU. I am delighted that we have closed sales opportunities with each of these partners and are developing further opportunities that have contributed to our growing pipeline of commercial deals.

Our partners recognise the critical need for energy storage, not just to use renewable energy effectively but to avoid relying on more expensive, higher-emissions sources of power when renewable sources—wind, solar and tidal—are not available. They believe that alternative chemistries are vital to overcome lithium-ion batteries' limitations in safety and lifetime and because the demand for lithium-ion batteries needed to support the electrification of transport is already impacting global supplies and has increased the price of lithium and other battery materials significantly.

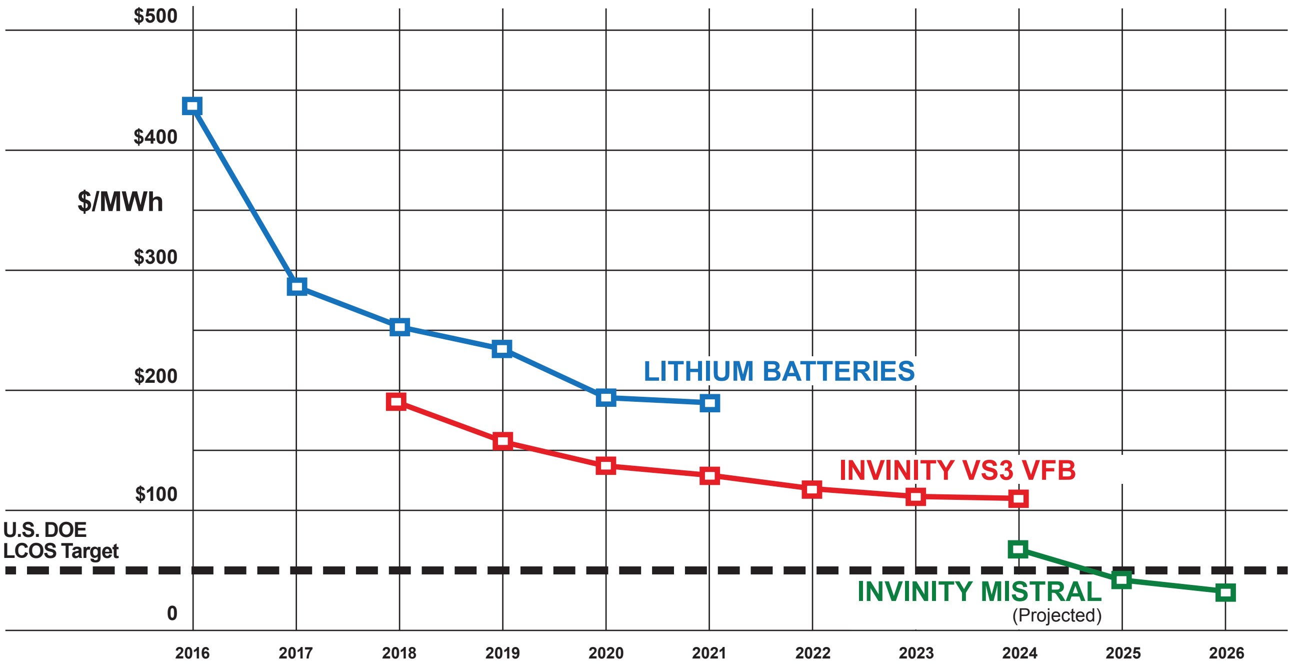
Our ability to deliver our product has been enhanced through establishing a manufacturing relationship with long-time Invinity supporter Suzhou Baojia New Energy Technology Co. (Baojia). They have taken on the manufacturing of our balance of system from our previous manufacturing partner, BCI, who provided an important foundation for Invinity in the early years and for whose continued support we are grateful. With Baojia's larger facilities, we are already achieving greater production scale, having so far shipped more than 25 MWh of batteries directly to project sites and our facilities in both Bathgate and Vancouver. This level of output bodes well for the future, brings us greater cost efficiencies and enhances our ability to expand to meet the growing demand for our products.

PROGRESSING MISTRAL

Our most important partnership is with Gamesa Electric and Siemens Gamesa Renewable Energy (SGRE) as reflected in our previously announced Joint Development and Commercialisation Agreement. Nothing on our pathway to profitability is more important than the investment we are making to progress the joint development of our next-generation product. The objectives for Mistral are simple, albeit quite challenging to realize: lower costs substantially from our current VS3 product while increasing the suitable project size addressed by our product from 10s to 100s of MWh. These objectives are captured in a single metric: Levelized Cost of Storage (LCOS). LCOS captures the total cost of operating a BESS, including purchase, operating costs and efficiency, on a throughput (in MWh) basis. Mistral is targeting the best LCOS of any BESS, bar none, and to beat years early the U.S. Department of Energy's LCOS target of $50/MWh by 2030.

We are pleased with the progress we are making on Mistral alongside our partner. We will not be making any specific announcements of Mistral's specifications until we can do so jointly and in full confidence that Mistral's capabilities are validated in field trials and large-scale internal tests. While this discipline may not be customary in our field—we often hear of the 'revolutionary' importance of what is only, in reality, a lab demonstration, or of the 'sales success' of a company that signs deals at a fraction of their production cost or has yet to prove capabilities in the field—it is what you should expect from us as an increasingly mature multinational product company.

LEVELIZED COST OF STORAGE EVOLUTION THROUGH MISTRAL PROGRAMME



Lithium Data: Lazard LCOS v2 – v7.0; **VS3 Data:** Invinity published estimates; **Mistral Data:** Invinity & development partner programme targets. Calculations assume a 4 hour rated power discharge, 700 cycles per year and 6% discount rate.

“Mistral is targeting the best LCOS of any BESS, bar none, and to beat years early the U.S. Department of Energy’s LCOS target of $50/MWh by 2030”

Darren Yen, Chairman, Everdura, Johnson Chiang, Executive Chairman, Invinity, Larry Zulch, CEO, Invinity and Brian Tseng, CEO, Everdura – December 2022

CORPORATE STRENGTH

We continue to be grateful for the support of our investors. The funds we raised in late 2021 enabled us to progress our pipeline, sign a record volume of business and invest in Mistral. The support shown by our existing and new shareholders, particularly including Everbrite, in March of this year has provided sufficient working capital to support and grow our existing operations and to advance Mistral to its next critical milestone.

We are not alone in enduring delays and having challenges to overcome that cost more than anticipated. The pandemic had a significant impact on Invinity as it did on countless companies. But we believe we are alone, and happily so, as the only provider of products for non-lithium BESS that is successfully deploying megawatt-scale projects to customers at positive gross margin, and we are doing so in multiple countries. We celebrate this major step toward corporate profitability, a step we could not have taken without our shareholders’ support.

LOOKING TO THE FUTURE

A future electric grid without renewables as its primary energy source simply will not meet global objectives for carbon emission reduction. Yet that future renewable-intensive electric grid will be unstable—unless it incorporates adequate energy storage. Grid instability is already increasing with greater renewable generation, and already significant disruption events have occurred in the UK, the U.S., Australia and elsewhere.

No single technology will meet all future needs for stationary battery energy storage, not even our vanadium flow battery technology. Instead, battery characteristics will be matched to requirements. Governmental initiatives globally seek to stimulate more energy storage generally and to support domestically produced alternatives to lithium-ion batteries able to discharge for longer durations or operate with greater safety and lower total costs. Invinity has and will continue to be a significant beneficiary of these initiatives.

The macro environment continues to strongly support the Company’s business. To meet this opportunity, Invinity has determined that a four-part strategy is required: 1) deliver projects; 2) close new and larger deals; 3) progress Mistral; and 4) advance our operational excellence. Our view of the significance of each of these priorities:

1) Delivering contracted-for projects is not just an obligation incurred upon signing a contract; rather, each one is an opportunity. Every installation further demonstrates that our technology is proven and exceeds customer expectations. We gain critical field experience that further refines our product development. And we earn revenue.

2) Closing new deals enhances our position as the clear leader in large-scale, low-LCOS energy storage that can be deployed anywhere and provides for future revenue.

3) Mistral will transform our product offering from competitive to compelling for a great many applications, becoming a platform for profitable revenue growth bounded, we believe, not by demand but by supply.

4) Operational excellence is based on putting in the right processes and operations now and not waiting until the need is acute. This focus is vital to maintaining our growth trajectory and enabling us to adroitly address the inevitable challenges—whether supply chain, competition, macro events, or something else—that we encounter.

In my 2021 report, I acknowledged the challenges from supply chain disruptions that we had underestimated and sales processes that took longer than we anticipated. We continued to see challenges in 2022, but we have entered 2023 with what we believe is the best technology we’ve ever deployed, the largest order book we’ve ever had, and the most sales prospects by far. At the same time, we have made great strides toward the development of our next-generation VFB which promises both improved performance and significantly increased margins. It is hard to contain our excitement at the future which lies ahead for us. Energy storage is the key to unlocking the potential for the world to be powered by clean energy and we are well on our way to achieving a profitable position at the heart of this fundamentally important industry.

I remain highly optimistic for the future of our business and remain confident that we will realise our potential. I therefore thank you again for your support for Invinity and look forward to bringing you more success in 2023.

Larry Zulch
Chief Executive Officer
27 June 2023

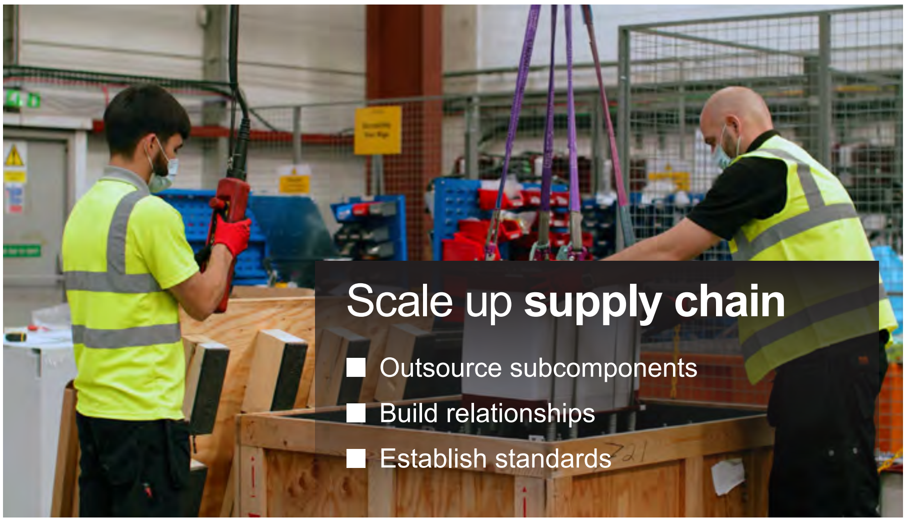
Deliver on Backlog

Scale up **manufacturing**

- Expand partnerships
- Optimise supply chain
- Mature systems and processes

Scale up **delivery capabilities**

- Project management
- Engage with delivery partners
- Outsource Operations & Maintenance



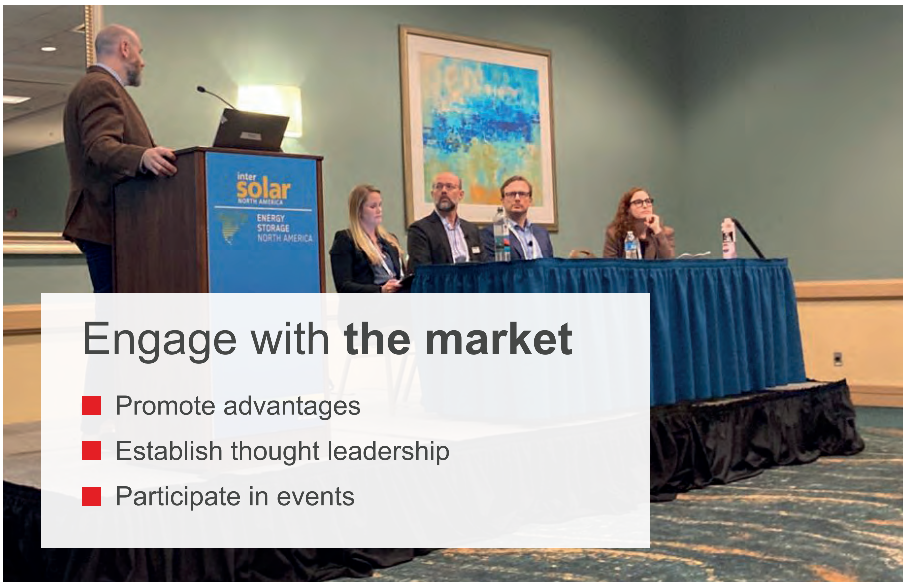
Scale up **supply chain**

- Outsource subcomponents
- Build relationships
- Establish standards

Close New Deals

Engage with **governments and regulators**

- Win financial and project support
- Lobby for supportive regulations
- Leverage global initiatives



Engage with **the market**

- Promote advantages
- Establish thought leadership
- Participate in events

Engage with **developers**

- Demonstrate advantages
- Target new customers
- Support follow-on sales

elemental energy

EQUANS

HYOSUNG HEAVY INDUSTRIES

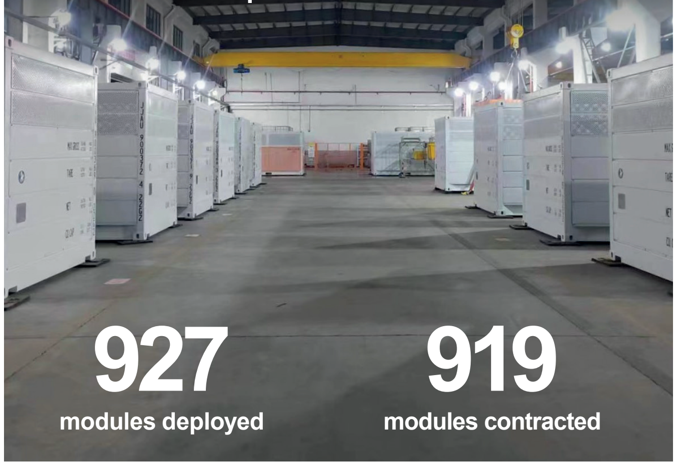
INDIAN ENERGY LLC

Deliver Mistral

Focus on economics

- Clean design
- Low maintenance
- High efficiency

MISTRAL WILL VALIDATE OUR TECHNOLOGY AS A ROBUST ALTERNATIVE TO LITHIUM-ION TO MEET FUTURE ENERGY STORAGE NEEDS AND GROW OUR MARKET SHARE.



Focus on manufacturability

- Modular
- Factory built
- Available components

927 modules deployed

919 modules contracted

Focus on capability

- Electrochemistry
- Scalability
- Reliability

Operational Excellence

Improve value to shareholders

- Grow revenue
- Progress towards profitability
- Expand market engagement

Improve systems and processes

- Financial controls
- IT value
- Document processes

Improve margins

- Cost consciousness
- Economies of scale
- Capital efficiency

GROWTH AND INVESTMENT – A VIEW TO THE FUTURE

Interim Chief Financial Officer's Report

FINANCIAL HIGHLIGHTS

	2022 £'000	2021 £'000
Revenue	**2,944**	3,185
Project related grant income shown against cost of sales	**647**	—
Total revenue and grant income other than revenue	**3,591**	3,185
Loss from operations	**(18,982)**	(21,264)
Inventory on hand for battery projects	**9,827**	5,797

2022 FINANCIAL PERFORMANCE

I am pleased to report that total income including sales revenue and project related grant income increased to £3.6 million in 2022 (2021: £3.2 million). Revenue is recognised against projects when specific performance obligations related to those projects have been satisfied. Grant funding specific to customer projects has been presented alongside the relevant project revenue and associated direct costs where that funding is project specific and represents a direct subsidy against project costs.

Another positive development during the period was that the Company was able to show a materially reduced cost of delivering its VS3 products to customers, resulting in a significant £3.2 million reduction in the provision for contract losses. This contributed to an 12% year-on-year reduction in operating loss and a material improvement in gross margin. Invinity was also able to narrow the loss before tax by 13% to £18.5 million for the year. These movements represent important progress as the Company moves along the path to achieving industry standard gross margins which are expected to be delivered with the launch of the Company's next-generation product.

Administrative costs were £19.0 million (2021: £14.4 million), an increase of £4.6 million primarily represented by investment in people with staff costs of £10.3 million in 2022 (2021: £9.0 million) and IT costs of £1.2 million in 2022 (2021: £0.6 million). Research and development costs that did not meet the threshold for capitalisation and were therefore expensed were £2.6 million (2021: £1.8 million). In addition, professional fees increased to £3.0 million in 2022 (2021: £2.0 million) as a result of predominantly non-recurring matters and costs of £1.0 million in 2022 (2021: £0.2 million) were incurred in relation to the transfer of manufacturing from BCI to Baojia at year end.

2022 CASH PERFORMANCE

Year-on-year cash outflow from operations of £21.9 million (2021: £23.0 million) is largely consistent with the prior year.

All bar one of the Company's most recent sales contracts have been signed with a forecast positive margin. Delivering on this margin is a key corporate priority and will make an important contribution to the Company being able to fund its administrative costs from cash from operations in the future.

To this end, the Company continues to develop its next-generation battery, code-named "Mistral". Mistral is expected to be manufactured at significantly lower cost than the Company's existing product, the VS3, and will occupy a comparatively smaller physical footprint that will lead to lower costs for operations and maintenance. These characteristics are expected to enable the Company to sell this new product at a materially lower and more competitive price point than currently. This is anticipated to drive additional sales at a materially better gross margin thus leading to future cash generation and profitability and reducing the Company's reliance on external sources of funding.

GROWTH AND INVESTMENT – LOOKING TO THE FUTURE

In addition to the delivery and commissioning of contracts for battery systems with customers, 2022 has been a year of growth in the underlying business of the Company as evidenced by a significant increase in the number of new contracts for battery systems closed in the year. In total, 7 new sales contracts were signed in 2022 with a total potential revenue value of £22.0 million. Each of these new contracts (other than one entered for strategic reasons) are currently expected to be delivered at a positive gross margin as improvements are made to the Company's supply chain and manufacturing infrastructure. As a Company, we continue build on the experience gained from systems delivered to date and seek to use those learnings improve operational and financial performance related to contracts.

The expected growth in the business has required investment to be made in a number of areas including people, facilities, infrastructure and inventory. Headcount increased by 23 people to efficiently manage the backlog of orders for delivery in 2023 and beyond. Other specific operational investments made in 2022 included leasehold improvements related to our production facilities and offices of £0.4 million and an increase in prepayments and deposits of £1.3 million. Buying the equipment necessary to build our batteries in advance helps the Company to reduce the delivery timeframe for its vanadium flow battery systems and accelerates the associated construction and installation of the units, advancing revenue recognition and as a result, prepaid inventory rose £1.0 million to £5.0 million.

These investments are all focused on improving contract delivery, logistics and providing the necessary funding for further research and development as Invinity moves forward on its pathway to profitability. That next stage will come as we mature and ultimately launch our next-generation product, code-named "Mistral", currently in joint development with Siemens Gamesa.

FUNDING AND NET WORKING CAPITAL

At 31 December 2022 the Company had net working capital of £4.3 million, inclusive of cash and cash equivalents of £5.1 million. The cash balance of £5.1 million included the net cash proceeds from the initial drawdown of US$2.5 million from

Jonathan Marren
Chief Development Officer
and Interim Chief Financial Officer

a US$10.0 million convertible loan instrument (the "Investment Agreement") taken out with Riverfort Global Opportunities PCC Ltd ("Riverfort") and YA II PN ("Yorkville") that was entered into on 14 December 2022 to provide additional working capital for the business.

The Company only made one drawdown under the Investment Agreement. This was due to the Company successfully raising additional equity capital of £23.0 million through a placing, subscription and open offer in March 2023. Part of these proceeds were used to redeem in full the balance then outstanding under the Investment Agreement. In doing so, the warrants that were issued alongside the Company entering the Investment Agreement were repriced to reflect the open offer price of 32p. Those repriced warrants remain in place. Notwithstanding, any proceeds from the future exercise of the warrants held by each of Riverfort and Yorkville will be distributed 97% to the Company and 3% to Riverfort and Yorkville.

Strategic Investment

Importantly, and as part of the capital raise in March 2023, Everbrite Technology Co. Ltd. (Everbrite), a leading Taiwanese manufacturer of industrial technology, subscribed for £2.5 million of shares in the Company. The investment by Everbrite followed the 1 December 2022 reseller agreement and initial 15 MWh purchase order of vanadium flow batteries with Everdura Technology Company, a joint venture between Everbrite and Taiwanese clean energy company, Pronergy Technology Co. Ltd covering Taiwan and Southeast Asia.

This strategic investment underscores the development progress of the Company since the 2020 merger transaction that formed the Group as it is today and is intended to support a closer strategic relationship for the deployment of vanadium flow batteries in Taiwan and further afield.

Invinity sees strategic partnerships and investment as an important pillar of its future corporate growth and as previously disclosed, discussions with a number of potential strategic partners remain ongoing.

GRANT FUNDING

The participation in grant schemes is an important source of funds for the Company. Grant awards may be project specific or general in nature. Grants that are more general in nature typically help to defray ongoing costs such as research and development where projects are seen as strategically important by local or national governments.

Other grant funding is more project specific and aimed at increasing the application of new technology and its commercial uses.

In 2022, the Company received £0.6 million of grant funding related to a specific customer project under Phase One of the UK Government's Longer Duration Energy Storage (LODES) Competition that is administered by the Department for Energy Security and Net Zero (DESNZ). As this income was project specific, it has been identified in the profit and loss account alongside but separate to revenue on account of it being recognised against direct costs.

GOING CONCERN

In assessing whether the Group has the ability to continue as a going concern the Directors have modelled cash flow forecasts for a period up to 31 December 2024. The Directors have prepared a base case scenario that assumes the 14.5m Short-Term warrants originally granted in 2021 ("Short-Term Warrants"), the terms of

Elemental Energy team visiting Invinity's Vancouver factory and inspecting finished VS3s prior to shipping to the Chappice Lake project site in Alberta, Canada – November 2022

Graeme Harrison, HIE, Neil Kermode, EMEC and Michael Matheson MSP (former Cabinet Secretary Net Zero) in front of 48 Invinity VS3 modules on site in Orkney – August 2022

which are proposed to be amended as set out below are exercised before June 2024. Under this scenario the Group would expect to remain cash positive for the period up to 31 December 2024 assessed for going concern purposes. The forecast does indicate that the Group would move into negative cash shortly after the period assessed for going concern as a result of working capital investment on future sales. The Group would defer any working capital investment if it were to result in exhausting all cash. This forecast is also based on delivering existing signed sales contracts during 2023 as per forecast gross margins and existing and future sales contracts during 2024 at anticipated positive gross margins. The Directors recognise there is a risk that the Short-Term Warrants will not be exercised if they are not 'in the money' before the expiry date and given it is not at the discretion of the Group.

The Directors have also prepared an alternative 'adjusted base case' scenario which does not include the exercise of the Short-Term Warrants but also adjusts forecasted costs. The Directors have a plan to adjust costs in a scenario where it does not look like the Short-Term Warrants will be exercised. This plan includes the following:

- Non-payment or delayed payment of forecasted bonuses;
- No increase or delayed increase in salaries across the Group;
- Delayed recruitment of additional headcount; and
- Reduction in planned increase in research and development expenditure.

Under the adjusted base case the Group would expect to remain cash positive for the period up to 31 December 2024 assessed for going concern purposes. Therefore the Directors believe it is appropriate to prepare the accounts on a going concern basis.

The Short-Term Warrants were initially granted in 2021 with an exercise price of 150p and an expiry date of 15 September 2022. On 31 August 2022, the holders of the Short-Term Warrants agreed at a general meeting of Short-Term Warrant holders to amend the expiry date of the Short-Term Warrants to 15 September 2023. The Company is now planning to seek the approval of Warrant holders at a general meeting, notice of which will be given shortly, to make the following amendments to both the Short and Long-Term Warrants. The Company intends to seek approval to amend the Short-Term Warrant subscription period to 16 December 2023 (the Long-Term warrant subscription period will remain unchanged at 16 December 2024) and amend the exercise prices of the Short and Long-Term warrants to 50p and 100p respectively. There can however be no certainty that such a change in the terms will be approved.

In assessing going concern the Directors have also prepared a severe but plausible downside scenario which forecasts delivery of existing and future sales being made during 2024 being delayed beyond June 2024 and forecasted margins not being achieved. Under this scenario the Group would exhaust all available cash by April 2024 and it will be necessary to raise further funding within the next 12 months in order to continue trading and deliver on the strategic objectives.

The Directors are in the process of evaluating potential additional funding options from potential strategic investors but no such funding is committed as at the date of approval of these financial statements. The Group has been, and continues in, active discussions with a number of identified strategic investors and is confident that it will be able to conclude an equity investment from one or more of such parties within the period up to 31 December 2024 assessed for going concern purposes. The Directors also note that the Company concluded an initial strategic investment from Everbrite Technology Co., Ltd. for £2.5 million in March 2023 which gives them confidence that the Company is capable of attracting further strategic investment.

Due to the uncertainty in relation to obtaining additional funding this indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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

In addition to the issues discussed above, the directors have also reviewed other varying, and wide-ranging information relating to both present and future conditions when reaching their conclusion regarding going concern. These included the:

- operational performance of the Company's products delivered to customer sites to date;
- value of contracts signed for delivery in 2023 and 2024;
- growing sales pipeline of 2,470.3 MWh in May 2023 vs 686.2 MWh in May 2022;
- growing opportunities presented by the emergent energy storage market;
- growing levels of Government engagement and support in the three key markets; and
- positive discussions with potential strategic partners regarding making an equity investment into the Company.

Jonathan Marren
Chief Development Officer and Interim Chief Financial Officer
27 June 2023

RISK MANAGEMENT REPORT

The Group's business exposes it to a broad range of risks. Invinity's approach to managing these risks is to create a system of internal controls. This system looks to manage, rather than eliminate, risk and, whilst the Group has an Audit & Risk Committee (financial risk) and an Environmental, Social & Governance Committee (non-financial risk), it is seen as the responsibility of the entire Board.

COMMERCIAL RISK	Detail	Likelihood	Impact	Risk trend	Mitigation
Lithium battery manufacturers currently dominate the stationary battery energy storage system (BESS) market.	The Group's position of delivering a longer duration, safer and more durable BESS could come under threat if the incumbent providers rapidly improve their competitive offering.	High	Medium	→	Focus on markets where the Group has the largest advantages, including ultra-high cycle counts and safety-critical locations, and deliver projects to agreed specifications.
Whilst sales contracts are bilateral, they are usually part of multi-party projects.	Whilst Invinity contracts directly with the project developer, that same developer is contracting with a number of other parties as part of financial close, which may therefore be delayed for reasons unrelated to the Invinity contract.	High	High	→	Careful up-front screening of project characteristics along with a preference for developers with a good track record.
Most near-to-medium term sales are expected to require an element of grant funding support from the local, regional or national governments.	The relative market penetration of flow batteries against lithium means that grants are currently available but likely to be phased out as flow battery technology becomes more established in the longer term.	High	High	→	Continue to develop expertise in grant applications, prioritise contracts with a high chance of qualifying and continue to drive down costs through value engineering, scale and supply chain management.
Non-lithium storage projects are not yet considered 'bankable' by project finance.	Third party finance, particularly debt, is slower to engage with developments until technologies are considered 'established', which can increase the cost of capital.	High	Medium	↓	A bankability study was completed during 2022 which should enable Invinity to ensure that the correct criteria are met as early as possible.
Commercialisation of the VS3 product is at an early stage and so may fall short of product performance expectations.	With the first VS3 contracts delivered in 2021 and 2022 there is limited operational performance in the field over a prolonged period of time.	Medium	High	↓	Strict quality control procedures during manufacturing and acceptance tests prior to shipping combined with real-time performance reporting from the field into a dedicated support team.
Joint Development and Commercialisation programme with Gamesa Electric does not achieve commercial release within the timescales expected.	Invinity may be unable to deliver on the benchmarks for commercial competitiveness, as assessed by measures of performance relative to cost, set out by Gamesa Electric.	Medium	High	→	The Group is fully engaged with Gamesa Electric and its parent Siemens Gamesa Renewable Energy (SGRE) on every element of the development programme, with the design itself based on well-proven smaller scale existing products, thereby minimising technology risk.
Whilst Invinity has been awarded £11m of funding from BEIS under Phase 2 of the UK Government's Department for Energy Security and Net Zero's Longer Duration Energy Storage Demonstration ("LODES" Competition, it needs a development partner to access the funding.	The funding provided under the LODES Competition is provided on a matched basis which it is anticipated will be provided by a development partner. Whilst Invinity has engaged with and signed an MoU with a suitable partner, a binding contract to provide the funding has not yet been executed and therefore may be unable to proceed to the build and commissioning stage.	Medium	High	↑	The Group is actively progressing contract negotiations with its chosen development partner but has certain contingencies in place, should these negotiations be unsuccessful for any reason.

OPERATIONAL RISK	Detail	Likelihood	Impact	Risk trend	Mitigation
The supply chain is international and certain components are sole sourced.	The stacks, wherein resides the Group's 'know how', are manufactured in-house in Canada and Scotland with the balance-of-system manufactured in China. Final assembly is in Canada, Scotland or China, depending on customer location.	High	High	↑	Moving away from sole sourcing where and when possible, such as manufacturing stacks in both Canada and Scotland. Moving the manufacture of the balance of system to a supplier with higher capacity and multiple manufacturing locations.
The supply chain is, as yet, unproven at the scale envisaged.	Driving costs down to the levels envisaged will require material production increases in each of the coming years.	High	High	→	A full order book and a strong balance sheet will enable the Group to build more equitable relationships with larger suppliers. The transfer from BCI to Baojia has also highlighted areas of cost saving.
The levels of key input costs such as steel, electrolyte, labour and transport, can fluctuate, particularly in the current inflationary environment.	The disruptions caused by the COVID pandemic have caused increases in the costs of transport, steel and vanadium.	High	High	→	Strategic relationships, such as offtake agreements with suppliers can reduce short-term price volatility.

CORPORATE RISK	Detail	Likelihood	Impact	Risk trend	Mitigation
The Group is international with primary operations in the UK, U.S., Canada & China.	Whilst the VS3 and Invinity's next generation product, Mistral, are single products, employees are separated by geography and time zone, which makes collaboration and coordination harder.	High	Medium	↓	Senior roles have been allocated on the basis of function rather than geography to encourage a group, rather than regional, view.
Shareholder concentration.	Just over 50% of the register is held by eight shareholders.	High	Medium	↓	Continued shareholder engagement, particularly with Institutions able to make material investments.
Failure to meet shareholder expectations.	The post-merger fundraises have increased expectations and poor performance could deter potential investors from buying or existing shareholders from holding.	Medium	High	→	Regular news flow and trading updates, particularly where closed sales are concerned.
Competition attracting & retaining skilled personnel.	The sector is seeing rapid growth and salary inflation. Continuing to attract and retain skilled personnel will be required to ensure development of the Group's business.	Medium	Medium	→	The Group has a proactive remuneration committee with access to suitable advice.
Cyber risk	The use of internal and external systems across a global operation is potentially vulnerable to cyber threats.	Medium	Medium	→	The Group has an established security programme that entrenches good practice, processes and systems, as well as regular staff training throughout the year.

FINANCIAL RISK	Detail	Likelihood	Impact	Risk trend	Mitigation
The Group does not yet generate positive cash flows and therefore is expected to require further funding.	The Group is in the early phase of commercialisation and so is not yet generating the product margins required to support all of its costs.	High	High	→	Continued sales growth and product standardisation will allow the Group to drive down gross costs and improve product margin.
Having multi-jurisdictional operations exposes the Group to foreign exchange risk, particularly against the U.S.$.	Whilst sales receipts are in a range of currencies, the majority of the materials costs are settled in U.S.$ and a material element of payroll is settled in Canadian $. Post-merger fundraisings have all been in GB £.	High	Medium	↑	The Group holds up to six months of expected U.S.$ required and converts Australian $ receipts into Canadian $.
All contracts contain warranties and some contain extended warranties.	A warranty provision for each sale is provided for in the balance sheet at the time revenue is recognised but may prove insufficient over the life of the warranty.	Medium	Medium	→	Maintaining product performance data, focus on reducing the need for maintenance and track ongoing operations & maintenance costs.
Having multi-jurisdictional operations exposes the Group to cross-border tax risk, particularly transfer pricing, and tariffs.	The Group has manufacturing operations in the UK, Canada and China, along with sales operations in the U.S. In addition to the tax issues, the U.S. trade tariffs on Chinese output are potentially material.	High	Low	→	The Group seeks specialist external advice on tax and tariff related matters. In the case of the U.S. tariffs on China, sufficient content is manufactured in Canada.
The merger with a U.S. company exposes the Group to U.S. tax inversion legislation.	Invinity Energy Systems (U.S.) Corporation is a U.S. registered entity and so may be deemed to be onshore by the U.S. Internal Revenue Service for U.S. tax purposes.	Low	Low	↓	The Group has taken specialist advice and does not believe this to be the case under current legislation, though this could change should retrospective legislation be introduced.

Installation work at the Chappice Lake Solar + Storage project in Alberta, Canada – April 2023

SUSTAINABILITY – INVINITY'S APPROACH TO THE ESG AGENDA

As a Company, and as individuals, we are committed to taking action on climate change. We also understand the importance of a 'Just Transition' to a low-carbon economy, with no one left behind. This commitment underscores our approach to operating responsibly and sustainably in the pursuit of our corporate goals, which themselves are intrinsically linked to accelerating the clean energy transition and achieving net zero.

The ESG Committee, formed in June 2022, has a mandate to oversee, inform and guide our approach to Environmental, Social and Governance (ESG) issues and ensure our performance against ESG metrics generates additional value for our business, shareholders and wider stakeholders. The Committee is also responsible for the regular and transparent disclosure of our performance on an ongoing basis and it is with this goal that I am pleased to report on progress achieved to date.

GUIDING PRINCIPLES

Through considered discussion, Invinity's Board has agreed a defined set of ESG principles – outlined below - that play an integral role in helping to achieve our commitment to the ESG agenda:

- Accelerate, through our products and services, the global transition to support national and international net zero targets;
- Champion innovation and thought leadership in all we do;
- Be a great place to work;
- Work in collaboration with all of our stakeholders;
- Engage with local communities to share knowledge capital and create opportunity.

ESG CHAMPIONS

Further supporting the work of the ESG Committee are our ESG Champions, appointed from amongst Invinity staff in the Company's primary manufacturing locations in Scotland and Canada. Their responsibilities include reporting to the Committee on progress of ongoing and focused ESG and CSR initiatives to be adopted, subject to the Committee's agreement.

Paul Docherty
VP of Manufacturing Operations

Jason Overbeck
Manufacturing Manager

Angie Williams
Director of HR

A LEADER IN THE CLEAN ENERGY AND NET ZERO SECTOR

Invinity is proud to have been one of the first recipients of the London Stock Exchange's Green Economy Mark, which recognises companies that derive 50% or more of their total annual revenues from products and services that contribute to the global green economy. The underlying methodology incorporates the Green Revenues data model developed by FTSE Russell, which helps investors understand the global industrial transition to a green and low carbon economy with consistent, transparent data and indices.

Invinity is also pleased to have been included as part of the Active Net Zero Clean Energy Index, a pan-European investment index established in 2021 to assist investors wishing to gain exposure to companies which are actively enabling the energy transition.

CASE STUDY:
Accelerating the energy transition with Invinity's VFBs

Our vanadium flow batteries are being installed at sites across the world to complement renewable energy generation such as solar PV, wind turbines and tidal power, creating 'dispatchable', on-demand, clean power. This already delivers significant carbon savings annually and enables renewables to compete directly with fossil fuel powered generation for the first time, accelerating the phase-out of coal and gas from the global generation mix, without having a destabilising effect on the grid.

Three significant installations of Invinity batteries will alone contribute a reduction of more than 24,000 tonnes of annual greenhouse gas emissions. These are the:

Chappice Lake

38 VS3 batteries dispatching **8.4 MWh** alongside **21 MWp PV** providing clean power for **7,000 Albertans**.

South Australia battery

41 VS3 batteries dispatching **8 MWh** alongside **6 MWp PV** providing arbitrage and frequency regulation services.

Viejas microgrid battery

44 VS3 batteries dispatching **10 MWh** alongside **15 MWp PV** to offset peak demand and run the facility overnight on 100% clean renewable power.

PLAYING OUR PART IN THE CIRCULAR ECONOMY

Invinity's VFBs are a natural fit for the circular economy as the key product components consist of easily and widely recyclable materials. Our batteries do not contain rare earth or 'conflict' minerals, such as cobalt, and the vanadium electrolyte does not degrade with use, meaning that nearly 100% of the vanadium itself can be recovered from the electrolyte for use in other applications. This limits the need to constantly utilise newly mined raw materials during the life of the battery.

CASE STUDY: In further support of our goal to promote the circular economy, in January 2023, the Company was pleased to announce a partnership with one of the UK's largest commercial asset rental businesses, Dawsongroup plc, which will see Invinity batteries rented to commercial customers in the UK. Together, Invinity and Dawsongroup aim to roll out an energy storage rental solution which could fundamentally change the economics of asset ownership for energy storage and vastly reduce waste by allowing Invinity's batteries to be repositioned as customer needs evolve.

MANAGING OUR IMPACTS

As a fast-growing company that provides solutions which help avoid and remove emissions, we are fully committed to taking action to reduce our own carbon footprint. In recognition of the United Nations Race to Zero Campaign, Invinity has been a signatory on the SME Climate Commitment since 2021.

The Company also recognises the importance that global supply chains play in our business and the role that manufacturers such as itself can play in challenging our suppliers to meet the same high levels of ESG compliance that we do. Invinity has a range of policies which are reviewed and adopted each year at Board level which relate to topics including a supplier code of conduct which stipulates that our suppliers must, in addition to conducting their business in compliance with law, deliver long-term social, environmental and economic benefits for the communities in which they operate.

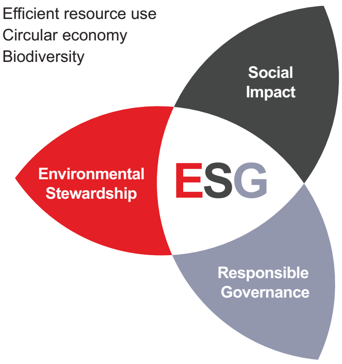
OUR CARBON FOOTPRINT

Invinity reports its carbon footprint in compliance with The Greenhouse Gas Protocol (the world's most widely used greenhouse gas reporting framework) and with the SME Climate Commitment. In line with these requirements, the Company reports primarily on its direct emissions (Scope 1) and indirect emissions arising from electricity, heat or steam consumption (Scope 2). For calculating our carbon footprint, we utilise an operational control accounting approach which involves accounting for all emissions from operations over which the Company has control. It does not include emissions from operations over which the Company may have an interest, but no control.

In line with SME Climate Commitment guidelines, Invinity falls under the category of "fast growing SMEs that provide solutions which avoid or remove emissions as their core business". Therefore, it is considered appropriate for the Company to report its carbon footprint on an 'intensity' basis, using the metric of grammes of CO_2 equivalent per £ of annual revenue.

Environmental Stewardship — 'Respecting the environment on a sustainable basis'
- Efficient resource use
- Circular economy
- Biodiversity

Social Impact — 'Contributing socially where we operate'
- Community collaboration
- Diversity & inclusion
- Safety, health & well-being



Responsible Governance — 'Creating value by exercising principled leadership'
- Integrated risk management
- Ethical behaviour
- Transparency and trust

The SME Climate Commitment

Recognising that climate change poses a threat to the economy, nature and society-at-large, our Company has committed to take action immediately in order to:

1. **Halve our greenhouse gas emissions before 2030**
2. **Achieve net zero emissions before 2050**
3. **Disclose our progress on a yearly basis**

In doing so, we are proud to be recognised by the United Nations Race to Zero campaign, and join governments, businesses, cities, regions, and universities around the world that share the same mission.

SME Climate Hub COMMITTED 2022

2022 Group Carbon Intensity:

28g CO_2e

per £1 of recognised revenue

72% Reduction

in carbon intensity vs 2020
(base year chosen as year of Invinity's formation)

SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGS)

Invinity continues to recognise that the UN SDGs are the blueprint to achieve a better and more sustainable future for all. The Company wishes to reiterate its aim to make a meaningful contribution to all SDGs and is proud of its ongoing contributions to Goal 7 'Affordable and Clean Energy', Goal 11 'Sustainable Cities and Communities', and Goal 13 'Climate Action'.

SOCIAL IMPACT

We empower our people, partners and customers to change the world. Invinity is committed to driving forward the social value agenda and to making a positive change through our operations and wider activities. Our work in this area over the year took a number of different forms:

Supporting our Hard-working Team

We remain committed to being a great place to work and, in support of this initiative, we provide health and wellbeing support for all our staff, helping our people to remain safe and healthy:

- Invinity offers a standard benefits package which is accessible to all employees which, dependent on location and local labour laws, includes healthcare and other supplementary benefits.
- All Invinity employees also have access to an employee assistance programme, providing confidential legal and financial advice, along with access to counselling and other services at no cost to employees.
- Invinity also covers the costs of any employees' professional subscriptions in order to maintain their skills and support their further professional development.

Playing an Active Role in the Local Community

Approximately 50% of our staff live less than 10 miles from work and we are committed to playing a role in our local communities, sharing our knowledge and providing new opportunities to those in the local area. Our work in this area is particularly focussed on partnerships with the education sector, providing the opportunity for work experience and internships and supporting national initiatives such as the UK Government's STEM agenda. (See box)

CASE STUDY: Invinity's Internship / COOP programme

Commercial Internship Programme, London, UK

We have had four Energy Storage Analyst Interns who have joined our UK-based Commercial team since 2018 and subsequently gone on to be permanent employees. They were all involved with early-stage discussions with clients, pulling together research and market analysis to further the case for energy storage developments and identifying future commercial opportunities. This internship was designed to provide valuable, first-hand experience in a professional setting and a chance to put their academic learning into practice within the green economy. Our interns reported that they gained valuable insights into the industry and learned how to conduct techno-economic analysis of energy storage projects, generate proposals and communicate with customers. Those who took up full time positions with Invinity became Energy Storage or Business Development Analysts with one being promoted subsequently to Commercial Programme Manager. In the nearly four years the programme has been running, it has proven to be valuable to all parties and Invinity intends to continue and expand the programme in the years to come.

COOP Programme, Vancouver, Canada

A third year Sustainable Energy Engineering student at Simon Fraser University joined us as an Energy Storage Intern for the September 2021 four-month term. They were primarily involved in supporting early-stage commercial discussions with clients and working on pulling together energy market research for North America to investigate the potential for long duration energy storage deployment in various territories. They also worked on a number of small-scale projects carrying out techno-economic modelling for clients to help support the development of the client's business case. This was their first significant experience in dealing with electricity markets and utilities, providing a good opportunity to learn the fundamentals of the various energy markets we were investigating as well as gain a selective understanding of the various mechanisms by which energy utilities charge their customers. There was a significant amount of data processing and analysis which provided the student with an important opportunity to interface with many members of the global Invinity team and work with a number of proprietary end-to-end energy modelling tools that we had created in-house.

Second year Engineering Physics student at the University of British Columbia joined us as a Software Co-op for the January 2022 four-month term. The focus for the co-op term was to develop new features within our existing software platform. They worked in the software team and during their term developed a tool that upgrades our Firmware in the field. This was their first co-op experience and they gained valuable knowledge of software, taking further what they had learned on engineering development in their degree and applying it in a professional setting. It was an opportunity for them to make an impact in a team environment where their code had an impact on others' development and as such their focus was on learning to build robust code that is maintainable and secure. They also gained first-hand skills and knowledge from experienced software engineers in the team.

HEALTH AND SAFETY STATISTICS ON ACCIDENTS AND NEAR MISSES

Our commitment to Health and Safety remains non-negotiable and we retain a zero-tolerance approach to accidents and injuries. Our commitment is that all our people should finish their working day as healthily as they started it.

	UNITED KINGDOM			CANADA			OTHER LOCATIONS		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Average Number of employees	**61**	68	49	**68**	65	36	**9**	12	8
Reportable lost time incidents	**0**	0	0	**1**	0	0	**0**	0	0
Minor incidents	**3**	3	0	**0**	1	0	**0**	0	2
Near miss (No injury)	**2**	8	0	**4**	2	1	**0**	4	0
First Aid	**0**	1	Not reported in past	**0**	1	Not reported in past	**0**	0	Not reported in past

Championing Equality, Diversity and Inclusion

Invinity continues to expand our commitment to promoting Equality, Diversity, and Inclusion (EDI). We remain committed to maintaining and improving a workplace where everyone can flourish and our approach addresses all elements of our operations from recruitment to promotion, career development and the creation of an outstanding working environment.

CASE STUDY: Women in Technology Roundtable

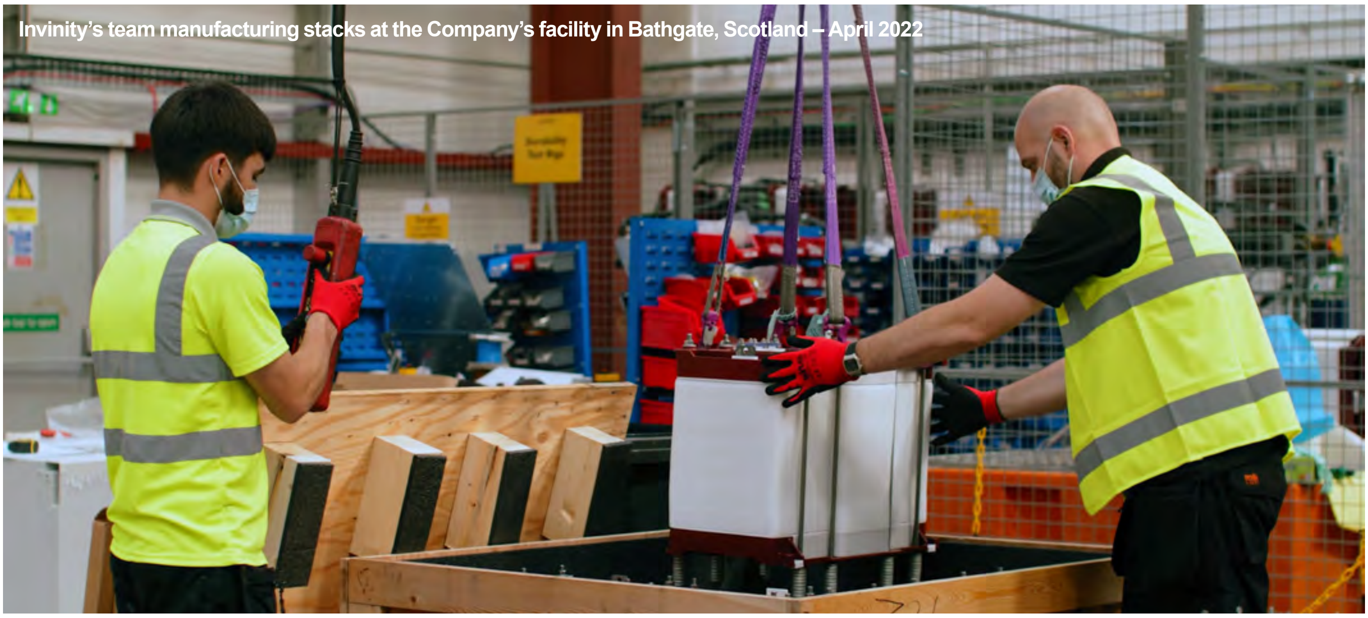
In 2022, Invinity's HR team started a Women in Technology roundtable. The purpose was to be an open forum for the women at Invinity and their specific challenges. All women from all departments were invited to the monthly meetings. Topics raised for discussion were selected by female employees, and included; dealing with imposter syndrome, body language, increasing Women in STEM, work and parenthood, and work-life balance. Our intention is to continue the programme in 2023 and expand by inviting guest speakers to provide additional insight and guidance to our female employees. As a result, we hope to increase female representation both internally and externally.

GOVERNANCE

Invinity's Board of Directors believes that strong corporate governance and risk management are key to the delivery of shareholder value. The business is underpinned by a comprehensive framework of policies and risk management systems and the Board has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the QCA Code) as its corporate governance code which it believes provides a flexible model allowing our corporate governance to evolve as the business grows.

Further details on the Company's corporate governance practice and compliance with the principles of the QCA Code are provided in the Governance section of this Annual Report and on the website. Details of the risk management systems are provided in the Risk Management section of this Annual Report.

Rajat Kohli
Chairman, Environmental, Social and Governance Committee
27 June 2023



Invinity's team manufacturing stacks at the Company's facility in Bathgate, Scotland – April 2022

BOARD OF DIRECTORS

Neil O'Brien *Non-Executive Chairman* 60 2C
Neil was appointed Non-Executive Chairman in April 2020, having first joined the Board as a Non-Executive Director in September 2016.

Neil's previous role was as CEO of AIM listed Alkane Energy, an independent UK power generator (acquired by Infinis in 2018), which he joined in 2008. Under his leadership, the Company achieved rapid output increases through a combination of organic growth and acquisition activity. Alkane expanded its UK portfolio of baseload power generating sites and established a leading position in the UK back-up power market covering winter peaking, National Grid "STOR" programme and the capacity market.

Neil started his career at Coopers & Lybrand in 1985, where he qualified as a Chartered Accountant, before joining Blue Circle in 1988, holding a number of senior financial and operational roles in the UK and Europe. He then spent three years as a Group Management Accountant at Aggregate Industries, before moving to Speedy Hire as Group Finance Director.

Neil read Politics, Philosophy and Economics at Oriel College, Oxford University. Neil is Chairman of the Nomination Committee.

Additional External Directorships:
- Mercia Power
- South Staffordshire Community Energy
- UK Hire Ltd

Matt Harper *Chief Commercial Officer* 46 4M
Matt became the CCO of Invinity in April 2020. He is an engineer and entrepreneur with over 20 years' experience developing and commercialising clean energy technologies, including 14 years in energy storage.

Matt co-founded Avalon Battery, which merged with redT energy to form Invinity. As President of Avalon, he designed and delivered ground-breaking vanadium flow battery-based energy storage solutions across the world. Prior to Avalon, Matt served as VP Products and Services at Prudent Energy spending time in both Vancouver and Beijing. He holds a Master of Science degree in Engineering and Management from the Massachusetts Institute of Technology and is named as the inventor of seven granted U.S. patents.

An Executive Director, Matt joined the Board of Invinity in April 2020 and conducts his global responsibilities out of Invinity's Vancouver office. He is a member of the ESG Committee.

Additional External Directorships:
None

Larry Zulch *Chief Executive Officer* 65 2M
Larry became the CEO in April 2020. He has over 30 years' experience successfully commercialising advanced technologies and scaling the companies that deliver those technologies to market.

Prior to Invinity, Larry held a number of senior leadership and executive management roles including CEO of Avalon Battery Corporation, President & CEO of Dantz Development (acquired by EMC), President & CEO of Photometics, Chairman of PLCD, CEO of Cloud Engines, and President & CEO of Savvius (acquired by LiveAction). He served as VP and Officer at EMC, and as Executive Chairman of Freerange Communications (acquired by Sprint via Handmark).

An Executive Director, Larry joined the Board of Invinity in April 2020 and conducts his global responsibilities out of Invinity's San Francisco office. He is a member of the Nomination Committee.

Additional External Directorships:
- 3GO Security Incorporated
- Proactive Diagnostic Incorporated

Jonathan Marren *Chief Development Officer and Interim Chief Financial Officer* 48
Jonathan was appointed Chief Development Officer in July 2022, having previously been Senior Independent Director (appointed May 2021) and a Non-Executive Director since March 2016. Prior to this, he was Chief Financial Officer of redT energy between July 2012 and March 2016, having been an advisor to the Company since early 2006, including on its flotation in April 2006.

He has previously held positions as Deputy Head of Corporate Finance at Singer Capital Markets, prior to which he was at Peel Hunt between 2000 and 2010 where he was a Director in the Corporate Department with responsibility for their new energy and clean tech franchise where he gained considerable experience of working with companies in this area.

Jonathan qualified as a Chartered Accountant with Arthur Andersen in 1999 after obtaining a BSc in Mathematics from Durham University.

Additional External Directorships:
None

Rajat (Raj) Kohli *Senior Independent Director* 59 1M 2M 3M 4C

Raj joined the Board of Invinity in June 2020 and brings over 30 years' experience in finance and the resources, energy and infrastructure sectors. In his City career, Raj worked as a mining and metals analyst at BNP Paribas, subsequently joining HSBC where he became a Managing Director in the Resources and Energy Group.

Raj then joined ArcelorMittal as Co-Head of Mergers & Acquisitions in 2007, returning to banking in 2011 with Standard Bank as Global Head of Metals and Mining. Since 2015, Raj has provided strategic consulting services to the natural resources sector as Principal of Ptolemy Resource Capital and Co-Founder of Oval Advisory.

Raj is the Chairman of the ESG Committee and is a member of the Audit & Risk, Remuneration and Nomination Committees. Subsequent to Jonathan Marren's appointment as Chief Development Officer, Raj was also appointed Senior Independent Director in July 2022.

Additional External Directorships:

- Ptolemy Resource Capital Ltd
- Oval Advisory Ltd
- Minas de Revuboe Ltd
- Talbot Group Investments Pty Ltd
- Talbot Group Holdings Pty Ltd
- Midrev Mining Mauritius Ltd
- Jockeys Financial Ltd

Kristina Peterson *Non-Executive Director* 59 1M 3C

Kristina joined the Board of Invinity and was appointed Non-Executive Director in November 2021.

Kristina brings 30 years of experience in energy and infrastructure, having held senior executive management roles at Brookfield, EDF Renewables, Suntech, and Greenwood Energy. She began her career at Citibank and ABN AMRO Bank, where she arranged over $8.5 billion of project and structured finance debt transactions in the U.S., Asia, Middle East and Africa. She currently serves as Industrial Advisor for private equity firm EQT Partners, and is the CEO of Mayflower Partners, where she provides climate, cleantech and software investment advisory services.

Kristina received an MBA from the University of Chicago Booth School of Business and completed graduate coursework in management at MIT's Sloan School prior to Booth. She earned a BS, Business Administration from Boston University School of Management.

She is Chair of the Remuneration Committee and is also a member of the Audit & Risk Committee.

Additional External Directorships:

- Electriq Power
- Augment Ventures Fund III, L.P.
- Mayflower Partners LLC
- Coalition for Green Capital
- Blink Charging

Michael Farrow *Non-Executive Director* 69 1C 2M 3M 4M

Michael founded and subsequently sold Consortia Partnership Ltd, a mid-sized Jersey regulated trust, fund and corporate administration company, the latter being the corporate secretary to the Company. He was the former company secretary of Cater Allen Jersey, a banking, trustee and investment management group. Having retired, he currently sits on the boards of a number of listed and substantial private companies and funds.

Michael has considerable financial and corporate experience and holds an MSc in Corporate Governance. He is a Fellow of the Chartered Institute of Secretaries & Administrators and was formerly a regular British Army Officer.

Michael joined the Board of Invinity in March 2006. He is the Chairman of the Audit & Risk Committee and also sits on the Nomination, Remuneration and ESG Committees.

Additional External Directorships:

- STANLIB Funds Limited
- Circle Property PLC
- Melville Douglas Funds
- Reuben Brothers Limited

Senior Leadership Team members Jonathan Marren, CDO, Andy Klassen, CTO, Matt Harper, CCO and Larry Zulch, CEO – March 2023

Committee compositions

1	Audit & Risk Committee	C	Chairman/Chair
2	Nomination Committee	M	Member
3	Remuneration Committee		
4	ESG Committee		

GOVERNANCE REPORT

INTRODUCTION ON THE GOVERNANCE REPORT FROM THE CHAIRMAN, NEIL O'BRIEN

Invinity is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Company's shares are also dual-listed on the Apex segment of the Aquis Stock Exchange Growth Market (AQSE) and the Company's short-term and long-term warrants are listed on the Access segment of the AQSE. During the year, the Company's shares also started trading on the OTCQX in the U.S.

The Company is required to apply a recognised corporate governance code and the Board has adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), which is designed for small to mid-sized companies and which has been adopted by many AIM companies. The Board has concluded that the QCA Code remains the most appropriate corporate governance code for the Company.

The Board has considered how the Company applies the ten principles of the QCA Code and the Governance Report includes the required disclosures and explanations where relevant. Further details of the Company's corporate governance practices are provided on the Company's website in the Investors' section under Corporate Governance.

Corporate Governance Statement

The Board recognises that good governance helps to underpin the foundations of a solid and successful business and delivery of shareholder value. Invinity's Board, led by the Chairman, is committed to maintaining high standards of corporate governance for which the Directors are accountable to shareholders and other stakeholders and to ensuring that the Company's values are communicated and upheld across the Group. The Board recognises that corporate governance practices will need to be regularly reviewed as the Company grows to ensure that they remain appropriate and effective.

During 2021, the corporate governance framework was strengthened with a number of initiatives including the appointment of a Senior Independent Director and a new Non-Executive Director, the introduction of a Board performance appraisal process and the streamlining of Board processes including risk management.

During 2022, the Board established an ESG Committee to ensure that the Company delivers on its objective of operating responsibly and sustainably. The Board also established a Standing Committee of the Board to deal with *ad hoc* matters arising between Board meetings. The Standing Committee is only used in exceptional circumstances where it is not practical to convene a full Board meeting. All Directors receive notice of any meetings and the matters to be discussed and can attend the meeting or request that the matter under consideration be considered at a full Board meeting.

Corporate culture

The Company is committed to ensuring that there is a healthy corporate culture. A number of policies and procedures have been put in place to ensure that ethical and transparent behaviour is recognised and followed across the Group and these include:

- Code of Conduct
- Whistleblowing Policy
- Equal Opportunities Policy
- Share Dealing Code
- Anti-Bribery and Corruption Policy
- Health and Safety Policy
- Modern Slavery Statement
- Procurement Policy
- Social Impact Policy
- Environmental Impact Policy
- Biodiversity Policy

Board composition during the year

Name	Role	Length of service as at 31 May 2023	Date of appointment
Non-Executives			
Neil O'Brien	Non-Executive Chairman	6 years, 8 months	9 September 2016
Michael Farrow	Non-Executive Director	17 years, 2 months*	16 March 2006
Rajat Kohli	Senior Independent Director	2 years, 11 months	22 June 2020
Kristina Peterson	Non-Executive Director	1 year, 6 months	2 November 2021
Executives			
Lawrence Zulch	Chief Executive Officer	3 years, 1 month	2 April 2020
Matthew Harper	Chief Commercial Officer	3 years, 1 month	2 April 2020
Jonathan Marren†	Chief Development Officer and Interim Chief Financial Officer	11 months	11 July 2022

* See comment below regarding Michael Farrow's length of tenure/independence.

† Jonathan Marren was previously a Non-Executive Director from 1 March 2016 to 10 July 2022 and previously Chief Financial Officer of redT energy (which merged with Avalon Battery Corporation to form Invinity Energy Systems) from 9 July 2012 to 28 February 2016.

Board composition

The Board currently consists of a Non-Executive Chairman, three Executive Directors, a Senior Independent Director and two other Non-Executive Directors.

During 2022, Rajat Kohli replaced Jonathan Marren as Senior Independent Director following Jonathan Marren's appointment as Chief Development Officer and subsequently as Interim Chief Financial Officer following Peter Dixon-Clarke's resignation as Chief Financial Officer. The role of the Senior Independent Director is to provide a sounding board for the Chairman and to act as an intermediary for Board members and as a point of contact for shareholders who have concerns which have not been adequately addressed by the Chairman or Chief Executive Officer.

Other than any shareholdings in the Company and the receipt of fees for acting as Directors, the Chairman and Non-Executive Directors have no financial interests in the Company or business relationships that would interfere with their independent judgement.

Independence of Directors

The Board considers that the Chairman and all the Non-Executive Directors were independent for the whole of the 2022 financial year notwithstanding circumstances which could indicate otherwise specifically the length of tenure of Michael Farrow and Neil O'Brien's previous role as Executive Chairman. While recognising that Michael Farrow has been a Director for 17 years, the practicalities of maintaining corporate residency in Jersey means that it is advantageous to have a knowledgeable and actively participative director located there. The Board has determined that both these individuals demonstrate independence of character and judgement and that there are no circumstances which are likely, or could be perceived to be likely, to affect their judgement.

Role of the Board

The Board is collectively responsible for delivery of the strategy which is designed to promote the long-term success of the Company and to deliver shareholder value. The Board is responsible for formulation and approval of the Company's long-term objectives and strategy, approval of budgets, oversight of operations across the Group, maintenance of internal controls and risk management systems and approval of Group policies. The Board may delegate specific responsibilities but there is a schedule of matters specifically reserved for decision by the Board to ensure that it exercises control over the key matters which could impact on delivery of the Company's strategy.

Board skills and responsibilities

The Directors have a wide range of skills and industry experience including technical, operational, commercial and financial both in the UK and internationally. The Chairman and Non-Executive Directors have held senior management, Board and advisory positions and bring relevant experience from their current and previous roles.

A clearly defined organisational structure exists across the Group, with lines of responsibility and delegation of authority to executive management.

Board meetings and processes

The Board has around eight scheduled meetings each year with other meetings held as required. Informal meetings also take place between the Chairman and the Non-Executive Directors without the Executive Directors being present.

At each Board meeting, the Board receives an update from the CEO on key current activities, including HSE, and considers the Commercial and Finance Reports and any papers relating to specific matters requiring consideration or approval.

Non-Executive Directors affirm on joining the Company that they are able to allocate sufficient time to discharge effectively their responsibilities and are required to keep the Board updated of any changes in respect of their other commitments.

The letters of appointment of the Non-Executive Directors detail the expected time commitment which is around six Board meetings, one General Meeting and two meetings in respect of each of the Board Committees per annum and are required to devote to the Company's business such additional time as is reasonably necessary by way of preparation for, or follow-up after, any meeting. The Non-Executive Directors may also be asked to participate in other events such as marketing, social and client functions with this commitment not exceeding around six days per annum.

BOARD MEETING ATTENDANCE

Director	Board meetings attended
Neil O'Brien – Chairman	8
Lawrence Zulch	8
Matthew Harper	8
Michael Farrow	8
Rajat Kohli	8
Jonathan Marren	8
Kristina Peterson	8
Peter Dixon-Clarke*	6
Total meetings during year	**8**

*Resigned 29 September 2022

In addition to the scheduled Board meetings shown above, a number of Board meetings were held to deal with the exercise of warrants and in relation to the Riverfort financing facility which was put in place in December 2022.


Senior Leadership Team members Jonathan Marren, CDO, Matt Harper, CCO, Sean Ellickson, VP of Customer Operations and Brian Adams, VP of Product Development – March 2023

Board performance evaluation

Since the year end, an internal performance evaluation of the Board has been undertaken. Each Board member completed a questionnaire which focused on strategy, risks and controls, Board structure and development, Board processes and the work and composition of the Board committees. The responses were collated and summarised by an external company secretary and the key conclusions tabled at a Board meeting.

Board induction, training and outside advice

There is no set induction process but new Directors receive a briefing on AIM obligations from the Company's NOMAD, Canaccord Genuity, as well as an appropriate induction according to their requirements.

The Board supports Directors who wish to receive ongoing training and education relating to their duties.

Independent legal advice is available to Directors at the Group's expense if external advice is considered necessary and appropriate.

External directorships and interests

Executive Directors are permitted to engage in other activities and businesses outside the Group providing that there is no risk of conflict with their duties or commitments and subject to full Board disclosure.

Non-Executive Directors are required to advise the Chairman as soon as practicable of any proposed Board appointments which could give rise to a conflict with their position as a Director of the Company. Details are circulated to other Board members who are invited to advise the Chairman if they have any concerns about the proposed appointment.

Conflicts of interest

The Board has in place a procedure for dealing with actual or potential conflicts of interest. All Directors are obliged not to put themselves into a situation which may give rise to a conflict of interest, however, if such circumstances do arise then they are required to make full disclosure to the Chairman. If requested by the Chairman, a Director will absent themselves from any Board discussions and decisions on matters where there is an actual or perceived conflict of interest.

Company Secretary

The Company Secretary is Oak Secretaries (Jersey) Limited which is 100% owned by the Oak Group (Jersey) Ltd (Oak Group), a Jersey-based limited liability company regulated by the Jersey Financial Services Commission. Michael Farrow was a director of the Oak Group until his retirement from that company in May 2019. The Company has also engaged the services of a qualified company secretary to assist with the administration of the share option scheme, compliance and to provide corporate governance advice and general support to the Board and its Committees.

Political and charitable donations

The Group made no charitable or political donations during the year (2021: £nil).

Communication with shareholders

The Company engages with shareholders in a variety of ways:

Meetings

Executive Directors meet regularly with major shareholders and the investment community which allows exposure to new investors, either online or in person. This process includes presentations, one-to-one meetings and both buy and sell-side analyst briefings. The Chief Executive Officer regularly briefs the Board on meetings held and relays the views expressed. Details of analyst research reports, press reports, share trading and register analyses are shared with Directors which ensures that they are kept up to date with the views of the investment community.

Website

The Company's website is updated regularly and includes a dedicated Investor Relations section. This includes all direct shareholder communications, external presentations, Q&As with Directors and other relevant documentation so that existing and potential investors have access to up-to-date and relevant information.

Investor Relations

The Company encourages direct contact from shareholders and potential investors by providing an email address and telephone number for investors on the website which is monitored by the Director of Communications & Investor Relations and the Corporate Relations Manager. This allows investors to address ad hoc queries to the Company.

Announcements

The Company issues announcements via the Regulatory News Service ("RNS") and press releases periodically to inform the market of significant news and developments.

Webinars

The Company hosts regular interactive webinars which give shareholders the chance to address questions to management.

Annual Report

The Company's annual report gives a detailed overview of the Company, its strategy, operations, financial position, risk profile and remuneration structure and is available in hard copy and on the website. This ensures that existing and potential investors are provided with the information that they need to make an assessment of the Company's performance and prospects.

Newsletter

The Company issues regular newsletters for Investors and any interested parties who have subscribed to receive updates on the Company's activities beyond what is issued through the RNS.

AGM

In addition to the formal AGM business, the executive team give an operational and financial update and shareholders have the opportunity to address questions to the Board.

Neil O'Brien
Non-Executive Chairman
27 June 2023

REPORT OF CHAIRMAN OF AUDIT & RISK COMMITTEE

INTRODUCTION BY THE AUDIT & RISK COMMITTEE CHAIRMAN, MICHAEL FARROW

I am pleased to present the report of the Audit & Risk Committee (the "Committee") for the year ended 31 December 2022. The report includes details of the Committee's activities during the financial year.

Committee composition

The members of the Committee are Michael Farrow who replaced Jonathan Marren as chairman during the year, Rajat Kohli and Kristina Peterson, who was appointed as a Committee member during the year. The Board is satisfied that all members of the Committee have recent and relevant financial experience.

Meetings

The Committee met five times during the year and informal discussions were also held both with and without management present. The external auditors had discussions with the chairman of the Committee during the course of the year and also met the Committee members without management present.

Only members of the Committee have the right to attend the meetings of the Committee but the Committee can invite the Executive Directors, members of senior management and representatives of the external auditors to attend its meetings.

Details of the meetings attended during the financial year were as follows:

Director	Audit & Risk Committee meetings attended
Non-Executive Directors	
Michael Farrow – Chairman (appointed as Chairman on 11 July 2022)	5
Rajat Kohli	5
Kristina Peterson (appointed on 27 October 2022)	*2
Jonathan Marren (resigned as Chairman on 11 July 2022)	‡5
Directors	
Neil O'Brien	†3
Lawrence Zulch	†5
Matthew Harper	†4
Peter Dixon-Clarke	†5
Total meetings during year	**5**

* 2 meetings attended as an invitee
‡ 1 meeting attended as an invitee
† Invitee

Role

The core terms of reference of the Audit & Risk Committee include reviewing and reporting to the Board on matters relating to:

- the audit plans of the external auditors;
- the Group's overall framework for financial reporting and internal controls;
- the Group's overall framework for risk management, focusing on financial risk;
- the accounting policies and practices of the Group;
- the annual and interim financial reporting carried out by the Group; and
- the independence and performance of the external auditor.

The Committee is responsible for notifying the Board of any significant concerns that the external auditors may have arising from their audit work, any matters which may materially affect or impair the independence of the external auditors, any significant deficiencies or material weaknesses in the design or operation of the Group's internal controls and any serious issues of non-compliance. No such concerns were identified during the financial period.

Key matters considered by the Committee

During the year, the issues considered by the Committee both during and outside formal committee meetings included:

- Group financial disclosures and accounting matters relating to the preparation of the financial statements;
- Risk register;
- Audit plan of the external auditors for the 2022 financial year;
- Reports of the external auditors concerning its audit and review of the financial statements of the Group;
- 2021 Annual Report and Accounts and 2022 interim financial statements; and
- External auditors' fees.

Going concern

As part of the year end reporting process, management prepares a detailed report including detailed cashflow forecasts with a number of potential scenarios and sensitivity assumptions. The Committee reviews and challenges management's assumptions and conclusions in order that it can provide comfort to the Board that management's assessment has been challenged and is supported and that it is appropriate to prepare the financial statements on a going concern basis. Further details of the going concern assessment process are contained in Note 2 of the Group financial statements.

External auditors

The Committee recommends to the Board the appointment of the external auditors, subject to the approval of the Company's shareholders at a general meeting. Shareholders in a general meeting authorise the Board to fix the remuneration of the external auditors and the Board has delegated this responsibility to the Committee.

The Committee is responsible for the approval of the provision of all audit services and permitted non-audit services undertaken by the external auditors.

The Committee actively considers the effectiveness and quality of the external auditors.

Whistleblowing and anti-bribery

The Company is committed to conducting all of its business dealings in a responsible, honest and ethical manner. All employees, Directors and consultants are required to act with integrity and to have regard to the Company's Code of Conduct in their day-to-day business behaviour. The Company also has in place an Anti-Bribery and Corruption Policy and Procedures and arranges training for selected employees following a risk analysis. All employees are made aware of the Company's whistleblowing policy which includes contact details for the Company's internal whistleblowing officer and an independent whistleblowing charity, Public Concern at Work.

All employees are required to undertake training on the Market Abuse Regulation in relation to inside information and unauthorised trading in the Company's shares.

Michael Farrow
Chairman, Audit & Risk Committee
27 June 2023

REPORT OF CHAIRMAN OF THE ESG COMMITTEE

INTRODUCTION BY THE ESG COMMITTEE CHAIRMAN, RAJAT KOHLI

I am pleased to present the report of the ESG Committee for the year ended 31 December 2022. The Committee was established by the Board during 2022.

Committee composition

The Committee is chaired by Rajat Kohli with Michael Farrow and Matthew Harper as its members. Joe Worthington, Director of Communications & Investor Relations, also attends Committee meetings.

Meetings

The Committee met once during 2022.

Details of the meetings attended during the financial year were as follows:

Director	ESG Committee meetings attended
Rajat Kohli – Chairman	1
Michael Farrow	1
Matthew Harper	1
Total meetings during year	**1**

Role

The role of the ESG Committee is to focus on ensuring that the Company meets its legislative requirements, assesses ESG and non-financial risk and achieves its ESG goals.

Key matters considered by the Committee

The issues considered by the Committee during the year included:

- Approval of the Committee's terms of reference;
- Review of ESG-related policies;
- Appointment of staff representatives to promote and execute ESG initiatives at the Company's manufacturing facilities;
- Review of ESG disclosure on the Company's website; and
- Review of disclosure of the Company's compliance with the Quoted Companies Alliance Corporate Governance Code on the Company's website and recommended actions for the Board's consideration.

Rajat Kohli
Chairman, Environmental, Social and Governance Committee
27 June 2023

REPORT OF CHAIRMAN OF THE NOMINATION COMMITTEE

INTRODUCTION BY THE NOMINATION COMMITTEE CHAIRMAN, NEIL O'BRIEN

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2022.

Committee composition

The Committee is chaired by Neil O'Brien with Michael Farrow, Rajat Kohli and Lawrence Zulch as its members. Jonathan Marren stepped down as a member of the Committee on 11 July 2022 following his appointment as Chief Development Officer. The Board considers all members of the Committee, with the exception of Lawrence Zulch (CEO), to be independent.

Meetings

The Committee met once during 2021.

Details of the meetings attended during the financial year were as follows:

Director	Nomination Committee meetings attended
Neil O'Brien – Chairman	1
Michael Farrow	1
Rajat Kohli	1
Lawrence Zulch	1
Jonathan Marren (resigned 11 July 2022)	—
Total meetings during year	**1**

Role

The role of the Committee is to consider Board member succession, review the structure and composition of the Board and its Committees and identify and make recommendations for any changes to the Board. Any decisions relating to the appointment of Directors are made by the entire Board based on the merits of the candidates and the relevance of their background and experience, measured against objective criteria, with care taken to ensure that appointees have enough time to devote to the job.

Key matters considered by the Committee

The issues considered by the Committee during the financial year included:

- Appointment of Jonathan Marren as Chief Development Officer;
- Constitution of Board committees; and
- Board composition.

Succession planning

The Company is committed to appointing, retaining and developing an experienced team which can effectively manage the Company's objectives and deliver its strategy. When considering succession planning, the Committee will evaluate the balance of skills and experience on the Board and make recommendations to the Board on the basis of what it considers that the Company needs in order to support delivery of the agreed strategic objectives.

The Committee recognises the need for progressive refreshing of the Board and the benefits of diversity and the Committee will have regard to these when considering succession planning. When considering new Board appointments, the Committee will be committed to recruiting on merit measured against objective criteria.

The management of human resources across the Group is a matter for the Executive Directors but the Non-Executive Directors are advised in advance of recruitment plans in respect of senior appointments.

Neil O'Brien
Chairman, Nomination Committee
27 June 2023

REPORT OF CHAIR OF THE REMUNERATION COMMITTEE

INTRODUCTION BY THE REMUNERATION COMMITTEE CHAIR, KRISTINA PETERSON

I am pleased, on behalf of the Remuneration Committee, to present the Directors' Remuneration Report ('Report') for the year ended 31 December 2022.

The Report is divided into two sections:

- The Policy report which sets out the current Remuneration Policy;
- The Annual Report on Remuneration which sets out details of the operation of the Remuneration Committee and details of the Directors' remuneration packages for the year ended 31 December 2022. It also sets out details of the implementation of the Remuneration Policy for Executive and Non-Executive Directors for the year ending 31 December 2023.

In early 2023, the Remuneration Committee engaged Alvarez and Marsal ("A&M") to review Executive and Non-Executive Director compensation and provide benchmarks and recommendations compared to its AIM-listed peers. It was noted that certain Non-Executive Director compensation had not been adjusted since May 2010 when the company operated as redT Energy and therefore an outside review was warranted.

The Committee is satisfied that the outcomes, in respect of the incentives and remuneration during the financial year under review, are appropriate. The Committee will continue to ensure that the Company's Remuneration Policy and practices are kept under review to ensure that they remain appropriate for the Company at its stage of development and that they do not encourage any unnecessary risk taking by the Executive Directors.

We recommend our Report to shareholders although do not seek their formal approval. I would be happy to discuss any of the above matters with individual shareholders should they so wish.

Kristina Peterson
Chair, Remuneration Committee
27 June 2023

REMUNERATION POLICY

This part of the Report sets out the remuneration policy for the Company. The policy for the Executive Directors is determined by the Committee and the Committee recommends to the Board any adjustments to salary and bonus awards. The Committee also makes recommendations to the Board in respect of the remuneration packages of certain members of the senior team based on recommendations from the Chief Executive Officer. Authority is delegated to the Executive Directors to manage the remuneration packages of all other employees. Awards of share options to employees under the Company's Share Option Plan are the responsibility of the Board which considers recommendations from the Chief Executive Officer in respect of employees.

The aim of the Committee is to ensure that the remuneration packages are sufficiently competitive to attract, retain and motivate individuals of the quality required to contribute towards the strategic objectives of the Group and thereby enhance shareholder value. The Committee also aims to ensure that all employees receive rewards that fairly reflect their seniority, level of work and contribution to the Company.

The Company is committed to promoting equal opportunities in employment with all employees and potential employees receiving equal treatment.

EXECUTIVE DIRECTOR POLICY

The summary of the remuneration policy for the Executive Directors is set out below. Full details of the remuneration packages are given in the Report on Remuneration.

Salary

Purpose and link to strategy	To provide an appropriate salary level to support retention and recruitment of Executive Directors.
Operation	Executive Directors receive the same annual salary.
	Base salaries are reviewed annually on 1 January with regard to the external economic environment and salary adjustments across the Company. The salaries of the Chief Executive Officer (CEO) and Chief Commercial Officer (CCO) are designated in sterling but paid in local currencies. The salaries are re-based annually to allow for differentials arising through foreign exchange.
Opportunity	Salary increases will be awarded taking into account the outcome of the review. Salary increases will usually be in line with increases awarded to other employees but the Committee may make additional adjustments where there has been a change in role or responsibilities or to reflect a gap in market positioning.
Performance metrics	Not applicable for base salaries.

Pension and Benefits

Purpose and link to strategy	To provide an appropriate range of benefits and pension contributions to assist in the attraction and retention of the calibre of Executive Directors required for delivery of corporate and strategic objectives.
Operation	The CEO, based in the U.S., does not receive any benefits or employer contributions to a pension plan. The Chief Development Officer (CDO), based in the UK, has income protection, life assurance cover and private medical insurance. Benefits are administered internally and a review of providers and prices is conducted annually through a broker to ensure that the level of rates and cover remain competitive. A matching employer contribution of up to 5% of annual base salary is made to the Group personal pension plan. The CCO, based in Canada, has private medical and dental insurance and life assurance cover. He does not receive any employer pension contributions to a pension plan.
Opportunity	The benefits and pension packages, which are tailored to the individual Executive Directors, are set at a level that the Committee considers is appropriate. The value of benefits will vary each year according to the cost of provision.
Performance metrics	Not applicable for benefits and pension package.

Annual Bonus

Purpose and link to strategy	To reward the achievement of corporate targets.
Operation	Objectives are set as early as possible in the financial year. The bonuses may be paid in cash and/or shares after the end of the financial year to which they relate.
Opportunity	The annual bonus award is determined as a percentage of base salary based on performance against pre-agreed objectives. When deciding on the level of bonus awards, the Committee will have regard to the extent to which achievement of the objectives has contributed to progress against the Company's strategic drivers. The bonus is contractual but at the discretion of the Committee. The maximum bonus potential for Executive Directors is 100% of salary.
Performance metrics	The targets for the Executive Directors comprise the corporate, strategic and financial objectives agreed by the Board. There are no individual objectives. The Committee uses its judgement, supported by measurable evidence, to decide the extent to which the objectives have been achieved and exercises its discretion to decide on the level of bonus awards to be paid. The Committee considers whether operations have been completed to acceptable HSE standards and considers whether there were any HSE incidents when considering the level of bonus payments.

Share Option Plan (Option Plan)

Purpose and link to strategy	To support alignment with shareholders through the link to the creation of shareholder value.
Operation	The Option Plan was introduced in 2018 to replace historical long-term incentive arrangements. The Committee makes awards of options at an exercise price based on the prevailing market price of the Company's shares as at the date of grant. The options will vest in equal tranches after one, two and three years' further continuous employment subject to leaver provisions.
Opportunity	Option awards are usually made for a three-year term but the Committee has discretion over the frequency and quantum of awards.
Performance metrics	None.

FURTHER DETAILS ON THE POLICY

Performance measurement

Annual bonus – the annual bonus is based on a range of corporate objectives that the Board have agreed are key to progressing and delivering the Company's strategy. These can be operational, strategic and financial. Performance targets are designed to be stretching but achievable having regard to the Company's strategic priorities from time to time.

Option Plan – the Option Plan ensures alignment with shareholders being focused on share price growth over the medium to long term. Vesting of equity awards is phased with options vesting in equal tranches in years 1, 2 and 3 after the date of grant. Options granted in exchange for options in predecessor companies at the time of the Merger vest in accordance with the terms of the original option grant. The Option Plan for the Executive Directors is the same as that for all other employees.

Remuneration policy for other employees and consultation

The Company's policy for all employees is to provide remuneration packages that reward them fairly for their contribution and role within the Company.

All employees are entitled to receive the full range of Company benefits but with different qualifying periods and levels of cover depending on seniority. The most senior employees below Board level are eligible to receive an annual bonus based on performance against corporate targets.

All permanent employees have been granted options under the Option Plan on the same terms as the Executive Directors but proportionate to their employment contracts and their ability to contribute towards the Company's strategic objectives. This ensures that an element of remuneration is deliverable through a scheme that aligns participants with shareholders.

The Company does not consult with employees on the effectiveness and appropriateness of the policy but, in considering individual salary increases, the Committee does have regard to salary increases across the Company.

Recruitment

In the case of recruiting a new Executive Director, the Committee can use all the existing components of remuneration as set out in the policy table.

The salary of a new appointee will be determined by reference to the experience and skills of the individual, market data, internal comparatives and the candidate's current remuneration. New appointees may be entitled to receive the full range of Company benefits on joining and, if the Committee considers it appropriate, a matching employer contribution of up to 5% of annual base salary to the Group personal pension plan.

In relation to any elements of variable pay, the Committee will take the following approach:

Component	Approach	Maximum annual opportunity
Annual Bonus	The annual bonus would operate as outlined in the Policy for existing Executive Directors. The relevant maximum will be pro-rated to reflect the period of employment over the year. Consideration will be given to the appropriate performance targets at the time of joining.	100% of base salary in respect of the current financial year.
Option Plan	The Option Plan would operate as outlined in the policy for existing Directors. An award of options may be granted on joining subject to the Company being in an open dealing period.	Committee discretion.

Service contracts, exit payments and change of control provisions

The Executive Directors have rolling term service agreements with the Company. Details of the Directors' service contracts and appointment dates are as follows:

Executive Directors	Appointment date	Contract date	Employing company
Lawrence Zulch Chief Executive Officer	2 April 2020	2 April 2020	Invinity Energy Systems (U.S.) Corporation
Matthew Harper Chief Commercial Officer	2 April 2020	2 April 2020	Invinity Energy Systems (Canada) Corporation
Jonathan Marren Chief Development Officer and Interim Chief Financial Officer	11 July 2022	11 July 2022	Invinity Energy Systems plc

The Directors' service contracts are available to view at the Company's registered office and prior to each Annual General Meeting at the venue for the meeting.

The notice period for the Executive Directors is six months' notice in writing by either party. The Company has the right to make a payment in lieu of notice of six months' salary and, in the case of the CEO, a reimbursement of certain benefits if relevant. The Committee will consider termination payments on a case-by-case basis. It will consider the terms of the Director's contract and the circumstances of the termination and might consider making an ex-gratia payment where the circumstances and/or a Director's contribution to the Company justifies this. If an ex-gratia payment is to be made, the Committee will ensure that it is satisfied that it is in the best interests of the Company to make such a payment and that there is no "reward for failure".

The Committee also has discretion to settle any other amounts which it considers are reasonably due to the Director such as where the parties agree to enter into a settlement agreement and the individual is required to seek independent legal advice. The Committee can approve new contractual arrangements with a departing Director covering matters such as confidentiality or restrictive covenants and/or consultancy arrangements where it believes this is in the best interests of the Company.

Treatment of incentives for leavers and following a corporate event

a) Annual bonus

In relation to annual bonuses, a bonus payment will not usually be made if the Director is under notice at the bonus payment date or has already left.

b) Option Plan

In relation to awards granted under the Option Plan, all unvested options will lapse on cessation of employment. In Good leaver and Intermediate leaver circumstances (as defined in the Option Plan rules), all vested options will be retained and will be exercisable for a period of six months after the cessation of employment or 12 months in the case of death. The Committee has discretion to further extend the exercise period for Intermediate leavers and to allow the vesting of all or part of the unvested portion of an option for Good leavers.

In the event of change of control of the Company, all vested options will remain exercisable for a period of six months after the change of control and the Committee has the discretion to allow the vesting of all or part of the unvested portion of an option. Subject to the agreement of any acquiring company, option holders may be offered the opportunity to exchange their options for equivalent options over shares in the acquiring company for a period of up to six months from the change of control taking effect.

The Option Plan rules include malus and clawback provisions whereby the Committee has discretion to reduce the number of shares subject to an existing Option award in the event that an Option has been granted or has vested on the basis of any incorrect information relevant to the setting of any performance condition or condition of satisfaction including a material misstatement in the published financial results or in the event of fraud or misconduct by an Option holder including where an Option holder has been dismissed for cause. In the case of an Option which has been exercised, the Committee can require the Option holder to repay the Company an amount equal to the benefit by way of a transfer of shares or cash.

The Board can amend the Option Plan rules at any time provided that an option holder's existing rights cannot be adversely affected without the Option holder's consent.

Non-Executive Director Policy

The Company's Articles of Association provide that the Board can determine the remuneration of the Directors. The policy for the Chairman and Non-Executive Directors is as follows:

Fees

Purpose and link to strategy	To provide a competitive level of fee which will attract and retain high calibre directors with the range of skills and experience required to support the Executive Directors and assist the Company in delivering its objectives.
Operation	The fees for the Chairman and Non-Executive Directors are determined by the Board as a whole with Directors absenting from discussions regarding their own remuneration. The Board has regard to level of fees paid to the Non-Executive Directors of other similar sized companies and the time commitment and responsibilities of the role. Neither the Chairman nor the Non-Executive Directors participate in any of the Company's share schemes.
Opportunity	The current annual fees are: Chairman: £60,000 Non-Executive Director basic fee: UK: £30,000 U.S.: $50,000 Senior Independent Director fee: £5,000 Committee Chair fee: UK: £5,000 U.S.: $10,000 No additional fees are payable for acting as Chairman of the Nomination Committee or for membership of a committee except in the case of a/the U.S. Director who will receive $7,500 for membership of any committees other than the Remuneration Committee. The fee levels will be reviewed on a periodic basis with reference to the time commitment of the role and fee levels in comparative companies. No benefits or other remuneration are provided.
Performance metrics	Not applicable to Non-Executive Directors.

Recruitment

The Committee will follow the Non-Executive Director remuneration policy as set out above in relation to the appointment of a new Non-Executive Director.

Terms of appointment

The Non-Executive Directors serve under letters of appointment. Their appointments can be terminated at any time by either party giving three months' notice to the other. The appointments can also be terminated by the Company without notice in certain circumstances including incapacity for three months in any 12 month period, serious or repeated breach of obligations in connection with the appointment or unsatisfactory performance as determined by the Board.

Details of the Non-Executive Director appointments are set out below:

Director	Appointment date	Original appointment letter	Revised appointment letter
Neil O'Brien	9 September 2016	8 September 2016	14 March 2019 – in respect of appointment as Executive Chairman 13 March 2020 – in respect of appointment as Non-Executive Chairman effective 2 April 2020
Michael Farrow	16 March 2006	16 March 2006	—
Rajat Kohli	22 June 2020	20 June 2020	—
Kristina Peterson	2 November 2021	30 October 2021	—

The Non-Executive Directors' letters of appointment are available to view at the Company's registered office and prior to each Annual General Meeting at the venue for the meeting.

REPORT ON REMUNERATION

Remuneration Committee membership and meetings

As at 31 December 2022, the Committee comprised Kristina Peterson as the Committee Chair, Michael Farrow and Rajat Kohli. Kristina Peterson replaced Michael Farrow as the Committee Chair on 11 July 2022 and Jonathan Marren stepped down as a member of the Committee on 11 July 2022 following his appointment as Chief Development Officer and subsequently Interim Chief Financial Officer.

The Committee met twice formally during the financial period and informally throughout the year. Details of the formal meetings attended during the financial year were as follows:

Director	Remuneration Committee meetings attended
Kristina Peterson – Chair (appointed 11 July 2022)	2
Michael Farrow	2
Rajat Kohli	2
Jonathan Marren (resigned on 11 July 2022)	1
Neil O'Brien	‡ 1
Total meetings during year	**2**

‡ Invitee

During the financial year, the Committee's main areas of activity included:

- Approving bonus awards in respect of the year ended 31 December 2021 for the Executive Directors;
- Setting the parameters for bonus awards for the members of the senior team immediately below Board level and delegating authority to the CEO to award bonuses within these parameters;
- Approving the 2022 KPIs and weightings for the executive bonus plan;
- Approving salary increases for the Executive Directors and the senior team immediately below Board level;
- Approving the remuneration package for Jonathan Marren in respect of his appointment as Chief Development Officer; and
- Considering the timing of awards of options to new permanent employees.

No individual is involved in determining his or her own remuneration.

External advice

The Committee obtains external legal advice from Fox Williams in relation to employment matters.

The Committee considers that the advice it received during the financial period was objective and independent.

Total remuneration

The table below reports a single figure for total remuneration for each Executive Director:

Directors at 31 December 2021	Salary £'000 (i) Year ended 31 Dec 22	Salary £'000 (i) Year ended 31 Dec 21	Benefits £'000 (ii) Year ended 31 Dec 22	Benefits £'000 (ii) Year ended 31 Dec 21	Annual bonus £'000 (i) Year ended 31 Dec 22 (iii)	Annual bonus £'000 (i) Year ended 31 Dec 21 (iv)	Long-term incentives £'000 (v) Year ended 31 Dec 22	Long-term incentives £'000 (v) Year ended 31 Dec 21	Pension benefits £'000 Year ended 31 Dec 22	Pension benefits £'000 Year ended 31 Dec 21	Total £'000 Year ended 31 Dec 22	Total £'000 Year ended 31 Dec 21
Lawrence Zulch	**176.9**	164.0	**—**	—	**93.7**	72.6	**—**	—	**—**	—	**270.6**	236.5
Matt Harper	**172.4**	154.4	**2.2**	1.9	**91.4**	72.6	**—**	—	**—**	—	**263.8**	228.9
Jonathan Marren (appointed 11 July 2022)	**75.9**	n/a	**1.2**	n/a	**41.5**	n/a	**—**	n/a	**3.0**	n/a	**121.6**	n/a
Former Executive Director												
Peter Dixon-Clarke (resigned 29 September 2022)	**145.0**	166.4	**—**	—	**—**	70.5	**—**	—	**7.3**	7.5	**152.3**	244.4

(i) Salaries and bonuses of L Zulch and M Harper are designated in sterling but paid in local currencies and are calculated using an average exchange rate for the year.
(ii) Represents employer contribution to private medical and dental insurance cover in the case of M Harper (calculated using an average exchange rate for the year) and private medical insurance in the case of J Marren.
(iii) Represents amounts paid in 2023 in respect of bonus awards for the year ended 31 December 2022.
(iv) Represents amounts paid in 2022 in respect of bonus awards for the year ended 31 December 2021.
(v) A number of options vested during the year ended 31 December 2022. The value of the vested options, calculated with reference to the mid-market price on the various vesting dates less the cost of exercise, was £0 for M Harper (2021: £24,231) and £0 for P Dixon-Clarke (2021: £17,500). The options had not been exercised as at the date of this report in the case of M Harper and date of leaving in the case of P Dixon-Clarke. None of J Marren's options had vested as at the date of this report.

The table below reports a single figure for total remuneration for each Non-Executive Director:

Directors at 31 December 2022	Basic Fees £'000 (i) Year ended 31 Dec 2022	Basic Fees £'000 (i) Year ended 31 Dec 2021	Additional Fees £'000 (i) Year ended 31 Dec 2022	Additional Fees £'000 (i) Year ended 31 Dec 2021	Total Fees £'000 Year ended 31 Dec 2022	Total Fees £'000 Year ended 31 Dec 2021
Neil O'Brien	**60.0**	60.0	**—**	—	**60.0**	60.0
Michael Farrow	**30.0**	30.0	**5.0**	5.0	**35.0**	35.0
Rajat Kohli *	**30.0**	30.0	**5.2**	—	**35.2**	30.0
Kristina Peterson † (appointed 2 November 2021)	**40.6**	6.2	**5.0**	—	**45.6**	6.2
Former Non-Executive Directors						
Jonathan Marren‡ (appointed as Executive Director on 11 July 2022)	**15.8**	30.0	**5.4**	8.3	**21.2**	38.3

(i) Fees paid to Kristina Peterson are designated in sterling but paid in local currencies and are calculated using an average exchange rate for the year.
* Appointed as ESG Committee Chairman on 9 June 2022 and Senior Independent Director on 11 July 2022.
† Appointed as Remuneration Committee Chair on 11 July 2022 and as Audit & Risk Committee member on 27 October 2022
‡ Senior Independent Director from 1 May 2021 to 11 July 2022.

No fees were paid to Non-Executive Directors for membership of a committee or for attending committee meetings other than Kristina Peterson who receives a fee for membership of the Audit & Risk Committee as per her letter of appointment. No benefits, pension contributions or other remuneration are provided.

Additional information in respect of single figure table of remuneration for the year ended 31 December 2022

Annual bonus

In respect of the financial period, the Committee agreed that the Executive Director annual bonus opportunity would be up to 100% of base salary. The Committee had agreed objectives with a range of weightings relating to signed sales contracts, share price performance, achievement of milestones on the joint development program with Gamesa Electric and production cost reductions.

The Committee concluded that the final bonus calculation for 2022 was 52.95% with the bonus payable to Jonathan Marren pro-rated for the period since his appointment as an Executive Director.

Awards of share options during the financial year

There were no options granted to Executive Directors during the financial year.

The table below summarises the options granted to Executive Directors during the financial year in accordance with the policy.

Director	Date of grant	Number of options	Exercise price	Vesting date
Jonathan Marren	11 July 2022	500,000	£0.455	Options vest in equal instalments at the end of years 1, 2 and 3 following date of grant

Implementation of Executive Director remuneration policy for 2023

External advice

The Committee has appointed Alvarez and Marsal Tax and UK LLP (Alvarez & Marsal) as remuneration consultants to undertake a remuneration benchmarking exercise in respect of Executive and Non-Executive Director remuneration and to review the current long-term incentive arrangements.

Base salaries

The Committee is considering the outcome of the Alvarez & Marsal Executive Director compensation and benchmarking review and is in the process of agreeing adjustments to the base salaries of the Executive Directors as a consequence of the review.

Annual bonus

For 2023, the Executive Directors' annual bonus will be determined as a percentage of base salary based on performance against pre-agreed corporate objectives. The maximum bonus potential is 100% of base salary with on target bonuses being 50%.

For the financial year ending 31 December 2023, the Committee has agreed objectives with a range of weightings relating to gross revenue, closing cash, share price target and next-generation product rollout.

Option Plan

The Committee is considering the results of the Alvarez & Marsal review and will consider whether to make any changes to the incentive arrangements of the Executive Directors as a consequence of the review.

Benefits and pension contributions

The Executive Directors will receive the benefits and pension contributions in line with the policy.

Implementation of Non-Executive Director remuneration policy for 2023

The fees for the Chairman and Non-Executive Directors have not been reviewed since the merger between redT energy PLC and Avalon Battery Corporation in April 2020 or the date of appointment in the case of Rajat Kohli and Kristina Peterson. The Board of Directors will consider whether to make any adjustments to the Non-Executive Directors' fees as a result of the benchmarking exercise to be undertaken by Alvarez and Marsal. In accordance with its terms of reference, the Committee will consider whether to make any adjustment to the fees of the Chairman of the Board in light of the outcome of Alvarez & Marsal's review.

Statement of Directors' shareholdings

The table below summarises the interests of the Directors in office as at 31 December 2022 in the Company's shares:

	Ordinary shares of €0.01 each at 31 December 2022	% of issued share capital at 31 December 2022
Neil O'Brien	87,500	0.07
Lawrence Zulch	2,258,949	1.90
Matthew Harper	1,597,845	1.34
Michael Farrow	9,224	0.01
Rajat Kohli	—	—
Jonathan Marren	199,977	0.17
Kristina Peterson	—	—

In line with other investors, the Directors who participated in the Placing announced in November 2021 acquired one short-term warrant and one long-term warrant for every two Ordinary Shares purchased. The table below summarises the interests of the Directors in office at 31 December 2022 in warrants to subscribe for shares:

	Short-term warrants over Ordinary Shares of €0.01 each with an exercise price of £1.50 exercisable until 15 September 2023	% of total number of short term warrants issued	Long-term warrants over Ordinary Shares of €0.01 each with an exercise price of 225p exercisable until 16 December 2024	% of total number of long-term warrants issued
Lawrence Zulch	6,000	0.04	6,000	0.04

Outstanding awards under the Option Plan

Director	Date of grant	Exercise price	Options held at 31 December 2021	Lapsed/Relinquished/ exercised during year	Vested during year	Options held 31 December 2022	Earliest vesting date
Matt Harper	1 April 2020* (revised)	£0.0434	263,034	—	—	263,034	Options fully vested as at 15 July 2019
Matt Harper	1 April 2020* (revised)	£0.0434	73,065	—	8,524	73,065	Options fully vested as at 1 July 2021
Matt Harper	26 August 2020	£1.13	300,000	—	100,000	300,000	26 August 2021 (options vest in equal instalments at the end of years 1, 2 and 3 following date of grant)
Jonathan Marren	11 July 2022	£0.455	500,000	—	—	500,000	11 July 2022 (options vest in equal instalments at the end of years 1, 2 and 3 following date of grant)
Former Director							
Peter Dixon-Clarke (resigned 29 September 2022)	26 August 2020	£1.13	500,000	166,667	166,667	333,333†	—

* Following the merger between redT Energy PLC and Avalon Battery Corporation, the Company granted new options in substitution and cancellation of options held under the Avalon Battery Corporation 2013 Equity Incentive Plan which had original dates of grant of 21 November 2014 and 7 July 2016. The options have retained the original vesting dates.

† Since 31 December 2022, Peter Dixon-Clarke's outstanding options have lapsed in full.

Share price movements during year ended 31 December 2022

The mid-market closing price of the Company's shares at 31 December 2022 was 43 pence. The range of the trading price of the Company's shares during 2022 was between 104.5 pence and 19.64 pence per share.

Kristina Peterson
Chair of the Remuneration Committee
27 June 2023

Principal activity

The principal activity of the Group is the production and selling of vanadium flow batteries for the energy storage market.

Results and dividends

The trading results for the year, and the Group's financial position at the end of the period, are shown in the attached financial statements. The Directors have not recommended a dividend for the year (year ended 31 December 2021: £nil).

Major shareholders

At 12 June 2023, the Company had been notified of the following interests of three percent or more of the Company's voting rights.

Shareholder/Fund Manager	Number of shares	% of issued share capital
Schroders plc	42,574,806	22.29%
Amati Global Investors Limited	9,928,823	5.20%
GSR Ventures	8,495,506	4.45%
Utilico Emerging Markets Trust PLC	7,977,336	4.18%
Herald Investment Management	7,946,850	4.16%
Everbrite Technology Co. Ltd	7,812,500	4.09%
Johnson Chiang	6,019,612	3.15%
Fidelity International Limited	5,935,225	3.11%

Directors

The present members of the Board are as listed in the Board composition section of the Governance Report. The interests of the Directors in office at the year-end in the share capital of the Company are shown in the Directors' Remuneration Report along with details of their service contracts and terms of appointment.

Post balance sheet events

Post balance sheet events are disclosed in note 32.

Going Concern

Going concern is disclosed in the Chief Financial Officer's report along with note 2.

Principal risks and uncertainties

Information relating to the principal risks and uncertainties facing the Group is set out in the Risk Management Report of the Strategic Report.

Related party transactions

Related party transactions are disclosed in note 30.

Financial instruments

Information relating to the financial instruments relating to Group is set out in the Notes to the Consolidated Financial Statements in Note 3 (Accounting Policies) in Note 27 (Financial assets and liabilities).

Political and charitable contributions

The Group made no charitable donations (year ended 31 December 2021: £nil) and no political donations (2021: £nil) during the year.

Creditor payment policy

The Group does not follow any specific code or standard on payment practice. However, it is the policy of the Group to ensure that all of its suppliers of goods and services are paid promptly and in accordance with contractual and legal obligations. Average creditor days for the year were 49 days (year ended 31 December 2021: 12 days), on the basis of accounts payable as a percentage of amounts invoiced during the year.

Directors' and Officers' insurance

The Group maintained directors' and officers' liability insurance cover throughout the period. The Directors are also able to obtain independent legal advice at the expense of the Group, as necessary, in their capacity as Directors.

Employees

The Group had an average of 147 employees across the year, three of whom are Executive Directors. The Group seeks to employ people on the basis of merit and ability to perform the required roles. The Group does not discriminate on any grounds including race, gender, religion, age, nationality or sexual orientation.

Relations with shareholders

The Company provides shareholders and stakeholders with relevant information in a timely and balanced manner. We understand and respect the rights of shareholders, will convene Annual General Meetings in full consideration of these rights and encourage full participation of both institutional and private investors.

Auditor

A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Jonathan Marren
Chief Development Officer and Interim Chief Financial Officer
27 June 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in Respect of the Financial Statements

Legal and regulatory framework

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations. As a Company incorporated in Jersey and with its ordinary shares admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange, the Company is subject to the FCA's Listing Rules and Disclosure and Transparency Rules, as well as to all applicable laws and regulations in Jersey.

The Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared these Financial Statements under International Accounting Standards ("IAS UK") as adopted in the United Kingdom.

Under Jersey company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for preparing the Annual Report and financial statements, which includes a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with applicable laws and regulations.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Each of the Directors, whose names and functions are listed in the Corporate Governance section – Board of Directors on pages 24-25, confirm that to the best of their knowledge that:

- the Financial Statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and loss of the Company taken as a whole;

- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company taken as a whole, together with a description of the principal risks and uncertainties that it faces; and

- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In the case of each director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:

Jonathan Marren
Chief Development Officer and Interim Chief Financial Officer
27 June 2023

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to the members of Invinity Energy Systems plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Invinity Energy Systems PLC's group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated statement of financial position as at 31 December 2022; the Consolidated statement of profit and loss; Consolidated statement of comprehensive income; Consolidated statement of changes in equity and Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the Financial Reporting Council's ("FRC") Ethical Standard, as applicable to listed public interest entities in accordance with the requirements of the Crown Dependencies' Audit Rules and Guidance for market-traded companies, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's ability to continue as a going concern. In assessing going concern the Directors have prepared a severe but plausible downside scenario which forecasts that delivery of existing and future sales contracts during 2024 may not be at anticipated positive gross margins and may be delayed beyond June 2024. Under this scenario the Group would exhaust all available cash by April 2024 and it will be necessary to raise further funding within the next 12 months in order to continue trading and deliver on the strategic objectives. No such funding is committed as at the date of approval of the financial statements These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- obtaining future cash flow forecasts, covering base case and a severe but plausible downside case, for a period of at least 12 months from the date of approval of the financial statements. We assessed the forecast assumptions used in the base and severe but plausible downside scenarios;
- review of past forecasting accuracy by the directors;
- testing the mathematical accuracy of the forecasts;
- corroborating the forecast budgeted revenue with confirmed sales orders or revenue pipeline of the Group;
- comparing the assumptions used within the going concern model to the board approved budgets and business plans.
- corroborating the starting cash position at the beginning of the going concern period;
- reviewing and evaluating management's sensitivities and performing additional sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes; and
- reading the disclosures in the financial statements and checking these were consistent with the Group's plans for future fundraising and the Group's current funding position.

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

Our audit approach

Context

Invinity Energy Systems plc is an independent, Jersey incorporated company. Its key subsidiaries are based in the UK, Canada and United States of America. The principal activities of the company and its subsidiaries relate to the manufacture and sale of vanadium flow battery systems plus associated installation, warranty and other services. Its manufacturing and assembly sites are located in the UK and Canada.

Overview

Audit scope

- We conducted full scope audits on four components and the audit of specified balances and classes of transactions on one component. The scope of work at each component was determined by its contribution to the Group's overall financial performance and its risk profile.
- We engaged our network firm in Canada to perform the audit procedures for components based in the United States of America and Canada. The work on the other components was performed by the UK firm.
- The components where audit work was performed accounted for approximately 99% of total assets.

Key audit matters

- Material uncertainty related to going concern.
- Accounting for the Riverfort and YA II PN Ltd arrangement.
- Completeness of Onerous Contracts Provision.
- Impairment of Goodwill.

Materiality

- Overall materiality: £530,850 (2021: £650,000) based on 1% of Total Assets.
- Performance materiality: £398,000 (2021: £487,500).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Accounting for the Riverfort and YA II PN Ltd arrangement is a new key audit matter this year. Warranty provision and revenue recognition, which were key audit matters last year, are no longer included because of the reduced risk in relation to legacy products included within the warranty provision and the reduced risk of error in revenue recognition. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accounting for the Riverfort and YA II PN Ltd arrangement In December 2022 the Group entered into a $10m funding arrangement with Riverfort Global Opportunities and YA II PN Ltd ('the noteholders') of which $2.5m (£1.9m) had been drawn down by the balance sheet date. The initial drawdown included an issuance of warrants and the terms of the financing include a number of settlement features. 2,700,038 shares were issued to the noteholders as part of the arrangement. We focused on this area due to the complexity in valuing the issued warrants and the settlement features of the contract. There was also judgement involved in identifying any embedded derivatives within the arrangement and anything which would meet the definition of an equity instrument. Refer to Notes 9, 25 and 29 for further details.	In testing the accounting for the funding arrangement we performed the following: ■ We obtained the signed agreement with the noteholders and assessed the completeness of management's assessment of the accounting for the terms of the agreement; ■ Obtained management's accounting paper detailing their assumptions and conclusions in relation to the accounting for the terms of the agreement. We challenged management on their conclusions against the requirements of IAS 32 and IFRS 9 particularly in relation to the issue of shares as part of the arrangement; ■ Utilised PwC valuation experts to test management's assumptions used in the valuation of the warrants and the derivatives; ■ Confirmed the issuance of shares and warrant; and ■ Evaluated the disclosures in the financial statements. Based on work performed we identified no matters that would suggest management's assessment of the funding arrangement were materially misstated.
Completeness of Onerous Contracts Provision At the balance sheet date the Group has an onerous contract provision of £1.6m (2021: £4.9m). The onerous contract provision relates to 4 contracts. We have focused on the completeness of this provision as determining the appropriate provision for contracts that are, or are expected to become, loss making requires a significant level of judgement. The calculation of the provision will require identification of the costs expected to be incurred and the benefits expected to be derived from individual contracts, including new contracts entered into in the period. Refer to Note 21 for further details.	In testing the completeness of the onerous contract provision we performed the following: ■ Obtained the complete list of contracts signed with customers to check if an onerous contract provision had been recognised or at least considered for each one; ■ Obtained management's onerous contract provision calculation and tested the constituent parts to management's assumptions and corroborating evidence. Part of this test was to assess whether or not what was recognised was sufficient in light of the evidence obtained; ■ Considered losses made on contracts to date and compared this to the calculated forecasted losses on contracts to identify any inconsistencies between future contracts with previous contracts and corroborating managements explanations for any change in the expected costs; ■ For contracts identified where there was no provision we obtained corroborating evidence to support the expected costs for delivering these contracts and compared that to the expected revenue under the contract; and ■ Verified the adequacy of relevant disclosures in the Group financial statements. Based on work performed we identified no indicators that would suggest management's assessment was materially misstated.

Key audit matter	How our audit addressed the key audit matter
Impairment of Goodwill The Group holds goodwill of £23.9m. IAS 36 Impairment of assets requires an annual impairment assessment to be carried out for all indefinite life intangibles (goodwill) and whenever there are any indications of impairment for all other assets. We focused on this area due to the material nature of the goodwill and given that the Group is currently incurring losses, there is a risk that the value of goodwill may not be recoverable. Management has determined the recoverable amount of the relevant cash generating unit as at 31 December 2022 based on fair value less costs of disposal (in line with the approach adopted in 31 December 2021). Refer to note 15 for further details.	In auditing the impairment assessment we performed the following: ■ We considered the appropriateness of using the fair value less costs to sell approach; ■ We corroborated the share price at the balance sheet date and checked the accuracy of the market capitalisation calculation; ■ Assessed the inclusion of all appropriate assets and liabilities in the cash generating unit carrying value calculation and agreed that all relevant balances had been included; and ■ Verified the adequacy of relevant disclosures in the Group financial statements. Based on the work performed, we determined that the assumptions used, and the approach taken, were reasonable. The recoverability of the goodwill is interlinked with the going concern assumption therefore the recoverability of the asset is at risk should the group not continue as a going concern.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which it operates.

The Group has one segment and cash generating unit, the group has two manufacturing and assembly locations in the UK and Canada. The accounting and financial reporting functions are also based in these two regions.

Our Group scoping was based on total assets within each component. We identified four components (the company, Invinity Energy (UK) Limited, Invinity Energy Systems (Canada) Corporation and Invinity Energy Systems (US) Corporation) which comprised a high proportion of total Group assets which required an audit of their complete financial information. One other component was subject to procedures over the provisions and contract liabilities financial statement line item level to obtain sufficient coverage.

The audit work was performed by the Group engagement team based in the UK and component auditors based in Canada. We maintained regular communication and conducted formal interim and year-end conference calls with the component team, as well as reviewing their audit work and reports to us.

Together the above scoping gave appropriate coverage of all material balances at a Group level. On a consolidated basis, these provided coverage of 99% of total assets.

The impact of climate risk on our audit

Our audits considered the impact of climate change. As part of our audit, we made enquiries with management to understand the process adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and to support the disclosures made in the Sustainability section in the Strategic Report. We also read the Group's governance process in response to climate risk. Using our knowledge of the business, we focused our work on how the impact of climate commitments made by the Group would impact the assumptions within the discounted cash flows prepared by management that are used in the Group's going concern assessment. We challenged the completeness of management's climate impact assessment by reading the external reporting made by management as well as internal climate plans and Board minutes. We also considered the completeness of the impact on financial statement line items by comparing management's assessment of the impact of climate risk, including the potential impact on the underlying assumptions and estimates as outlined in the basis of preparation in note 2 to the Group financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£530,850 (2021: £650,000).
How we determined it	1% of Total Assets
Rationale for benchmark applied	We believe that total assets is an appropriate measure for the Group given the current stage of development of the business and products.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £224,000 to £450,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £398,000 (2021: £487,500) for the Group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £25,000 (2021: £32,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies (Jersey) Law 1991 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of financial results (such as revenue) and potential management bias in accounting estimates to improve the performance of the Group. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Evaluation of the design effectiveness of management's controls designed to prevent and detect irregularities;
- Inquiries with the Board of Directors and Chief Financial Officer, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of board minutes;
- Challenging assumptions made by management in its significant accounting estimates, in particular in relation to impairment of intangible assets, provision for warranty, inventory and onerous contracts; and
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual revenue account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES (JERSEY) LAW 1991 EXCEPTION REPORTING

Under the Companies(Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the company or proper returns adequate for our audit have not been received from branches not visited by us;
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Paul Cheshire
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
27 June 2023

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31 December 2022

Continuing operations	Note	2022 £000	2022 £000	2021 £000	2021 £000
Revenue	4		**2,944**		3,185
Direct costs		**(2,927)**		(6,622)	
Grant income against direct costs	4	**647**		—	
Cost of sales	5		**(2,280)**		(6,622)
Gross profit			**664**		(3,437)
Operating costs					
Administrative expenses	6		**(19,042)**		(14,439)
Other items of operating income and expense	10		**(604)**		(3,388)
Loss from operations			**(18,982)**		(21,264)
Finance income	11		**62**		—
Finance costs	11		**(65)**		(45)
Gain/(loss) on foreign currency	11		**448**		(63)
Net finance income/(costs)	11		**445**		(108)
Loss before income tax			**(18,537)**		(21,372)
Income tax expense	12		**—**		—
Loss for the year			**(18,537)**		(21,372)
Loss per ordinary share in pence					
Basic	13		**(16.0)**		(24.1)
Diluted	13		**(16.0)**		(24.1)

The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

Continuing operations	2022 £000	2021 £000
Loss for the year	**(18,537)**	(21,372)
Other comprehensive (Expense) /income		
Exchange differences on the translation of foreign operations	**(137)**	10
Total comprehensive loss for the year	**(18,674)**	(21,362)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 £000	2021 £000
Non-current assets			
Goodwill and other intangible assets	15	**24,050**	24,097
Property, plant and equipment	16	**1,208**	1,130
Right-of-use assets	17	**1,845**	975
Total non-current assets		**27,103**	26,202
Current assets			
Inventory	19	**9,827**	5,797
Other current assets	20	**8,781**	6,280
Contract assets	21	**500**	324
Trade receivables	22	**1,737**	1,683
Cash and cash equivalents	23	**5,137**	26,355
Total current assets		**25,982**	40,439
Total assets		**53,085**	66,641
Current liabilities			
Trade and other payables	24	**(4,935)**	(3,513)
Derivative financial instruments	25	**(769)**	—
Contract liabilities	21	**(8,375)**	(5,142)
Lease liabilities	26	**(740)**	(350)
Provisions	21	**(2,907)**	(5,976)
Total current liabilities		**(17,726)**	(14,981)
Net current assets		**8,256**	25,458
Non-current liabilities			
Lease liabilities	26	**(969)**	(420)
Total non-current liabilities		**(969)**	(420)
Total liabilities		**(18,695)**	(15,401)
Net assets		**34,390**	51,240
Equity			
Called up share capital	27	**50,716**	50,690
Share premium	27	**141,579**	140,445
Share-based payment reserve	27	**5,957**	5,293
Accumulated losses	27	**(162,094)**	(143,557)
Currency translation reserve	27	**(1,807)**	(1,670)
Other reserves	27	**39**	39
Total equity		**34,390**	51,240

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 51 to 92 were authorised by the Board of Directors and authorised for issue on 27 June 2023 and were signed on its behalf by:

Jonathan Marren
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Called-up share capital £000	Share premium £000	Share-based payment reserve £000	Accumulated losses £000	Currency translation reserve £000	Other reserves £000	Total £000
At 1 January 2022	**50,690**	**140,445**	**5,293**	**(143,557)**	**(1,670)**	**39**	**51,240**
Loss for the year	**—**	**—**	**—**	**(18,537)**	**—**	**—**	**(18,537)**
Other comprehensive income							
Foreign currency translation differences	**—**	**—**	**—**	**—**	**(137)**	**—**	**(137)**
Total comprehensive loss for the year	**—**	**—**	**—**	**(18,537)**	**(137)**	**—**	**(18,674)**
Transactions with owners in their capacity as owners							
Investment funding arrangement, net of transaction costs	**25**	**1,129**	**(23)**	**—**	**—**	**—**	**1,131**
Exercise of share options	**1**	**5**	**—**	**—**	**—**	**—**	**6**
Share-based payments	**—**	**—**	**681**	**—**	**—**	**—**	**681**
Equity settled interest on investment funding arrangement	**—**	**—**	**6**	**—**	**—**	**—**	**6**
Total contributions by owners	**26**	**1,134**	**664**	**—**	**—**	**—**	**1,824**
At 31 December 2022	**50,716**	**141,579**	**5,957**	**(162,094)**	**(1,807)**	**39**	**34,390**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Called-up share capital £'000	Share premium £'000	Share-based payment reserve £'000	Accumulated losses £'000	Currency translation reserve £'000	Other reserves £'000	Total £'000
At 1 January 2021	37,870	124,545	3,762	(122,185)	(1,680)	39	42,351
Loss for the year	—	—	—	(21,372)	—	—	(21,372)
Other comprehensive income							
Foreign currency translation differences	—	—	—	—	10	—	10
Total comprehensive loss for the year	—	—	—	(21,372)	10	—	(21,362)
Transactions with owners in their capacity as owners							
Contribution of equity, net of transaction costs	12,286	15,148	—	—	—	—	27,434
Exercise of share options	534	752	(296)	—	—	—	990
Share-based payments	-	-	1,827	—	—	—	1,827
Total contributions by owners	12,820	15,900	1,531	—	—	—	30,251
At 31 December 2021	50,690	140,445	5,293	(143,557)	(1,670)	39	51,240

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Cash used in operations	14	**(21,934)**	(22,964)
Interest received		**62**	—
Net cash outflow from operating activities		**(21,872)**	(22,964)
Cash flows from investing activities			
Acquisition of intangible assets	15	**—**	(18)
Acquisition of property, plant and equipment	16	**(708)**	(733)
Net cash outflows from investing activities		**(708)**	(751)
Cash flows from financing activities			
Payment of lease liabilities	26	**(591)**	(320)
Interest paid		**(59)**	—
Proceeds from the issue of share capital, net of transaction costs		**1,161**	27,434
Proceeds from the investment funding arrangement, net of transaction costs	25	**769**	—
Proceeds from the exercise of share options and warrants		**6**	990
Net cash inflow from financing activities		**1,286**	28,104
Net (decrease)/increase in cash and cash equivalents		**(21,294)**	4,389
Cash and cash equivalents at the beginning of the year		**26,355**	21,953
Effects of exchange rate changes on cash and cash equivalents		**76**	13
Cash and cash equivalents at the end of the year		**5,137**	26,355

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES

(forming part of the consolidated historical financial information)

1 General Information

Invinity Energy Systems plc (the 'Company') is a public company limited by shares incorporated and domiciled in Jersey. The registered office address is Third Floor, IFC5, Castle Street, St. Helier, JE2 3BY, Jersey.

The Company is listed on the AIM Market of the London Stock Exchange with the ticker symbol IES.L, on the AQSE Growth Market in the United Kingdom with the ticker symbol IES and on the OTCQX Best Market in the United States of America with the ticker symbol IESVF.

The principal activities of the Company and its subsidiaries (together the 'Group') relate to the manufacture and sale of vanadium flow battery systems and associated installation, warranty and other services.

2 Summary of significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International UK-adopted International Accounting Standards, the associated interpretations issued by the IFRS Interpretations Committee (together 'IFRS') and in accordance with the Companies (Jersey) Law 1991.

Separate presentation of the parent company financial statements is not required by the Companies (Jersey) Law 1991 and, accordingly, such statements have not been included in this report.

The significant accounting policies applied in preparing these consolidated financial statements are set out below. These policies have been consistently applied throughout the period and to each subsidiary within the Group.

The financial statements have been prepared under the historical cost convention except where stated.

Going concern

In assessing whether the Group has the ability to continue as a going concern the Directors have modelled a base cash flow forecast for a period up to 31 December 2024. The Directors have prepared a base case scenario that assumes the 14.5m Short-Term warrants originally granted in 2021 ("Short-Term Warrants"), the terms of which are proposed to be amended as set out below are exercised before June 2024. Under this scenario the Group would expect to remain cash positive for the period up to 31 December 2024 assessed for going concern purposes. The forecast does indicate that the Group would move into negative cash shortly after the period assessed for going concern as a result of working capital investment on future sales. The Group would defer any working capital investment if it were to result in exhausting all cash. This forecast is also based on delivering existing signed sales contracts during 2023 as per forecast gross margins and existing and future sales contracts during 2024 at anticipated positive gross margins. The Directors recognise there is a risk that the Short-Term Warrants will not be exercised if they are not 'in the money' before the expiry date and given it is not at the discretion of the Group.

The Directors have also prepared an alternative 'adjusted base case' scenario which does not include the exercise of the Short-Term Warrants but also adjusts forecasted costs. The Directors have a plan to adjust costs in a scenario where it does not look like the Short-Term Warrants will be exercised. This plan includes the following:

- Non-payment or delayed payment of forecasted bonuses;
- No increase or delayed increase in salaries across the Group;
- Delayed recruitment of additional headcount; and
- Reduction in planned increase in research and development expenditure;

Under the adjusted base case the Group would expect to remain cash positive for the period up to 31 December 2024 assessed for going concern purposes. Therefore the Directors believe it is appropriate to prepare the accounts on a going concern basis.

The Short-Term Warrants were initially granted in 2021 with an exercise price of 150p and an expiry date of 15 September 2022. On 31 August 2022, the holders of the Short-Term Warrants agreed at a general meeting of Short-Term Warrant holders to amend the expiry date of the Short-Term Warrants to 15 September 2023. The Company is now planning to seek the approval of Warrant holders at a general meeting, notice of which will be given shortly, to make the following amendments to both the Short and Long-Term Warrants. The Company intends to seek approval to amend the Short-Term Warrant subscription period to 16 December 2023 (the Long-Term warrant subscription period will remain unchanged at 16 December 2024) and amend the exercise prices of the Short and Long-Term warrants to 50p and 100p respectively. There can however be no certainty that such a change in the terms will be approved.

In assessing going concern the Directors have also prepared a severe but plausible downside scenario which forecasts delivery of existing and future sales being made during 2024 being delayed beyond June 2024 and forecasted margins not being achieved. Under this scenario the Group would exhaust all available cash by April 2024 and it will be necessary to raise further funding within the next 12 months in order to continue trading and deliver on the strategic objectives.

The Directors are in the process of evaluating potential additional funding options from potential strategic investors but no such funding is committed as at the date of approval of these financial statements. The Group has been, and continues in, active discussions with a number of identified strategic investors and is confident that it will be able to conclude an equity investment from one or more of such parties within the period up to 31 December 2024 assessed for going concern purposes. The Directors also note that the Company concluded an initial strategic investment from Everbrite Technology Co., Ltd. for £2.5 million in March 2023 which gives them confidence that the Company is capable of attracting further strategic investment.

Due to the uncertainty in relation to obtaining additional funding this indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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

In addition to the issues discussed above, the directors have also reviewed other varying, and wide-ranging information relating to both present and future conditions when reaching their conclusion regarding going concern. These included the:

- operational performance of the Company's products delivered to customer sites to date;
- value of contracts signed for delivery in 2023 and 2024;
- growing sales pipeline of 2,470.3 MWh in May 2023 vs 686.2 MWh in May 2022;
- growing opportunities presented by the emergent energy storage market;
- growing levels of Government engagement and support in the three key markets; and
- positive discussions with potential strategic partners regarding making an equity investment into the Company.

Foreign currency

Presentation currency

The consolidated financial statements are presented in Great British Pounds (GBP) rounded to the nearest thousand (£000), except where otherwise indicated.

Functional currency

Items included in the financial information of the individual companies that comprise the Group are measured using the currency of the primary economic environment in which each subsidiary operates (its functional currency).

Whilst Jersey uses the Jersey Pound as its currency, Jersey is in a currency union with the United Kingdom and so the functional currency of the parent company of the Group has been determined to be GBP.

Foreign currency transactions

Transactions in currencies other than an entity's functional currency (foreign currencies) are translated using the exchange rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions denominated in a foreign currency are translated into GBP using the relevant exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the balance sheet date of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated statement of comprehensive loss within gains/(losses) on foreign currency transactions.

Foreign currency gains/(losses) realised on the retranslation of subsidiaries as part of the year-end consolidation are recorded in the translation reserve that forms a part of shareholders' funds in the consolidated financial statements of the Group.

Consolidation of subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights over, variable returns from its involvement with the entity and can affect those returns through its ability to exercise control over the entity. Subsidiaries are consolidated in the Group financial statements from the date at which control is transferred to the Company.

Subsidiaries are deconsolidated from the date that control ceases. The ability to control an entity may cease because of the sale of a subsidiary or other change in the Company's shareholding in that subsidiary, voting rights or board representation.

Foreign operations

Subsidiaries of the Company that are based in countries other than the UK or Jersey may have functional currencies that are different from that of the Company. Since the Group financial statements are presented in GBP, the assets and liabilities of foreign subsidiaries consolidated into these financial statements are translated into the Group's presentational currency using exchange rates prevailing at the end of the reporting period. Income and expense items are similarly translated using the month-end rate for each month during the year.

The exchange rates on the actual dates of transactions are used where exchange rates fluctuate significantly within a month. Exchange differences arising on consolidation are recognised in other comprehensive income and are accumulated as part of shareholder's equity.

Investments in associates and joint arrangements

Associates are entities where the Company can exert significant influence but is not able to exercise control.

Joint arrangements may be incorporated, where an entity exists, or may be unincorporated, where the venture or joint operation is governed by contract or other arrangement between two or more parties. The Company is not currently party to any unincorporated joint arrangements.

The Group accounts for its interests in associates and incorporated joint ventures using the equity method of accounting where the relevant investment is initially recorded at the cost to acquire the interest. After initial recognition, the Group recognises its share in the post-acquisition income and expenses of the associate in the statement of profit and loss with a corresponding increase (for income) or decrease (for losses) in the carrying value of the investment in the associate.

Dividends received by the Company from an associate are treated as a reduction in the carrying value of the associate (as its net assets have reduced by it giving the dividend) and income for the Group (as its net assets have increased by receiving the dividend).

The Group assesses the carrying value of associates for impairment at each reporting period end or at any other time where there is an indication that an impairment may exist. Where there is an indication of impairment of an investment, the Group assesses if an actual impairment loss exists by comparing the carrying value of the investment to its recoverable amount which is the lower of its fair value less cost to sell or its value in use.

Fair value less costs to sell is determined by reference to the proceeds that could be expected to be received should the interest in the associate be sold less the costs of doing so. Value-in-use is typically calculated by reference to the value of the discounted cash flows expected to be received from the associate.

Where there is a deficit of recoverable value as compared to the carrying value of the investment then an impairment loss is recognised in the consolidated statement of profit and loss in the amount of the calculated deficit. The carrying value of the investment in the associate is also reduced by a corresponding amount.

Acquisitions

The Group allocates the purchase consideration given in respect of the acquisition of a subsidiary to the assets acquired and liabilities assumed based on an assessment of their individual fair values at the date of acquisition. Any excess of the cost of the acquisition over the fair value of assets acquired and liabilities assumed in the business combination is recognised as goodwill.

The assessment of fair value is made by comparing the discounted value of the future net cash flows expected to be generated from the CGU to which the goodwill has been allocated to the net book value of the assets and liabilities of that CGU including the allocated goodwill. Where a deficit of discounted cash flows compared to the carrying value of the CGU's net assets and allocated goodwill exists, the goodwill is reduced to its recoverable amount with a corresponding amount recognised as an impairment charge in profit or loss. A corresponding reduction is made to the carrying value of goodwill and then to the net assets of the CGU if goodwill is insufficient to absorb the loss. Goodwill may also be tested for impairment under the fair value less costs to sell method where the recorded value of goodwill is compared to the market or value of the Company calculated by reference to its share price.

Any such impairment loss is recognised in profit and loss in the period in which it is identified. Impairment losses related to goodwill cannot be reversed in future years.

Transaction between entities within the Group

Transactions and balances between companies forming part of the Group together with any unrealised income and expenses arising from intra-group transactions are eliminated in the preparation of the consolidated financial statements of the Group.

Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs on actual disposal or earlier if the operation meets the criteria to be held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of profit and loss is restated as if the operation had been discontinued from the start of the comparative period.

Disposal of subsidiaries

Transactions that result in the loss of control of a subsidiary are accounted for as disposals. The previously consolidated assets and liabilities and the carrying amount of any non-controlling interests in the subsidiary are derecognised. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost. A gain or loss on disposal is recognised as the difference between the fair value of the consideration received together with the fair value adjustment made in respect of any retained interest in the subsidiary as offset by the carrying value of the assets and liabilities derecognised. Any gains or losses of the disposed entity that were previously recognised in other comprehensive income or loss and that require to be recycled to profit or loss also form part of the gain or loss on disposal.

New standards, amendments and interpretations effective and adopted by the Group in 2022

Amendments to existing standards previously issued by the IASB with effective dates during the year ended 31 December 2022 are summarised below. There was no effect on the Group's consolidated financial statements for the year ended 31 December 2022 as a result of the adoption of these amendments.

Amendment to 'IFRS 16 Leases'

On 28 May 2020, the IASB issued an amendment to the standard related to the treatment of rent concessions given by lessors in relation to COVID-19. The Group did not receive any rent concessions related to COVID-19 that would require consideration of the amendment to IFRS 16 and, accordingly, the amendment had no impact on the consolidated financial statements for the years ended 31 December 2021 or 2022.

Amendments to 'IFRS 3 Business Combinations'

On 2 July 2021, the IASB published amendments to references to the 2018 version of the Conceptual Framework for Financial Reporting. The amendment was effective on or after 1 January 2022.

Amendments to 'IAS 16 Property, Plant and Equipment – Proceeds before Intended Use'

On 2 July 2021, the IASB published an amendment to IAS 16 which prohibits deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The Company does not deduct revenue from the cost of assets before they are available for use and therefore, there is no impact on the Group financial statements for the year ended 31 December 2022. The amendment was effective on or after 1 January 2022

Amendment to 'IAS 37 Provisions, contingent liabilities and contingent assets'

On 2 July 2021, the IASB published an amendment which requires the provision in respect of an onerous contract to also include an assessment of the indirect costs, such as production overhead or indirect labour, that are expected to be incurred in servicing a contract considered to be onerous. The amendment was effective on or after 1 January 2022.

Annual Improvements 2018-2020

- Improvement to 'IFRS 1 First-time Adoption of IFRS' (effective for periods beginning on or after 1 January 2022)
- Improvement to 'IFRS 9 Financial Instruments' (effective for periods beginning on or after 1 January 2022)
- Improvement to illustrative examples to 'IFRS 16 Leases'
- Improvement to 'IAS 41 Agriculture' (effective for periods beginning on or after 1 January 2022)

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions and are summarized below.

- IAS 1 Classification of Liabilities as Current or Non-Current (effective for periods beginning on or after 1 January 2024);
- IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies from significant to material (effective for periods beginning on or after 1 January 2023);
- IAS 8 Amendments to Definition of Accounting Estimates (effective for periods beginning on or after 1 January 2023);
- IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for periods beginning on or after 1 January 2023); and
- IFRS 17 Insurance Contracts (effective for periods beginning on or after 1 January 2023).

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting practice (GAAP) requires management to make estimates and judgments. Those estimates and judgments can affect the reported values for assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date.

Management is also required to make estimates and judgments related to the reported amounts of revenues and expenses and related to the timing of the recognition of those revenues and expenses.

Judgments made and estimates applied are based on historical experience and other factors including management's expectations of future events that are considered relevant. Actual results may differ from these estimates. The estimates, judgments and underlying assumptions made are reviewed on an ongoing basis and specifically in the preparation of the interim and annual published financial information.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and applied consistently in future periods subject to the ongoing reassessment of estimates.

Critical judgments for the year under review

Going concern

The Directors are required to assess whether it is appropriate to prepare the financial statements on a going concern basis. In making this assessment the Directors need to be satisfied that the Group can meet its obligations as they fall due and will remain cash-positive for a period of at least 12 months from the date of approval of the financial statements. Potential additional funding that is not yet committed at the date of approval of the financial statements cannot be anticipated in making the assessment of going concern.

The Directors make their assessment based on a cash flow model prepared by management and based on its expectation of cash flows for the 18-month period from the date of approval of the financial statements. The extended period in the model provides additional comfort that the 12-month solvency requirement can be met when making the assessment of going concern.

In preparing the cash flow model, assumptions have been made regarding the timing of cash collection from customers based on the expected cash receipt under contracts that require milestone payments to be made by customers. The timing of the receipt of milestone payments may not always align with or precede the costs incurred by the Company in performing its obligations under a contract.

Downside sensitivities have been applied to the cash flows primarily related to no sales being made in 2024 and insufficient Short-Term Warrants being exercised. Refer to 'Basis of preparation' for details of the going concern analysis performed and the Directors' conclusions regarding going concern.

Notwithstanding the material uncertainty articulated in relation to the basis of preparation, the Directors expect that the business will continue to be viable throughout the model period and, accordingly, the financial statements have been prepared on a going concern basis.

Revenue recognition

Sales contracts are assessed in accordance with the Group accounting policy for revenue recognition. The policy requires the identification of the performance obligations, or promises, under the contract and a determination of the conditions and implications of each performance obligation. Revenue is recognised only when a distinct and appropriate performance obligation under a contract is satisfied.

Some performance obligations are satisfied separately – examples include the delivery of equipment. Other obligations may be satisfied in conjunction with other contract promises or where a contract calls for equipment sold under the contract to be integrated into a larger project before formal acceptance is notified by the customer.

Where the ability of a customer to benefit from a product or service is dependent on the satisfaction of other performance obligations, more than one promise may need to be bundled together as a combined performance obligation that must be satisfied before the revenue related to each element can be recognised.

Identifying where equipment or, more likely, services are readily available from other providers is a key determinant as to whether a contract promise represents a separate performance obligation or if it should be bundled with other promises that, together, represent a single performance obligation.

The assessment of what constitutes a performance obligation can be complex and requires judgment. Revenue is only recognised for each performance obligation under a contract when that performance obligation, bundled or otherwise, is satisfied. The requirement to bundle combinations of goods and/or services together as a single performance obligation could delay the timing of revenue recognition where the separate promises comprising the performance obligation are delivered sequentially.

Key sources of estimation uncertainty for the year under review

Warranty provision

The Company provides time-limited standard warranties in its contracts for sale of battery systems. In addition, customers may elect to purchase separate, standalone extended warranties. Extended warranties are for periods greater than the standard warranties that are provided with the purchase of all battery systems.

Estimating the costs that may be incurred by the Company in servicing warranty agreements requires management to estimate the number of expected claims in relation to the total number of battery systems sold. In addition, an estimate of costs that the Company could expect to incur to remedy each warranty claim should also be made to determine the amount of the total provision that should be recorded for warranties.

Provisions made in respect of expected warranty obligations are reassessed and remeasured where actual experience indicates the claim rate may be higher or lower than initially expected or where costs to remedy warranty claims differ from the assumptions used in calculating the provision. The release of an over-provision of warranty costs results in other operating income being recognised in the period whereas an additional provision for warranties results in a charge being recognised.

A 10% increase in the number of warranty claims or a 10% increase in the cost to remedy warranty issues would have a corresponding effect on warranty cost in a given period.

Refer to note 21, contract related balances.

Provision for legacy products

Management has elected to provide ongoing maintenance for certain legacy contracts not otherwise covered under warranty. Management has determined that it is necessary to provide for the costs of this ongoing maintenance or to provide for outright decommissioning.

Refer to note 21, contract related balances.

Provision for onerous contracts

A contract is onerous when the unavoidable costs of meeting the Company's obligations under the contract are expected to be greater than the revenue earned under that contract. Previously, assessment of the unavoidable costs under a contract only required direct costs such as parts and labour to be considered.

An amendment to 'IAS 37 Provisions, contingent liabilities and contingent assets' was published in May 2020 and requires the provision in respect of an onerous contract to also include an assessment of the indirect costs, such as production overhead or indirect labour, that are expected to be incurred in servicing a warranty claim. The Company elected to early adopt the amendment as of 1 January 2020 and therefore has applied the provisions of the standard in the current and prior years.

The assessment of future costs is inherently subjective and requires the use of estimates in determining the appropriate amount of provision that may be required.

Refer to note 21, contract related balances.

Share based payments, warrants and employee options

The Company determines the fair value of share-based payments and employee options using a Black-Scholes methodology. Black-Scholes uses certain assumptions to determine fair value including measures of share price volatility, expected conversion or exercise rates and levels of employee retention, among others.

In estimating the value of future share price volatility, a key input of the Black-Scholes methodology, the Company uses historic data relating to its share price. As the short and long-term warrants are listed, and therefore can be publicly traded, this provides an alternative arms-length determination of fair value.

Operating segments

The Group is organised internally to report to the Executive Directors as a whole. The Executive Directors comprise the Chief Executive Officer, the Chief Commercial Officer, and the Chief Development Officer and Interim Chief Financial Officer. The Executive Directors, as a group, have been determined, collectively, to prosecute the role of chief operating decision maker of the Group.

The chief operating decision maker is ultimately responsible for entity-wide resource allocation decisions, the evaluation of the financial, operating and ESG performance of the Group.

The Group's activities have been determined to represent a single operating segment being the provision of vanadium flow batteries and ancillary services, principally comprising installation and integration services, and the provision of extended warranties for battery units sold.

(forming part of the consolidated historical financial information)

3 Accounting policies

Revenue

The Group measures revenue based on the consideration specified in the contracts for sale with customers. Revenue is recognised when a performance obligation is satisfied by transferring control over a good or service to a customer. Control is usually considered to have transferred to a customer on delivery of equipment to the customer's site of operations or when title to the equipment is transferred to the customer (if stored offsite). Revenue excludes any taxes such as sales taxes, value added tax or other levies that are invoiced and collected on behalf of third parties, such as government tax authorities.

The Group generates revenue from the sale of battery storage systems and related hardware and services. The main portion of sales is derived from contractual arrangements with customers that have multiple elements (or performance obligations), those elements usually being the sale of battery systems, system related options, installation, and extended warranties. The sales contracts do not include a general right of return.

For contracts that contain multiple elements or promises, the Group accounts for individual goods and services separately if they are distinct. A product or service is distinct if it is separately identifiable from other items in the agreement and where a customer can benefit from the good or service on its own or together with other resources that are readily available.

The consideration paid for each performance obligation is typically fixed. A significant portion of the aggregate payment due under a contract for sale is normally due before delivery or completion of the service. The total consideration under the contract is allocated between the distinct performance obligations contained in the contract based on their stand-alone selling prices. The stand-alone selling price is estimated using an adjusted market assessment approach that looks to industry benchmarks or pricing surveys for certain standalone products or services.

In addition, under the terms of its contracts for sale, the Group may be responsible for delivering battery systems to its customers. When this is the case, the Group will invoice the relevant customer for, and will recognise as revenue, any charges incurred together with any associated handling costs. The related costs incurred by the Group for shipping and handling services are recognised as cost of sales concurrent with the recognition of the associated revenue.

Grant income

Government and other grants received are recognised in the consolidated statement of profit and loss in the period that the related expenditure is incurred. Grant income received in respect of costs incurred is presented net within the associated cost category. Capital grants are similarly netted against the relevant asset acquired or constructed.

Grant income received in advance of the associated expenditure is presented as deferred income within contract liabilities and released to profit and loss as the associated expenditure is incurred. Grant income receivable is presented as accrued income within contract assets until such time as it can be claimed or is received.

Finance income and costs

Finance income comprises interest on cash deposits, foreign currency gains and the unwind of discount on any assets that are carried at amortised cost. Interest income is recognised as it accrues using the effective interest rate method.

Finance costs include foreign currency losses and the unwind of the discount on any liabilities held at amortised cost, such as lease liabilities arising from lease contracts.

Employee benefits

Short-term benefits

Benefits provided to employees that are short-term in nature are recognised as expenses in the statement of profit and loss as the related service is provided. The principal short-term benefits given to employees are salaries, associated holiday pay and other periodic benefits such as healthcare and pension contributions made by the Company for the benefit of the employee. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if there is either a present legal or constructive obligation to pay the amount and the amount can be reliably estimated.

NOTES

(forming part of the consolidated historical financial information)

Share-based payments

The Group operates equity-settled share-based compensation plans, under which it compensates employees for services rendered through the issue of equity instruments, deferred share awards or options to subscribe for ordinary shares of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments, shares or options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market conditions (for example, the Company's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets, and the requirement to remain as an employee of the Group over a specified period); and
- including the impact of any non-vesting conditions (for example, the requirement for an employee to save).

Non-market performance and service conditions are included in the assumptions regarding the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and the grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit and loss, with a corresponding adjustment to equity.

Any social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Taxes

The total tax charge or credit recognised in the statement of profit and loss comprises both current and deferred taxes.

Taxation is recognised in the consolidated statement of profit and loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax

The current tax charge is based on the taxable profit for the year. Taxable profit or loss is different from the profit or loss reported in the statement of profit and loss as it excludes items of income and/or expense that are taxable or deductible in other years (temporary differences) and it further excludes items that are never taxable nor deductible (permanent differences).

Deferred tax

Deferred tax is the tax that is expected to be payable or recoverable on differences between the carrying value of assets and liabilities in the financial statements and the corresponding value of those assets and liabilities used to calculate taxable profit or loss.

Deferred tax assets are recognised as deductible temporary differences only where it is probable that taxable profits will be generated against which the carrying value of the deferred tax asset can be recovered. Deductible temporary differences exist where there is a difference in the timing of the recognition of an item of income or expense between the statement of profit and loss and the calculation of taxable profit or loss (a temporary difference).

Deferred tax assets and liabilities are recognised using the liability method for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint operations. Where the timing of the reversal of temporary difference arising from such investment related assets and liabilities can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future then the Group does not recognise deferred tax liabilities on these items.

A deferred tax asset or liability is not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Current and deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding used in the EPS calculation to include all potentially dilutive ordinary shares, which, in the case of the Company, represents additional shares that could be issued in relation to 'in-the-money' convertible notes, warrants or share options.

The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS. Anti-dilution is when an increase in earnings per share or a reduction in loss per share would result from the exercise of such options, warrants or convertible instruments.

Intangible assets

Goodwill

The Group allocates the fair value of the purchase consideration on the acquisition of a subsidiary to the assets acquired and liabilities assumed based on an assessment of fair value at the acquisition date. Any excess of purchase consideration is recognised as goodwill. Where goodwill is recognised, it is allocated to the cash generating units (CGUs) in a systematic manner reflective of how the Group expects to recover the value of the goodwill.

Goodwill arising is recognised as an intangible asset in the balance sheet and is subject to annual reviews for impairment. Goodwill is written off where circumstances indicate that the recoverable amount of the underlying CGU may no longer support the carrying value of the goodwill. An impairment charge is recognised in the statement of profit and loss for the period in which it is determined the goodwill is no longer recoverable. Impairment losses related to goodwill cannot be reversed in future periods.

In testing for impairment, goodwill recognised on business combinations is allocated to the Group of CGUs representing the lowest level at which it will be monitored. Because the Group has been determined to consist of a single business unit, the carrying value of goodwill is tested for impairment based on the recoverable value of the Group as a whole.

The recoverable amount of a CGU or a group of CGUs is based on the higher of its assessed fair value less costs of disposal or its value-in-use. Value-in-use is calculated by reference to the expected future cash flows from the CGU, after discounting to take account of the time value of money. Fair value less costs to sell can be based on a similar cash flow measure adjusted for disposal costs or can be estimated by reference to similar comparable reference transactions.

Because the Company is listed, fair value can also be assessed by reference to the Company's market capitalisation. Where cash flows are used, they are risk weighted to reflect an assessment of future commercial success.

The key assumptions in assessing cash flows relate to the ability of the Company to develop existing markets and applications and to establish new markets and applications for the sale and use of its battery systems. Prospective cash flows are also sensitive to the Company's ability to realise economies of scale as market penetration grows.

Internally generated intangible assets – research and development costs

Research

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Research activities are aimed at creating new knowledge or the use of existing knowledge in new or creative ways to generate new concepts. Research activity does not typically have a defined commercial objective at the outset.

Development

Where projects evolve toward commerciality or are related to a specific commercial objective they are assessed to determine whether the activity constitutes development that is associated with a commercial objective or practical application.

The associated costs represent development costs and can be capitalised if, and only if, the following conditions can be demonstrated:

- the technical feasibility of completing the intangible asset so that it can be made available for use or sale;
- the intention to complete the intangible asset for use or sale;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell it;
- an asset is created that can be separately identified for use or sale;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Development work undertaken by the Group typically relates to the refinement of design, materials selection, construction techniques, firmware and control systems to enhance battery system performance over successive generations. Where development costs are capitalised, they are amortised over the expected period to the introduction of the next generation of battery system.

Amortisation is recorded over that period on a straight-line basis with the corresponding amortisation charge recognised in the statement of profit and loss as a component of administrative expenses.

Four years has historically been the typical cycle time between successive generations of battery system design.

Other intangible assets
Intangible assets other than goodwill that are acquired by the Group are stated at their historical cost of acquisition less accumulated amortisation and any impairment losses.

Software and purchased domain names
Third-party software is initially capitalised at its cost of purchase. Amortisation is charged to administrative expenses over the expected useful life of the software which has been assessed as three years from the date of acquisition.

Acquired domain names are initially capitalised at cost of purchase. Amortisation is charged to administrative expenses over the expected useful life of the domain name which has been assessed as ten years from the date of acquisition.

Patents and certifications
Patent rights and certifications are initially capitalised at the cost of applying for relevant patent rights and other protections, and certifications. Amortisation is charged to administrative expenses over the expected useful life of the patents and certifications which has been assessed as five years from the date of acquisition.

Property, plant and equipment
Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is only included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with that item will flow to the Group.

Costs that do not enhance the value of an asset such as repair and maintenance costs are charged to the statement of profit and loss in the period in which they are incurred.

Depreciation is charged to write off the cost of assets over their estimated useful lives on a straight-line basis. Depreciation commences on the date the asset is brought into use. Work-in-progress assets are not depreciated until they are brought into use and transferred to the appropriate category of property, plant and equipment.

Estimated useful lives for property, plant and equipment and other intangible assets are:

Category	Period (years)	Recognition in statement of profit and loss
Computer and office equipment	3-5	Administrative expenses
Leasehold improvements	Shorter of lease term or useful life	Administrative expenses/ Cost of sales
Vehicles	3	Administrative expenses
Manufacturing equipment and tooling	3-20	Cost of sales
R&D Equipment	5-10	Administrative expenses
Software and purchased domain names	3	Administrative expenses
Patents and certifications	10	Administrative expenses

Depreciation methods, useful lives and residual values of assets are reviewed, and adjusted prospectively as appropriate, at each reporting date.

Where an asset is disposed of, the corresponding gain or loss on disposal is determined by comparing the sales proceeds received with the carrying amount of that asset at the date of disposal. Gains or losses on disposal of fixed assets are included within other items of operating income and expense in the statement of profit and loss.

Impairment of tangible and intangible assets
The Group reviews the carrying values of its tangible and intangible assets, other than goodwill, at each balance sheet date to determine if any indicators exist that could mean those assets are impaired. Where an indicator of impairment exists the recoverable amount of the relevant asset (or CGU) is estimated to determine the amount of any potential impairment loss.

Recoverable amounts are determined using a discounted cash flow model related to each asset or CGU being assessed. The discount rate applied to the cash flows in the model is a pre-tax discount rate that reflects market assessment of the time value of money and risks specific to the Company or the groups of assets being considered.

If the recoverable value estimated in the cash flow model for a specific asset (or CGU) is lower than the carrying value, then the carrying value of the asset is reduced to its estimated recoverable value with a corresponding charge immediately recognised in the statement of profit and loss.

Where the condition that gave rise to an impairment loss reverses in a subsequent period, the impairment loss is similarly reversed and the carrying value of the asset increased to the revised estimate of its recoverable value. The carrying value of an asset immediately following the reversal of an impairment cannot exceed the carrying value that the asset would have had if the original impairment had not been made and the asset was depreciated as normal.

A reversal of an impairment loss is recognised immediately in profit or loss.

The value of any impairment (or reversal of impairment) of an asset is recorded in the same financial statement line item where depreciation or amortisation of the asset would normally be shown.

Where it is impractical to meaningfully assess recoverable amount using a discounted cash flow model, for instance where near term cash flows are low or negative, an assessment of the fair value adjusted for the costs that would be incurred in the disposal of an asset or operation is used. This is typically the case for development stage assets, operations or associated intangible assets (including goodwill) where the underlying products or technologies have not yet been commercialised.

Provisions
Provisions are established when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of that outflow can be reliably estimated.

Provisions are measured at the present value of the expenditures that are expected to be incurred in settling the obligation using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks related to the obligation. The initial recognition of a provision results in a corresponding charge to profit or loss.

The increase in a provision as the discount rate unwinds due to the passage of time, is recognised in the statement of profit and loss as other items of operating income and expense.

Leases
Group entities only participate in lease contracts as the lessee. Lease contracts typically relate to vehicles and facilities.

On inception of a contract, the Group assesses whether it contains a lease. A contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an identified asset is determined based on whether the Group has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use, and if the Group has the right to direct the use of the asset.

Obligations under a lease are recognised as a liability with a corresponding right-of-use asset, these are recognised at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments that have not yet been paid at the inception of the lease, discounted using the interest rate implicit in the lease contract. Where the interest rate implicit in the lease contract cannot be readily determined, the Group's incremental borrowing rate is used.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability. The lease liability is measured at amortised cost using the effective interest rate method.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from a change in an index or rate;
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is remeasured under one of these scenarios, a corresponding adjustment is made to the carrying value of the right-of-use asset or in profit and loss when the carrying amount of the asset has already been reduced to zero.

The corresponding right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs required to remove or restore the underlying asset, less any lease incentives received. The right-of-use asset is amortised over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group has elected not to recognise right-of-use assets and corresponding lease liabilities for short-term leases, those existing leases with a remaining lease term of less than 12 months at 1 January 2022 and leases related to low value assets with an annual lease cost of £3,500 or less.

The Group recognises these lease payments as an expense on a straight-line basis over the lease term.

Inventory
Inventory is stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their current location and condition. Cost is calculated using the first-in, first-out method.

Net realisable value is calculated as the estimated selling price for an item of inventory less estimated costs of completion and the costs that would be incurred in the marketing, selling and distribution of an item of inventory.

Prepaid inventory
Prepaid inventory is recognised on inventory payments where physical delivery of that inventory has not yet been taken by the Group and is stated at the lower of cost and net realisable value.

Financial instruments
Financial assets and liabilities are recognised by the Group and recorded in the statement of financial position when the Group is contractually bound to the terms of the financial instrument. Financial assets and liabilities are derecognised when the Group is no longer bound by the terms of the financial instrument through settlement or expiry.

Financial assets
The classification of financial assets to which the Group is a party is determined by the nature of the underlying financial instrument and the characteristics of the contractual cash flows expected to be received under the terms of instrument.

Financial assets are not reclassified after their initial recognition unless there is a contractual change in the nature of the cash flows under the instrument or the business purpose of the instrument has changed.

A financial asset is recorded at amortised cost where it is expected to be held to maturity and the objective of the Group is to collect the contractual cash flows under the financial instrument based on specified contractual terms, including the timing of receipt of cash flows.

Financial assets that the Group is party to are classified and measured as follows:

Financial asset	Measurement basis
Trade receivables and accrued income	Amortised cost
Other current assets	Amortised cost
Contract assets	Amortised cost
Cash and cash equivalents	Amortised cost

Amortised cost

On initial recognition, the Group measures amortised cost for financial assets based on the fair value of each financial asset together with any transaction costs that are directly attributable to the financial asset.

After initial recognition, amortised cost is measured for each financial asset held using the effective interest rate method less any impairment loss identified. Interest income is recognised for all financial assets, other than those that are classified as short-term, by applying the effective interest rate for the instrument. Interest income on short-term financial assets is not considered to be material. Short-term financial instruments are determined as those that have contractual terms of 12-months or less at inception.

Interest income, foreign exchange gains and losses, impairment, and any gain or loss on derecognition are recognised in profit or loss.

Impairment of financial assets

A loss allowance for financial assets is determined based on the lifetime expected credit losses for financial assets. Lifetime expected credit losses are estimated based on factors including the Group's experience of collection, the number and value of delayed payments past the average credit periods across the Group's financial assets. The Group will also consider factors such as changes in national or local economic conditions that correlate with default on receivables and financial difficulties being experienced by the counterparty.

Financial assets are impaired in full and a corresponding charge is recognised in profit or loss where there is no reasonable expectation of recovery.

Financial liabilities

The classification of financial liabilities is determined at initial recognition. Financial liabilities are classified and measured as follows:

Financial liability	Measurement basis
Trade and other payables	Amortised cost
Derivative Financial Instrument	Fair value through Profit and Loss
Lease liabilities	Amortised cost

Amortised cost

At initial recognition, the Group measures financial liabilities at amortised cost using the fair value of the underlying instrument less transaction costs directly attributable to the acquisition of the financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when the Group's obligations under the relevant instrument are discharged, expired or cancelled.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

Changes in the fair value of any derivative instrument is recognised immediately in profit or loss and are included in other gains/(losses).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions that can be called on demand together with other short-term, highly liquid investments with maturities of three months or less and are readily convertible to known amounts of cash.

Equity instruments

Instruments are classified as equity instruments if the substance of the relative contract arrangements evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded as proceeds received, net of direct issue costs not charged to income.

Offsetting

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES

(forming part of the consolidated historical financial information)

4 Revenue from contracts with customers and income from government grants

Segment information

The Group derives revenue from a single business segment, being the manufacture and sale of vanadium flow battery systems and related hardware together with the provision of services directly related to battery systems sold to customers.

The Group is organised internally to report on its financial and operational performance to its chief operating decision maker, which has been identified as the three Executive Directors as a group.

All revenues in 2022 were derived from continuing operations.

Revenue from contracts with customers	2022 £000	2021 £000
Battery systems and associated control systems	**2,548**	2,481
Integration and commissioning	**254**	701
Other services	**142**	3
Total revenue in the consolidated statement of profit and loss	**2,944**	3,185
Analysed as:		
Revenue recognised at a point in time	**2,936**	3,182
Revenue recognised over time	**8**	3
Total revenue in the consolidated statement of profit and loss	**2,944**	3,185
Grant income shown against cost of sales	**647**	—
	3,591	3,185

Geographic analysis of revenue

The Group's revenue from contracts with customers was derived from the following geographic regions:

Geographic analysis of revenue	2022 £000	2021 £000
United Kingdom	**1,691**	2,796
Asia	**160**	273
United States of America	**1,093**	116
Total revenue in the consolidated statement of profit and loss	**2,944**	3,185

The Group maintains its principal production and assembly facilities in Bathgate, Scotland and Vancouver, Canada. These facilities include office space for design, sales and administrative teams. The Group also has offices, operations and management based in London, England and San Francisco, California.

The Group does not consider that the locations of its operations constitute geographic segments as they are managed centrally by the executive management team. The location of the manufacturing plants and business development activity is a function of time-zone when servicing customers both pre-sale and during product delivery. The geographic location of offices, facilities and management is not related to distinct markets or customer characteristics at the present time.

Significant customers and concentration of revenue

Revenue from contracts with customers was derived from three (2021: two) customers who each accounted for more than 10% of total revenue as follows:

Significant customers and concentration of revenue	2022 £000	2021 £000
Customer A	**1,247**	—
Customer B	**466**	—
Customer C	**466**	—
Customer D	**—**	2,300
Customer E	**—**	495

Grant income other than revenue

The Group receives grant income to help fund certain projects that are eligible for support, typically in the form of innovation grants. The Group also received grant income related to operating costs under government subsidy programmes as part of national COVID response efforts. The total grant income that was received in the year was as follows:

Grant income received	2022 £000	2021 £000
Business support grants against employee costs – COVID-19	**(11)**	156
Grants for research and development	**647**	302
Total government grants	**636**	458

5 Cost of sales

	2022 £000	2021 £000
Movement in inventories of finished battery systems	**3,356**	5,240
Production costs	**2,640**	826
Depreciation of production facilities, equipment and amortisation of intangibles	**172**	116
Movement in provisions for warranty and warranty costs	**763**	440
Movement in provisions for sales contracts	**(4,004)**	—
Total cost of sales	**2,927**	6,622

6 Administrative expenses

	2022 £000	2021 £000
Staff costs	**10,322**	8,980
Research and development costs	**2,592**	1,792
Professional fees	**2,983**	1,950
Sales and marketing costs	**399**	249
Facilities and office costs	**385**	655
Other administrative costs	**2,361**	813
Total administrative expenses	**19,042**	14,439

No development costs were capitalised in the period (2021: £nil).

7 Auditors' remuneration

	2022 £000	2021 £000
Fees payable to the Company's auditors for the audit of the consolidated financial statements	**271**	172
Audit of financial statements of subsidiaries pursuant to legislation	**33**	21
Fees payable to the Company's auditor for other services:		
– Tax compliance services	**19**	9
	323	202

The Group has a policy in place related to the commissioning of non-audit service from its auditors where all such work requires pre-approval by the Audit & Risk Committee before the commencement of any non-audit work.

Audit fees are discussed with and approved by the Audit & Risk Committee.

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(forming part of the consolidated historical financial information)

8 Staff costs and headcount

Staff costs	2022 £000	2021 £000
Wages and salaries	**9,280**	7,617
Employer payroll taxes	**840**	625
Other benefits	**917**	508
Share-based payments	**388**	1,827
Total staff costs	**11,425**	10,577

Administrative staff costs in the year were £10,321,870 (2021: £8,979,790) and staff costs included in cost of sales were £1,103,027 (2021: £1,596,839).

Average headcount	2022 Number	2021 Number
Canada	**71**	55
United Kingdom	**68**	60
United States of America	**7**	7
South Africa	**1**	2
Total	**147**	124

Increases in staff costs are due to hiring for expansion in operating activity and the delivery of key projects to customers.

Key management compensation

From 1 April 2020, the key management of the Group has been determined to comprise the members of the senior leadership team.

Key management compensation	2022 £000	2021 £000
Short-term employee benefits	**1,828**	1,590
Total key management compensation	**1,828**	1,590

The Group made contributions to the defined contribution schemes of key management in the year of £16,078 (2021: £12,917).

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(forming part of the consolidated historical financial information)

9 Share based payments

Since its incorporation, the Company has operated various share-based incentive plans. The purpose of each of the schemes has been to incentivise Directors and employees related to improving Company performance and building shareholder value.

Set out below is a summary of the option awards in issue at 31 December 2022.

Standard	Grant date	Final Expiry date	Exercise price	2022	2021
redT 2015 plan	07 Dec 2015	07 Jan 2020	58.95 €c	**68,803**	137,602
redT 2018 plan	18 May 2018	18 May 2023	352.50 p	**3,888**	3,888
Invinity Energy 2018 ESOP	01 Apr 2020	12 Mar 2030	82.50 p	**185,143**	185,143
Invinity Energy 2018 Consultant SOP	01 Apr 2020	12 Mar 2030	82.50 p	**378,000**	378,000
Invinity Energy 2018 ESOP	01 Apr 2020	07 Jul 2026	4.34 p	**1,342,134**	1,429,812
Invinity Energy 2018 ESOP	01 Apr 2020	08 May 2029	6.84 p	**658,314**	661,237
Invinity Energy 2018 ESOP	26 Aug 2020	26 Aug 2030	113.00 p	**2,043,334**	2,505,000
Invinity Energy 2018 ESOP	28 Jan 2021	28 Jan 2031	204.00 p	**372,000**	480,000
Invinity Energy 2018 ESOP	04 Mar 2021	04 Mar 2031	152.00 p	**194,000**	222,000
Invinity Energy 2018 ESOP	15 Apr 2021	15 Apr 2031	151.00 p	**108,000**	126,000
Invinity Energy 2018 ESOP	03 Aug 2021	03 Aug 2031	134.50 p	**375,000**	455,000
Invinity Energy 2018 ESOP	29 Oct 2021	29 Oct 2031	111.50 p	**297,000**	359,000
Invinity Energy 2018 ESOP	20 Dec 2021	20 Dec 2031	91.00 p	**135,000**	135,000
Invinity Energy 2018 ESOP	03 Feb 2022	03 Feb 2032	64.50 p	**186,000**	—
Invinity Energy 2018 ESOP	02 Mar 2022	02 Mar 2032	93.50 p	**60,000**	—
Invinity Energy 2018 ESOP	11 Apr 2022	11 Apr 2032	90.00 p	**60,000**	—
Invinity Energy 2018 ESOP	11 Jul 2022	11 Jul 2032	45.50 p	**500,000**	—
Invinity Energy 2018 ESOP	08 Dec 2022	08 Dec 2032	38.00 p	**822,000**	—
				7,788,616	7,077,682

Non-standard	Grant date	Expiry date	Price	2022	2021
Long-term incentive plan	8 Dec 2009	30 Jul 2023	50.00 €c	**15,000**	15,000
Camco 2006 Executive Share Plan	30 Jul 2013	30 Jul 2023	50.00 €c	**68,127**	68,127
redT 2018 plan	30 May 2018	30 Jul 2023	400.00 p	**70,000**	70,000
				153,127	153,127
Total				**7,941,743**	7,230,809
Weighted average remaining contractual life of options outstanding at the end of the year				**7.18**	8.82

A total of 87,678 options were exercised during the year with a weighted average exercise price of 4.34p per share.

The grant-date fair value of share options issued is calculated using a Black-Scholes methodology at the date of grant. Key inputs to the model include the share price at the date of grant, the option exercise price, the term of the award, share price volatility, the risk-free interest rate (by reference to government bond yields) and the expected dividend yield rate, which has historically been and continues to be zero, reflective of the development-stage nature of the Company.

The Long-term Incentive Plan, Camco 2006 Executive Share Plan and the redT 2015 Plan are now closed. No further option awards will be made under either of these plans.

The aggregate number of options granted, vested, exercised and forfeited during the year under the plans are summarised and analysed between unvested and vested awards as follows:

	Unvested	Unvested	Vested	Vested
At 1 January 2022	**4,369,588**	**113.47p**	**2,708,094**	**35.26p**
Granted	**1,781,000**	**50.39p**	**—**	**—**
Forfeited	**(900,589)**	**121.89p**	**(81,799)**	**96.31p**
Vested	**(1,711,308)**	**108.00p**	**1,711,308**	**108.00p**
Exercised	**—**	**—**	**(87,678)**	**4.34p**
At 31 December 2022	**3,538,691**	**82.73p**	**4,249,925**	**69.24p**

	Unvested	Unvested	Vested	Vested
At 1 January 2021	4,034,591	98.84p	1,839,032	29.09p
Granted	2,015,000	149.64p	1,301,543	87.15p
Forfeited	(378,460)	134.35p	(100,000)	317.00p
Vested	(1,301,543)	87.15p	—	—
Exercised	—	—	(332,481)	15.33p
At 31 December 2021	4,369,588	113.47p	2,708,094	35.26p

Plans with non-standard performance conditions

Long-term incentive plan (LTIP)

The LTIP for Directors and employees was approved by the Board in 2008 and entitled Directors and employees to receive equity settled payments annually based on the achievement of certain market and non-market performance conditions.

The LTIP is now closed. At the end of the year, there were 15,000 (2021: 15,000) options vested and exercisable at €0.50 per share.

CAMCO 2006 executive share plan (the plan)

The plan was established in 2017 to make awards of shares up to an aggregate of 10% of the share capital of the Company over a period of ten years.

The plan is now closed. At the end of the year there were 68,127 (2021: 68,127) options vested exercisable at €0.50 per share.

redT 2018 plan

Options with non-standard performance conditions were also issued under the 2018 plan. At the end of the year there were 70,000 (2021: 70,000) options vested and exercisable at 400p per share.

Plans with standard performance conditions

The primary share plan that remains outstanding at 31 December 2022 is the 2018 plan. The 2018 plan was adopted by the Board on 14 May 2018 and introduced HMRC scheme rules related to certain non-taxable option grants. The plan contains a provision to issue options as CSOP, EMI or unapproved awards.

In the year ended 31 December 2020 the Board approved the expansion of awards to be made under the 2018 plan with grants expected to be made more frequently going forward and to a potentially wider group of employees. The intention of the increase in frequency and quantity of employee share options granted was to incentivise and to better align employee compensation with shareholder return.

Options issued to legacy Avalon employees at the merger date

Following the merger transaction, 1,432,000 options were granted to legacy Avalon employees to replace options held by them in the former Avalon employee share plan.

Parallel options issued

In addition, certain legacy redT options were reissued as they were considered by the Board to be sufficiently ‘out-of-the-money’ such that they no longer provided a performance incentive to the holders of the options. As a mechanism to adjust the terms of the unfavourable options, new parallel options were issued on a one-for-one basis with the same terms as the original awards excepting that they were issued with a lower exercise price.

Both the original and parallel option schemes remain in existence. However, the exercise by an employee of a single option from either pool (original or parallel) allocated to them will cause the equivalent value in the other pool to be forfeited. Accordingly, the number of options disclosed above has been adjusted to remove the number of options that is equivalent to the number of parallel options issued.

Other options

On 10 May 2021, the Company granted an option for 8,672,273 shares to Gamesa Electric S.A. Unipersonal (GaE), a wholly-owned subsidiary of Siemens Gamesa Renewable Energy S.A. The options were granted to GaE in consideration of its entering into a joint development and commercialisation agreement with Invinity Energy Nexus Limited, a wholly-owned subsidiary of the Company.

The exercise price of the options is 175 pence and upon exercise of those options then for as long as GaE holds at least 5% of the issued share capital of the Company it shall be entitled, subject to certain conditions, to nominate one non-executive director to the Board of the Company.

Warrants issued in the period or outstanding

In December 2021, the Company issued 14,464,571 'placing units' comprised of one share, one short-term warrant and one long-term warrant.

At 31 December 2022, the Company had 14,464,317 short-term warrants and 14,464,478 long-term warrants outstanding.

Each short-term warrant gives the holder the right to subscribe for one new Ordinary Share at a price of 150 pence per Ordinary Share at any time from Second Admission until 15 September 2023. Each long-term warrant gives the holder the right to subscribe for one new Ordinary Share at a price of 225 pence per Ordinary Share at any time from Second Admission until 16 December 2024.

The warrants were admitted to trading on the Aquis Stock Exchange (AQSE) on 9 March 2022. There was no adjustment to the issue price in respect of the attached warrants and they have been deemed to have no fair value based on the price at which they are currently being quoted.

In December 2022, the Company issued 1,350,020 warrants as part of the convertible loan facility with Riverfort Global Opportunities and YA II PN Ltd ("Noteholders"). Each warrant gives the holder the right to subscribe for one new Ordinary Share at a price of 67.35 pence per Ordinary Share until 14 December 2026.

Subsequent to year-end, the Company was required to amend the exercise price of these warrants to 32 pence, being the issue price of the Placing and Open Offer on 22 February 2023. In consideration of the Noteholders undertakings, the Company has agreed to grant a further 449,980 warrants at an exercise price of 32p which will expire on 14 December 2026.

10 Other items of operating income and expense

The following items are included in comprehensive loss:

	2022 £000	2021 £000
(Income)/expense		
Provision for onerous contracts, net of amounts used	**554**	3,762
Impairment of property, plant and equipment	**—**	60
Loss on disposal of property, plant and equipment	**33**	—
Reversal of impairment of obsolete inventory and disposal of scrap inventory	**—**	(390)
Impairment of obsolete inventory and disposal of scrap inventory	**25**	—
Profit on disposal of subsidiary	**—**	(15)
Gain on curtailment of right-of-use asset	**(8)**	(29)
Total other operating expenses (net)	**604**	3,388

11 Net finance income and costs

	2022 £000	2021 £000
Finance income		
Interest on bank deposits and money market funds	**(62)**	—
Finance costs		
Finance charges on convertible loan notes	**6**	—
Finance charges for lease liabilities held at fair value	**58**	45
Finance charges for liabilities held at amortised cost	**1**	—
(Gains)/losses on foreign currency transactions	**(448)**	63
Net finance (income)/costs	**(445)**	108

NOTES

(forming part of the consolidated historical financial information)

12 Income tax expense

	2022 £000	2021 £000
Current tax		
Current tax on profits for the year	—	—
Total current tax expense	—	—

Reconciliation of income tax expense calculated using statutory tax rate

	2022 £000	2021 £000
Loss before tax	(18,537)	(21,372)
Tax at the Jersey rate of nil%	—	—
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-taxable gains and expenses not deductible for tax	181	(113)
Differences in overseas tax rates	(4,707)	(3,942)
Unrelieved tax losses carried forward	4,350	3,109
Origination and reversal of timing differences not recognised	176	946
Total income tax expense	—	—

13 Loss per share

Basic loss per share	2022 In pence	2021 In pence
From continuing operations	(16.0)	(24.1)
From continuing and discontinued operations	(16.0)	(24.1)

Diluted loss per share	2022 In pence	2021 In pence
From continuing operations	(16.0)	(24.1)
From continuing and discontinued operations	(16.0)	(24.1)

Loss used in calculation of basic and diluted loss per share	2022 £000	2021 £000
From continuing operations	(18,537)	(21,372)
From continuing and discontinued operations	(18,537)	(21,372)

All operational activity in the years ended 31 December 2022 and 2021 relate to continuing operations.

Weighted average number of shares used in calculation	2022 Number	2021 Number
Basic	116,151,378	88,768,750
Diluted	117,754,966	119,792,519

Additional potential shares used in the calculation of diluted earnings per share primarily relate to potential shares outstanding at 31 December 2022 that may be issued in satisfaction of ‘in-the-money’ employee share options. Potentially dilutive shares related to ‘in-the-money’ outstanding warrants to subscribe for ordinary shares in the Company are also included in calculating diluted earnings per share.

Where additional potential shares have an anti-dilutive impact on the calculation of loss per share calculation, such potential shares are excluded from the weighted average number of shares used in the calculation.

Weighted average number of shares used in loss per share calculation – basic and diluted	2022 Number	2021 Number
In issue at 1 January	**116,048,761**	85,900,616
Shares issued in the year - weighted average	**102,617**	2,868,134
Weighted average shares in issue 31 December	**116,151,378**	88,768,750
Effect of employee share options and other warrants not exercised	**1,603,588**	31,023,769
Weighted average number of diluted shares in issue 31 December	**117,754,966**	119,792,519

Additional potential shares are anti-dilutive where their inclusion in the calculation of loss per share results in a lower loss per share. The weighted average number of shares not included in the diluted loss per share calculation because they had an anti-dilutive effect on the calculation was 29,170,511 (2021: 2,094,626).

14 Cash flows from operating activities

	2022 £000	2021 £000
Loss after income tax	**(18,537)**	(21,372)
Adjustments for:		
Depreciation and amortisation	**1,350**	727
Loss on disposal of property, plant and equipment	**33**	—
Gain on curtailment of right-of-use asset	**(8)**	—
Impairment of inventory	**24**	(390)
Share-based payments charge	**681**	1,827
Equity settled interest and transaction costs on investment funding arrangement	**6**	—
Net foreign exchange differences	**(168)**	(27)
	(16,619)	(19,235)
Change in operating assets & liabilities		
Increase in inventory	**(3,875)**	(4,487)
Increase in contract assets	**(174)**	(319)
Increase in trade receivables and other receivables	**(88)**	(1,650)
Increase in other current assets and prepaid inventory	**(2,354)**	(4,866)
Increase in trade and other payables	**1,263**	1,046
Increase in warranty provision	**183**	293
(Decrease)/Increase in onerous contract provision	**(3,252)**	3,756
Increase in contract liabilities	**2,982**	2,498
	(5,315)	(3,729)
Cash used in operations	**(21,934)**	(22,964)

NOTES

(forming part of the consolidated historical financial information)

15 Goodwill and other intangible assets

	Goodwill £000	Patents and certifications £000	Software and domain names £000	Total £000
Cost				
At 1 January 2022	**23,944**	**203**	**47**	**24,194**
Additions	**—**	**—**	**—**	**—**
Foreign currency exchange differences	**—**	**—**	**3**	**3**
At 31 December 2022	**23,944**	**203**	**50**	**24,197**
Accumulated amortisation				
At 1 January 2022	**—**	**(71)**	**(26)**	**(97)**
Amortisation charge	**—**	**(41)**	**(8)**	**(49)**
Foreign currency exchange differences	**—**	**—**	**(1)**	**(1)**
At 31 December 2022	—	**(112)**	**(35)**	**(147)**
Net book value				
At 1 January 2022	**23,944**	**132**	**21**	**24,097**
At 31 December 2022	**23,944**	**91**	**15**	**24,050**

	Goodwill £000	Patents and certifications £000	Software and domain names £000	Total £000
Cost				
At 1 January 2021	23,944	203	29	24,176
Additions	—	—	18	18
At 31 December 2021	23,944	203	47	24,194
Accumulated amortisation				
At 1 January 2021	—	(30)	(19)	(49)
Amortisation charge	—	(41)	(7)	(48)
At 31 December 2021	—	(71)	(26)	(97)
Net book value				
At 1 January 2021	23,944	173	10	24,127
At 31 December 2021	23,944	132	21	24,097

Goodwill

All goodwill is tested annually for impairment. At 31 December 2022, goodwill was tested for impairment using a fair value less costs of disposal methodology by reference to the Company's quoted market capitalisation using the price of 43.0 pence per share at that date. No impairment loss was identified in relation to goodwill.

On 15 March 2023, the Company announced the results of a placing, open offer, and subscription. The fundraising was oversubscribed and together raised total proceeds of £23.0 million through placing of 72,012,592 new Ordinary Shares at 32.0 pence per share.

The closing share price on 30 May 2023 was 35.5 pence, giving a market capitalisation of £67.8 million which does not indicate impairment of goodwill or net assets.

Patents and certifications

There have been no events or circumstances that would indicate that the carrying value of patents and certifications may be impaired at 31 December 2022.

16 Property, plant and equipment

	Computer and office equipment £000	Leasehold improvements £000	Vehicles and equipment £000	Total £000
Cost				
At 1 January 2022	**780**	**681**	**1,165**	**2,626**
Additions	**45**	**429**	**234**	**708**
Disposals	**(136)**	**(2)**	**(37)**	**(175)**
Foreign currency exchange differences	**10**	**11**	**40**	**61**
At 31 December 2022	**699**	**1,119**	**1,402**	**3,220**
Accumulated depreciation				
At 1 January 2022	**(653)**	**(427)**	**(416)**	**(1,496)**
Depreciation charge	**(129)**	**(204)**	**(301)**	**(634)**
Disposals	**125**	**1**	**16**	**142**
Foreign currency exchange differences	**(5)**	**(5)**	**(14)**	**(24)**
At 31 December 2022	**(662)**	**(635)**	**(715)**	**(2,012)**
Net book value				
At 1 January 2022	**127**	**254**	**749**	**1,130**
At 31 December 2022	**37**	**484**	**687**	**1,208**

	Computer and office equipment £000	Leasehold improvements £000	Vehicles and equipment £000	Total £000
Cost				
At 1 January 2021	748	513	753	2,014
Additions	158	169	406	733
Disposals	(123)	—	—	(123)
Foreign currency exchange differences	(3)	(1)	6	2
At 31 December 2021	780	681	1,165	2,626
Accumulated depreciation				
At 1 January 2021	(694)	(357)	(268)	(1,319)
Depreciation charge	(85)	(71)	(145)	(301)
Disposals	123	—	—	123
Foreign currency exchange differences	3	1	(3)	1
At 31 December 2021	(653)	(427)	(416)	(1,496)
Net book value				
At 1 January 2021	54	156	485	695
At 31 December 2021	127	254	749	1,130

The Group has no assets pledged as security. No amounts of interest have been capitalised within property, plant and equipment at 31 December 2022 (2021: £nil).

NOTES

(forming part of the consolidated historical financial information)

17 Right-of-use assets

	Offices and facilities £000	Vehicles and equipment £000	Total £000
Cost			
At 1 January 2022	**1,845**	**28**	**1,873**
Additions	**1,512**	**—**	**1,512**
Curtailments and disposals [1]	**(106)**	**—**	**(106)**
Foreign currency exchange differences	**79**	**3**	**82**
At 31 December 2022	**3,330**	**31**	**3,361**
Accumulated depreciation			
At 1 January 2022	**(879)**	**(19)**	**(898)**
Depreciation charge	**(661)**	**(6)**	**(667)**
Curtailments and disposals	**106**	**—**	**106**
Foreign currency exchange differences	**(55)**	**(2)**	**(57)**
At 31 December 2022	**(1,489)**	**(27)**	**(1,516)**
Net book value			
At 1 January 2022	**966**	**9**	**975**
At 31 December 2022	**1841**	**4**	**1,845**

	Offices and facilities £000	Vehicles and equipment £000	Total £000
Cost			
At 1 January 2021	1,572	28	1,600
Additions	627	—	627
Curtailments [2]	(294)	—	(294)
Foreign currency exchange differences	(60)	—	(60)
At 31 December 2021	1,845	28	1873
Accumulated depreciation			
At 1 January 2021	(576)	(10)	(586)
Depreciation charge	(369)	(9)	(378)
Foreign currency exchange differences	66	—	66
At 31 December 2021	(879)	(19)	(898)
Net book value			
At 1 January 2021	996	18	1,014
At 31 December 2021	966	9	975

[1] In 2022, a lease on a right-of-use asset in South Africa was curtailed by five months. There was a corresponding decrease in the outstanding lease creditor and a gain on curtailment recognised in the consolidated statement of profit and loss in 2022.

[2] In 2021, a lease on a right-of-use asset in Canada was curtailed, with the termination date changing from June 2027 to June 2023. There was a corresponding decrease in the outstanding lease creditor and a gain on curtailment recognised in the consolidated statement of profit and loss in 2021.

Right-of-use assets relate to buildings, vehicles and equipment held under leases with third-party lessors. A right-of-use asset represents the Company's right to use a leased asset over the term of the lease. The Company's rights to use specific buildings, items of equipment or specific vehicles under lease arrangements represent assets to the Group.

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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

18 Deferred tax balances

	2022 £000	2021 £000
Timing differences and tax losses on which deferred tax is not recognised:		
Accelerated capital allowances	**1,003**	450
Share options	**595**	1,576
Accrued liabilities	**137**	477
Reserves and other	**3,008**	4,161
Tax losses	**91,482**	70,880
Total deferred tax assets	**96,225**	77,544

Tax losses

The Company's subsidiaries carry on business in other tax regimes where the corporation tax rate is not zero. At 31 December 2022, the Group had the following tax losses carried forward available for use in future periods:

	2022 £000	2021 £000
United Kingdom	**46,416**	40,530
Canada	**27,707**	16,557
United States of America	**12,892**	9,994
Ireland	**4,467**	3,799
Total potential tax benefit	**91,482**	70,880

Under current tax legislation tax losses in the United Kingdom and Ireland can be carried forward indefinitely and be offset against future profits arising from the same activities at the tax rate prevailing at that time. There is a portion of the tax losses in the United States of America that will begin to expire in 2035, whereas the majority can be carried forward indefinitely. The tax losses in Canada can be carried forward 20 years and will begin to expire in 2035.

Due to the uncertainty regarding the timing and extent of future profits within these subsidiaries, no deferred tax assets have been recognised in respect of these tax losses. Deferred tax is also not recognised on the timing differences between accounting and tax treatment in these subsidiaries given the offsetting tax losses on which no deferred tax has been recognised.

In March 2021, the UK Government announced that the rate of Corporation Tax will increase from 19% to 25% on profits of over £250,000, effective 1 April 2023. Profits below £50,000 will continue to be chargeable to Corporation Tax at 19% and profits between the two thresholds charged at the marginal rate of 26.5%. In computing the UK deferred tax asset, management has assumed that as neither the deferred tax assets nor the deferred tax liabilities will crystallise in the immediate future, calculations based on 19% are appropriate.

19 Inventory

	2022 £000	2021 £000
Raw materials and consumables	**1,815**	1,897
Work in progress	**6,370**	3,900
Finished goods	**1,642**	—
Total inventory	**9,827**	5,797

Inventory recognised as an expense within cost of sales during the current year amounted to £3,356,045 (2021: £5,239,682).

Net reversal of inventory write-downs during the current year amounted to £5,154 (2021: £389,808).

20 Other current assets

	2022 £000	2021 £000
Prepayments and deposits	**1,879**	533
Prepaid inventory	**5,102**	4,112
Tax credits – recoverable	**551**	247
Other receivables	**1,249**	1,388
Total other current assets	**8,781**	6,280

Prepaid inventory is recognised on inventory payments where physical delivery of that inventory has not yet been taken by the Group and is stated at the lower of cost and net realisable value.

21 Contract related balances

The Group has recognised the following assets and liabilities related to revenue from contracts with customers that are in progress at the respective year-ends:

	2022 £000	2021 £000
Amounts due from customer contracts included in trade receivables	1,737	1,683
Contract assets (accrued income for work done not yet invoiced)	500	324
Contract liabilities (deferred revenue related to advances on customer contracts)	(8,375)	(5,142)
Net position of sales contracts	**(6,138)**	(3,135)

The amount of revenue recognised in the year that was included in contract liabilities at the end of the prior year was £428,417 (2021: £2,231,000).

The aggregate position on customer contracts included in the statement of financial position will change according to the number and size of contracts in progress at a given year-end as well as the status of payment milestones made by customers toward servicing those contracts. The Group structures payment milestones in its customer contracts to cover upfront expenditure for parts and materials and other working capital requirements associated with the delivery of promises under customer contracts to better manage Group cash flow.

The timing of revenue recognition is based on the satisfaction of individual performance obligations within a contract and is not based on the timing of advances received. Customer advances are recognised as contract liabilities in the statement of financial position and are released to income progressively as individual performance obligations are met. The difference in timing between the receipt of contract advances and the timing of the satisfaction of performance obligations for revenue recognition can cause values to remain in deferred income. The amount of such deferrals is related to both the overall size of the underlying contract and the planned pace of delivery in the related work schedule. This is expected to occur where satisfaction of performance obligations is evidenced by customer acceptance of the good or service that is the subject of the performance obligation.

Provisions related to contracts with customers

	Warranty provision £000	Legacy products provision £000	Provision for contract losses £000	Total £000
At 1 January 2022	**257**	**860**	**4,859**	**5,976**
Charges to profit or loss:				
– Provided in the year	**204**	**578**	**565**	**1,347**
– Unused amounts reversed	**(24)**	**(16)**	**(2,059)**	**(2,099)**
Amounts used in the year	**(153)**	**(406)**	**(1,758)**	**(2,317)**
At 31 December 2022	**284**	**1,016**	**1,607**	**2,907**

	Warranty provision £000	Legacy products provision £000	Provision for contract losses £000	Total £000
At 1 January 2021	—	824	1,103	1,927
Charges to profit or loss:				
– Provided in the year	257	36	4,028	4,321
– Unused amounts reversed	—	—	(51)	(51)
Amounts used in the year	—	—	(221)	(221)
At 31 December 2021	257	860	4,859	5,976

Warranty provision

The warranty provision represents management's best estimate of the costs anticipated to be incurred related to warranty claims, both current and future, from customers in respect of goods and services sold that remain within their warranty period. The estimate of future warranty costs is updated periodically based on the Company's actual experience of warranty claims from customers.

The element of the provision related to potential future claims is based on management's experience and is judgmental in nature. As for any product warranty, there is an inherent uncertainty around the likelihood and timing of a fault occurring that would cause further work to be undertaken or the replacement of equipment parts.

A standard warranty of up to two years from the date of commissioning is provided to all customers on goods and services sold and is included in the original cost of the product. Customers are also able to purchase extended warranties that extend the warranty period for up to a total of ten years.

Provision for legacy products

Where it is considered of commercial value, management has elected to provide ongoing maintenance for certain legacy products not otherwise covered under warranty. Management has determined that it is necessary to provide for the costs of this ongoing maintenance or to provide for outright decommissioning.

Provisions in respect of legacy products are expected to unwind over the next two years when maintenance is either terminated or the products are decommissioned.

Provision for contract losses

A provision is established for contract losses when it becomes known that a customer contract has become onerous. A contract is onerous when the unavoidable costs of fulfilling the Group's obligations under a contract are greater than the revenue that will be earned from it.

The unavoidable costs of fulfilling contract obligations will include both direct and indirect costs.

The creation of an additional provision is recognised immediately in profit and loss. The provision is used to offset subsequent costs incurred as the contract moves to completion.

In determining the amount to be provided, management has evaluated the likelihood of input costs continuing to rise against a backdrop of inflation and instability due to current macro-economic factors such as the, albeit receding, impact of COVID-19, the increasing price of oil feeding through to production and shipping costs and continuing supply chain issues.

Provisions in respect of contract losses relate to contracts which are expected to be delivered in 2023 and will therefore unwind during that year.

22 Trade and other receivables

	2022 £000	2021 £000
Total trade and other receivables	**1,737**	1,683

All trade and other receivables relate to receivables arising from contracts with customers.

Trade receivables are amounts due from customers for sales of vanadium flow battery systems in the ordinary course of business. Trade receivables do not bear interest and generally have 30-day payment terms and therefore are all classified as current.

The actual credit loss over 2022 was determined to be less than 1% of total sales (2021: 0%). An allowance for potential credit losses of £23,953 (2021: £nil) has been recognised.

23 Cash and cash equivalents

	2022 £000	2021 £000
Total cash and cash equivalents	**5,137**	26,355

Short term investments
Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. The Company had no short-term investments at 31 December 2022 (2021: £nil).

24 Trade and other payables

	2022 £000	2021 £000
Trade payables	**3,706**	1,484
Other payables	**78**	456
Accrued liabilities	**701**	1,013
Accrued employee compensation	**143**	505
Government remittances payable	**306**	55
Total trade and other payables	**4,934**	**3,513**

Trade payables are unsecured and are usually paid within 30 days.

The carrying amounts of trade and other payables are the same as their fair values due to the short-term nature of the underlying obligation representing the liability to pay.

25 Derivative financial instruments

	2022 £000	2021 £000
Derivative value of warrants issued	**449**	—
Other	**320**	—
Total derivative financial instruments	**769**	—

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 29.

Investment funding arrangement
On 14 December 2022, the Company entered into an investment agreement with Riverfort Global Opportunities PCC Limited and YA II PN Ltd. ("Noteholders"). The instrument was entered by way of an initial drawdown in the amount of US$2.5 million and related subscription of 2,870,038 shares priced at nominal value of €0.01 and to be used to facilitate the conversion of amounts advanced under the investment agreement. Following the redemption of the investment agreement any proceeds from the sale of the conversion shares are to be split 97% to the company and 3% to the Noteholders.

Pursuant to the facility, the Noteholders were granted warrants exercisable at 67.35p to subscribe for 1,350,020 ordinary shares for a period of up to four years. These warrants remain outstanding and have been repriced to 32p being the price per share achieved in the capital raise.

Prepayment was at the Company's option and carried a redemption premium of 10% paid to the Noteholders at the date of prepayment.

The convertible notes balance was fully repaid by 31 March 2023 using funds from the 2023 capital raise. The warrants issued to the Noteholders were repriced to the price achieved in the 2023 capital raise of 32p per share.

See Note 32 for detailed events occurring after the report period.

26 Lease liabilities

The Group's obligations under lease contracts are presented as follows:

At 31 December	2022 £000	2021 £000
Current – due within 12 months	**740**	350
Non-current – due after 12 months	**969**	420
Total lease liabilities	**1,709**	770

Payments of lease principal and interest in the period to 31 December were:

At 31 December	2022 £000	2021 £000
Payments of lease principal	**591**	275
Payments of interest	**58**	45
Total payments under leases	**649**	320

The contractual undiscounted cash flows for lease obligations at each period end were:

At 31 December	2022 £000	2021 £000
Less than one year	**804**	379
One to five years	**1,009**	448
More than five years	**—**	—
Total lease liabilities	**1,813**	827

Lease liabilities represent the present value of the minimum lease payments the Group is obliged to make to lessors under contracts for the lease of assets that are presented as right-of-use assets.

27 Issued share capital and reserves

	2022 No: 000	2022 £000	2021 No: 000	2021 £000
Authorised at 31 December	**121,500**	**—**	120,000	—
Issued and fully paid				
At 1 January	**116,048**	**50,690**	85,900	37,870
Issued in the year	**2,959**	**26**	30,148	12,820
At 31 December	**119,007**	**50,716**	116,048	50,690

During the year, 2,959,085 new shares were issued with a nominal value of £25,974. The total gross proceeds were £80,927 with the balance credited to the share premium account. Total costs of issuance were £82,442 and these costs were charged directly to the share premium account.

On 22 November 2022, the Company subdivided each Ordinary Share of €0.50 nominal value into one Ordinary Share of €0.01 each and one deferred A share of €0.49 each. The Deferred A Shares do not have any voting rights and are not admitted to trading on AIM or any other market. They carry only a priority right to participate in any return of capital or in any dividend to the extent of €1 in aggregate over the class. The Deferred A Shares are, for all practical purposes, valueless and it is the Board's intention, at an appropriate time, to have the Deferred A Shares cancelled in accordance with Companies Law.

In addition, the shares of the Company were admitted to trading on the AQSE Growth Market in the UK and the OTCQX Best Market in the U.S. during the year.

The holders of ordinary shares are entitled to receive dividends as may be declared from time to time and are entitled to one vote per share at meetings of the Company.

Share-based payment reserve
The share-based payment reserve comprises the equity component of the Company's share-based payments charges.

Currency translation reserve
The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserve
Other reserve comprises the portion of the consideration paid for redT energy Holdings (Ireland) Limited's minority interests over the fair value of the shares purchased.

28 Financial assets and liabilities

All financial assets are held at amortised cost. There were no financial assets measured at fair value through other comprehensive income nor through profit and loss in either period presented.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset presented above. The carrying value of the financial assets approximate their fair values due to the short-term maturities of these instruments.

The Group does not currently use derivative instruments for managing financial risk. All financial liabilities are held at amortised cost.

Recognised fair value measurements

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted market prices at the end of the reporting period.

The battery systems manufactured by the Company use vanadium metal as a key component in the electrolyte. Vanadium is an actively traded commodity for which quoted market prices are available.

The Company does not currently hold inventories of vanadium. Vanadium purchased from third parties is solely for the use in electrolyte and open purchase contracts are not accounted for as derivatives.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value instrument are observable, the instrument is included in Level 2.

At 31 December 2022, the Company held warrants issued to Riverfort Global Opportunities and YA II PN Ltd as part of the December 2022 financing event. The warrants are valued using Level 2 inputs as they do not represent a fixed-for-fixed equity instrument and are valued using observable market factors such as the share price at the date of the grant, the term of the award, the share price volatility and the risk-free interest rate (2021: none).

Level 3: If one or more of the significant inputs is not based on observable market data the instrument is included in Level 3.

The Group did not hold any financial assets or liabilities that were required to be valued using Level 3 inputs at 31 December 2022 (2021: none).

No other financial instruments were outstanding at the period end that required to be valued using a methodology that uses Level 1, 2 or 3 inputs.

29 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in GBP	Cash flow forecasting Sensitivity analysis	Cash is held in GBP until non-GBP requirements for up to the next six-months are established, at which point the GBP is sold in favour of the required currency, which is then remitted to the relevant Group entity
Market risk – commodity price risk	Purchases of vanadium to be used in the battery electrolyte	Quoted market prices for vanadium	Strategic supply arrangements with multiple pre-qualified suppliers
Credit risk	Cash and cash equivalents, trade receivables and contract assets	Ageing analysis Credit ratings	Monitoring accumulation of bank balances Credit risk assessment for customers and pre-agreed deposits and interim payments within customer contracts
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Access to capital markets for equity or debt funding

Market risk – foreign exchange risk

The Group is primarily exposed to foreign exchange risk related to bank deposits, receivables or payables balances and other monetary working capital items that are denominated in a currency other than the Company's functional currency which has been determined to be GBP.

The Group does not speculate on foreign exchange and aims to mitigate its overall foreign exchange risk by holding currency in line with forecast regional operating expenses, providing an element of natural hedge against adverse foreign exchange movement.

The Group's exposure to foreign exchange risk at the end of the reporting period, expressed in GBP, was as follows:

31 December 2022	Sterling £000	Euro £000	Canadian dollar £000	US dollar £000	South African rand £000	Australian dollar £000	Total £000
Cash and cash equivalents	**1,545**	**354**	**106**	**2,810**	**5**	**317**	**5,137**
Trade receivables	**350**	**—**	**1,475**	**(88)**	**—**	**—**	**1,737**
Other current assets	**491**	**690**	**7,172**	**421**	**7**	**—**	**8,781**
Trade and other payables	**(1,197)**	**(557)**	**(2,867)**	**(313)**	**—**	**—**	**(4,934)**
Derivative financial instruments	**(769)**	**—**	**—**	**—**	**—**	**—**	**(769)**
Lease liabilities	**(279)**	**—**	**(1,347)**	**(83)**	**—**	**—**	**(1,709)**
Net exposure	**141**	**487**	**4,539**	**2,747**	**12**	**317**	**8,243**

31 December 2021	Sterling £000	Euro £000	Canadian dollar £000	US dollar £000	South African rand £000	Australian dollar £000	Total £000
Cash and cash equivalents	24,141	96	284	1,174	28	632	26,355
Trade receivables	1,288	23	223	150	—	—	1,684
Other current assets	2,985	278	2,113	345	10	—	5,731
Trade and other payables	(1,438)	(382)	(1,229)	(460)	(4)	—	(3,513)
Lease liabilities	(356)	—	(299)	(102)	(13)	—	(770)
Net exposure	26,620	15	1,092	1,107	21	632	29,487

Sensitivity – exchange rates

The sensitivity of profit or loss to changes in quoted exchange rates for currencies to which the Group is exposed is as follows, based on each relevant exchange rate strengthening (or weakening) by 5%.

There is no impact on other components of equity as the Group is not party to any derivative financial instruments, such as hedging instruments, where currency gains and losses would be recognised in other comprehensive loss.

Prior year sensitivity of profit or loss was restated to consistently use monetary working capital as basis for analysis.

At 31 December +/ –5%	2022 £000	Restated 2021 £000
Euro	**24**	1
Canadian dollar	**227**	55
US dollar	**137**	55
South African rand	**1**	1
Australian dollar	**16**	32
	405	144

Market risk – commodity price risk

The Group's batteries use an electrolyte incorporating vanadium. Vanadium is an elemental metal and is used primarily to strengthen steel, particularly for the construction industry.

Whilst it is not a mature market traded commodity, such that one can buy forward or derivative contracts, market prices for vanadium pentoxide (V_2O_5) at 98% purity are quoted in US dollars per pound.

Vanadium forms about two-thirds of the value of the electrolyte, which in turn forms about a quarter of the landed cost of a battery, and so a fluctuation in the price of vanadium will impact the profitability of battery sales. An increase or decrease in the market price of vanadium of 5% could cause the value of the electrolyte component of a battery to increase or decrease by approximately 3%.

Credit risk – cash held on deposit with banks

Credit risk arises from cash and cash equivalents and deposits with banks and other financial institutions.

Credit risk related to holdings with financial institutions is managed by only maintaining bank accounts with reputable financial institutions. The Group aims only to place funds on deposit with institutions with a minimum credit rating of B2 Moody's.

The Group's cash at bank and short-term deposits are held with institutions with credit ratings as follows:

At 31 December	2022 £000	2021 £000
Aa1	**780**	—
Aa2	**1,315**	1,087
A1	**3,037**	25,240
Ba2	**5**	28
	5,137	26,355

Credit risk – trade and other receivables

Past due but not impaired

The Group's credit risk from receivables encompasses the default risk of its customers and other counterparties.

Its exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. The creditworthiness of potential and existing customers is assessed prior to entering each new transaction. A credit analysis is performed, and appropriate payment terms implemented that may include increased level of upfront deposits for the purchase of battery units.

Notwithstanding the above, the Group's standard terms of trade provide that up to 90% of the sales price of a battery unit is paid prior to delivery.

Receivables are considered for impairment on a case-by-case basis when they are past due or where there is objective evidence that the customer or counter party may be a default risk. The Group takes into consideration the customer or counter party payment history, its credit worthiness together with the prevailing economic environment in which it operates to assess the potential impairment of receivables.

On an ongoing basis, receivable balances attributable to each customer or other counterparty are monitored and appropriate action is taken when the relevant balance becomes or is considered likely to become overdue. The maximum exposure to loss arising from receivables is equal to invoiced value.

The ageing of trade receivable balances was:

At 31 December	2022 £000	2021 £000
Current	**1,582**	249
Past due – less than 30 days	**112**	—
Past due – more than 30 days	**43**	1,434
Total trade and other receivables	**1,737**	1,683

Past due amounts at 31 December 2022, related to four customers (2021: eight customers) and £23,953 (2021: £nil) was considered to be impaired.

Liquidity risk

Liquidity risk relates to the Group's ability to meet its obligations as they fall due.

The Group generates cash from its operations that are principally related to the manufacture and installation of vanadium flow batteries. The market for reliable and flexible grid-scale storage solutions for energy generated from renewable sources is growing and the technology continues to develop.

The development of new and enhanced storage technologies can be capital intensive and the Group has historically funded development and early-stage commercial activity primarily from equity investment but also using cash from operations and loan funding.

The Group forecasts cash generation using a comprehensive company financial model and monitors the timing and amount of its payment obligations.

The following table shows the Group's financial liabilities by relevant maturity grouping based on contractual maturities. The amounts included in the analysis are contractual, undiscounted cashflows.

31 December 2022	Less than one year £000	One to two years £000	Two to five years £000	Over five years £000	Total contracted cash flows £000	Carrying amount £000
Trade and other payables	**4,582**	**352**	**—**	**—**	**4,934**	**4,934**
Derivative financial instruments	**769**	**—**	**—**	**—**	**769**	**769**
Lease liabilities	**740**	**630**	**339**	**—**	**1,813**	**1,709**
Total financial liabilities	**6,091**	**982**	**339**	**—**	**7,516**	**7,412**

31 December 2021	Less than one year £000	One to two years £000	Two to five years £000	Over five years £000	Total contracted cash flows £000	Carrying amount £000
Trade and other payables	3,513	—	—	—	3,513	3,513
Lease liabilities	379	331	117	—	827	770
Total financial liabilities	3,892	331	117	—	4,340	4,283

Capital management

At 31 December the Group had debt from an investment agreement entered with Riverfort Global Opportunities PCC Ltd and YA II PN Ltd. At 31 March 2023, the loan has been repaid in full using proceeds from the March 2023 equity raise. Following the loan redemption, the Company has no external debt outstanding.

The Board regularly reviews the Group's cash requirements and future projections to monitor cash usage and assess the need for additional funding. At 31 May 2023, the Group had £15 million of cash on hand.

30 Related parties

The only related parties of the Company are the key management of the Group and close members of their family. Key management has been determined as the CEO and his direct reports.

During the year, the Company employed The Headhunters Recruitment Inc. to perform recruitment services and paid a placement fee of £27,369 all of which was outstanding as at 31 December 2022. The Headhunters Recruitment Inc. did at the time employ Georgia Harper, Matt Harper's spouse.

During the year, Larry Zulch repaid £12,000 in respect of shares purchased on his behalf in relation to fundraising in 2021.

Key management compensation is disclosed in note 8, Staff costs and headcount.

31 Group entities

Direct subsidiary undertakings	Country of incorporation	Registered office	Principal activity	Ownership % 2022	Ownership % 2021
Camco Holdings UK Limited	England	Office 501 New Broad Street House 35 New Broad Street, London, England, EC2M 1NH United Kingdom	Holding company	**100%**	100%
Camco Services (UK) Limited	England	Office 501 New Broad Street House 35 New Broad Street, London, England, EC2M 1NH United Kingdom	Support services	**100%**	100%
Camco (Mauritius) Limited	Mauritius	24 Dr Joseph Rivière Street 1st Floor, Felix House Port Lewis, Mauritius	Holding company	**100%**	100%
Invinity Energy Systems (U.S.) Corporation	United States of America	1201 Orange St. #600 Wilmington, DE USA 19899	Energy storage	**100%**	100%
Invinity Energy Nexus Limited	England	Office 501 New Broad Street House 35 New Broad Street, London, England, EC2M 1NH United Kingdom	Energy storage	**100%**	100%

Indirect subsidiary undertakings	Country of incorporation	Registered office	Principal activity	Ownership % 2021	2020
redT Energy Holdings (UK) Limited	England	Office 501 New Broad Street House 35 New Broad Street, London, England, EC2M 1NH United Kingdom	Research and consultancy	**100%**	100%
Re-Fuel Technology Limited	England	Office 501 New Broad Street House 35 New Broad Street, London, England, EC2M 1NH United Kingdom	Energy storage consultancy	**99%**	99%
Invinity Energy (UK) Limited	England	Office 501 New Broad Street House 35 New Broad Street, London, England, EC2M 1NH United Kingdom	Energy storage consultancy	**99%**	99%
redT Energy Holdings (Ireland) Limited	Ireland	22 Northumberland Road Ballsbridge, Dublin 4, Ireland	Energy storage	**99%**	99%
Invinity Energy Systems (Ireland) Limited	Ireland	22 Northumberland Road Ballsbridge, Dublin 4, Ireland	Energy storage	**99%**	99%
redT energy (Australia) (Pty) Ltd	Australia	RSK Advisory, Level 2, Suite 7 66 Victoria Crescent Narre Warren, Victoria 3805 Australia	Energy storage	**99%**	99%
Invinity Energy (South Africa) (Pty) Ltd	South Africa	1st Floor, Kiepersol House Stonemill Office Park 300 Acacia Road Darrenwood Randburg 2194	Business Services	**100%**	100%
Invinity Energy Systems (Canada) Corporation	Canada	2900-550 Burrard Street Vancouver, BC Canada V6C 0A3	Energy storage	**100%**	100%
Suzhou Avalon Battery Company Limited	The People's Republic of China	1809 Building 4 no.11888 East Taihu Avenue, Songling Town, Wujiang District, Suzhou City	Business Services	**100%**	100%
Associates					
Vanadium Electrolyte Rental Limited	England	Office 501 New Broad Street House 35 New Broad Street, London, England, EC2M 1NH United Kingdom	Vanadium procurement	**50%**	50%

32 Events occurring after the report period

On 23 February 2023, the Company announced it had raised gross proceeds of £19 million through a placing of 59,375,000 new ordinary shares of €0.01 each and £2.5 million through subscription by Everbrite Technology Co., Ltd. of 7,812,500 new ordinary shares, both at an issue price of 32 pence per new ordinary share.

The Company also offered to all qualifying shareholders the opportunity to participate in an open offer to raise up to £4 million at issue price. The open offer was made on the basis of: 2 open offer shares for every 19 ordinary shares held.

On 14 March 2023, the Company announced it had received valid acceptances from qualifying shareholders in respect of 4,825,092 open offer shares, therefore raising an additional £1.5 million of proceeds.

As part of the placing and open offer, the Directors subscribed for new ordinary shares which raised gross proceeds of approximately £60,000 in aggregate.

The Company has therefore raised, in aggregate, gross proceeds of approximately £23 million through the placing, subscription and open offer.

In addition, on 3 March 2023, the Company announced it had entered into a repayment agreement to repay the outstanding drawn amount of the convertible loan facility with Riverfort Global Opportunities PCC Ltd and YA II PN Ltd ("Noteholders"). The Company has settled the outstanding drawn amount together with the redemption premium of 10% (US$208,107.53).

Pursuant to the facility, on 14 December 2022 the Noteholders were granted warrants exercisable at 67.35p to subscribe for 1,350,020 ordinary shares for a period of up to four years. In accordance with the terms of the warrant instrument, the Company was required to amend the exercise price of these warrants to 32p, being the issue price of the recently announced placing and open offer. In consideration of the Noteholders undertakings, the Company has agreed to grant a further 449,980 warrants at an exercise price of 32p which will expire on 14 December 2026.

As part of the facility, 2,700,038 ordinary shares were issued to the Noteholders to effect initial conversions relating to the initial advance. Any shares held by Noteholders after the facility has been repaid will be sold with relevant net proceeds remitted to the Company. At 3 March 2023, 1,779,640 of the Initial Shares are remaining and held by the Noteholders.

The ongoing events in Ukraine have led to international macro-economic instability. The impact on sterling has fed through to increased input costs and these are expected to continue while the situation remains unresolved.

OFFICERS AND ADVISERS

Officers	
Neil O'Brien	Non-Executive Chairman
Larry Zulch	Chief Executive Officer
Matt Harper	Chief Commercial Officer
Jonathan Marren	Chief Development Officer and Interim Chief Financial Officer
Rajat Kohli	Senior Independent Director
Michael Farrow	Non-Executive Director
Kristina Peterson	Non-Executive Director
Registered Address	Third Floor, IFC5 Castle Street St. Helier Jersey JE2 3BY
Investor Relations	
Joe Worthington	Director of Communications & Investor Relations
Ralph Anderson	Corporate Relations Manager
	To contact Investor Relations, email IR@invinity.com or call +44 (0)204 551 0361
Jersey Company Number	**92432**
Advisors	
Nominated Adviser and Joint Broker	**Canaccord Genuity Limited** 88 Wood Street London EC2V 7QR
Joint Broker	**VSA Capital Limited** Park House 16-18 Finsbury Circus London EC2M 7EB
Registrar	**Computershare Investor Services (Jersey) Limited** Queensway House Hilgrove Street St. Helier Jersey JE1 1ES
Company Secretary	**Oak Secretaries (Jersey) Limited** Third Floor, IFC5 Castle Street St. Helier Jersey JE2 3BY

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