INVINITY ENERGY SYSTEMS

2023 Annual Report & Financial Statements

for the year ended 31 December 2023

Contents

Invinity staff and Board members at the Pender St manufacturing facility in Vancouver – September 2023

Invinity, proven grid-scale energy storage

We are surrounded by energy storage. There are batteries in our phones, computers, watches, cars, and, now, on the electric grid. The problem is that the battery technology that works so well in our pockets doesn't work as well at grid scale; it wears out, limits use, and even catches fire. An alternative is required, and Invinity provides that alternative.

Invinity's batteries are the size of shipping containers. They're big, heavy and cost a bit more, but they don't wear out, they can't catch fire, and they can be operated continuously from full charge to full discharge for 25 years. Built as a standardised product in a factory, our vanadium flow batteries transform a technology proven for decades from an engineering exercise into a vital part of the energy transition.

Invinity has 75,000 kilowatt-hours of its modular battery systems deployed or contracted for delivery to 82 projects across 18 countries – more than any other company in our space. We've deployed the largest flow battery systems in the U.S., Canada, Australia and the UK, our shareholders include the UK Infrastructure Bank alongside some of the world's leading institutional investors and our customers include the U.S. Department of Energy, the UK Government and some of the world's largest multinational energy companies.

Invinity is a global business with operations in the UK, Canada, the U.S., Australia and China. The Company is quoted in the UK on AIM and AQSE and trades in the U.S. on OTCQX.

www.invinity.com

Highlights of 2023

Year at a Glance

Financial Highlights

- Total income (£22.0m) including sales revenue and project related grant income increased 511% YoY (2022: £3.6m).
- Loss from operations (£22.8m) increased 20% (2022: £19.0m).
  — The majority of the 2023 gross loss relates to projects signed before 2022. Margin improvement is a key strategic objective and more recent projects are forecast to achieve broadly flat or small positive gross margins at the project level (before allocation of facility costs).
- Administrative costs (£19.1m) were broadly unchanged YoY (2022: £19.0).
- Cash outflows (£19.7m) reduced 10% YoY (2022: £21.9m).
- Debt-free with £53.2m of cash at 31 May 2024 (2023: £15.4m).
- Post Period: £57.4m fundraise cornerstoned by £25.0m investment from UK Infrastructure Bank completed in May 2024.

Jamie Houssian from Elemental Energy and Heather Bishop from Cold Lake First Nations cut the ribbon to launch the 8.4 MWh Invinity VFB system, attended by guests including Invinity's Board Members – September 2023

Commercial and Operational Highlights

32.5 MWh	136.7 MWh	6.6 GWh
Shipped to customers across 8 countries in 2023	Signed or awarded funding for delivery in 2024 or 2025	Global pipeline of commercial interest
+800% YoY	**+245% YoY***	**+170% YoY†**

*Compared to deals signed or awarded funding in 2022 for delivery in 2023 or 2024.
† Comparing 17 June 2024 (disclosed in 2023 Annual Report) with 24 May 2023 (disclosed in 2022 Annual Report).

Customer Pipeline Progression & Current Status

Date	Base MWh	Advanced MWh	Qualified Near-Team MWh	Qualified Further-Term MWh
24 May 2023 (2022 Annual Report)	42.8	73.4	957.1	1,397.4
22 September 2023 (HY23 results)	43.1	137.3	1,415.0	3,057.8
30 November 2023 (YE Business Update)	49.8	92.0	1,898.5	3,790.7
17 June 2024 (2023 Annual Report)	**45.8**	**446.5**	**2,009.4**	**4,122.2**
% change (May 2023 to June 2024)	+7%	+508%	+110%	+195%

N.B. Definitions of pipeline category terms can be found in the Company's announcements.

Introduction

Foundations for Scale

Matt Harper
Chief Commercial Officer

An unprecedented level of attention and capital is flowing towards building a net zero grid by the customers, regulators and grid operators who make up global electricity markets.

Wind and solar power are the least-cost form of generation almost everywhere. Markets that can take that low-carbon electricity and deliver it to users reliably and at low cost are the focus of policymakers worldwide. This is the *opportunity* on which Invinity is focused.

Over the past two years, the Invinity team has delivered ever-larger projects – proving how our vanadium flow batteries can deliver the capabilities our customers want: durable, safe, long duration energy storage ("LDES"). With the launch of our next-generation vanadium flow battery, code-named "Mistral", expected later this year we will have the product that can deliver those *capabilities* to electric grids around the world at any scale.

This combination of opportunity and capability in markets around the world are Invinity's *"foundations for scale"*. As we look forward, we see tremendous opportunity from those foundations. Invinity will go from strength to strength by proving at increasing scale the benefits of durable long duration storage. If we do that job right, we believe our products will fundamentally inform the structure of, and be widely deployed across, the global energy system for decades to come.

Market Headwinds and Tailwinds

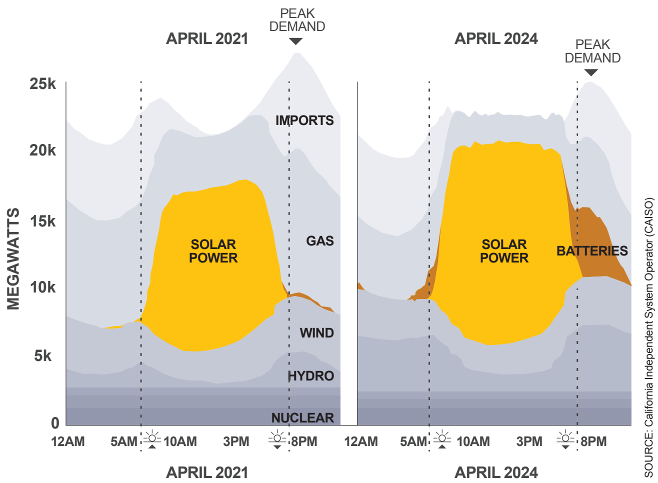
Tremendous commercial opportunities are emerging on the path to net zero. First and foremost, renewables are the world's lowest cost source of new electric generating capacity. This is reflected in the massive solar farms being built from northern Canada to Dubai and the wind farms now serving Micronesia to northern Scotland.

However, headwinds are beginning to appear. In jurisdictions like California and Australia that have a large proportion of photovoltaic generating assets, negative electricity market prices are becoming common at peak solar generation times, challenging the economics of expanding such generation. More solar also means that fuel-powered generators are operating fewer hours per day, lowering asset utilisation and thus pushing up costs for peaking capacity. Even conventional low carbon sources are struggling: from Canada to Australia, hydro projects are taking longer and costing more, as are recent nuclear plants in the UK and U.S.

Fortunately, energy storage assets are increasingly proving their ability to "firm up" the output from intermittent renewables. Batteries are now meeting a significant portion of demand in some high renewables markets. LDES solutions promise to further extend the benefits of renewables when the sun isn't shining and the wind isn't blowing. Even in jurisdictions like California, the largest batteries in the world are only starting to fill in where solar power cuts off.

HOW CALIFORNIA POWERED ITSELF IN APRIL 2021… AND AGAIN IN APRIL 2024.

AVERAGE DAILY GENERATION BY FUEL TYPE



If batteries are going to facilitate an even higher proportion of our energy needs being served by renewables, critical questions remain: what kind of batteries will serve not just peak hours but power our businesses and homes 24 hours per day? How much capacity is required? Where should it be installed? And who will pay for it?

Fortunately, Invinity is already helping to answer these questions. Our batteries are ideally suited for a 24-hour non-stop cycle shifting solar overnight, doing so for the life of the generating asset and with a chemistry safe enough to be installed alongside homes and critical infrastructure. Additionally, our team are actively engaging with policymakers and regulators worldwide to ensure their plans contemplate these advantages, seeding markets for the revenue and profits that will see our business grow and thrive.

The UK: Less Sun, More Wind but Similar Challenges to California

The UK's transition towards a net zero grid saw a massive inflection point this winter, with wind outstripping fossil fuel generation in consecutive quarters for the first time ever. However, the UK battery market has struggled. Revenues for UK-based battery assets dropped significantly over the course of 2023, presenting challenging economics for asset operators and developers alike.

We've also seen significant delays in permitting and grid interconnection, which have been particularly challenging in the context of our LODES project, which was awarded funds by the UK Department of Energy Security and Net Zero ("DESNZ"). Fortunately, as regulations adapt to the benefits that batteries can deliver to the grid, and as local planning councils awaken to the safety benefits of our flow batteries over lithium alternatives, we are seeing individual projects accelerate.

The broad economic picture is improving as well. Revenues from installed assets on a £-per-MW basis have trended up over the first quarter of 2024, with LSE-listed Gresham House Energy Storage Fund reporting portfolio revenue of £77,900 per MW per year in April 2024 as compared with £43,800 per MW per year as recently as January 2024. While monthly variation can be expected, as more variable resources come online, we expect the overcapacity in the UK battery market to be absorbed and asset values return to an investable level.

Finally, on the regulatory front, 2024 so far has seen two exciting developments. In January, DESNZ released the first working paper on a proposed "Cap and Floor" scheme to accelerate the deployment of non-lithium, long duration storage on the UK grid. This scheme, on whose development the Department did and continues to seek Invinity's input, is designed to ensure investable returns for operators of large-scale LDES projects and inform the development of future markets for LDES services.

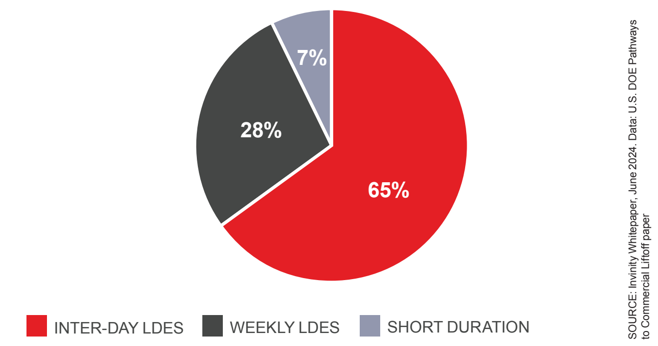
Then in March, the House of Lords' Science and Technology Committee released a paper titled "Long-duration energy storage: get on with it", presenting a compelling vision for how batteries like Invinity's can both advance the path to net zero while decreasing consumers' electricity costs. We expect strongly positive policies and regulation will flow from this work.

With DESNZ projecting that deploying up to 20 GW of LDES can save UK electricity ratepayers up to £24bn, there is ample reason to expect success. An election year always injects some uncertainty, but with both the current government's "Powering up Britain" and the Labour party's "Great British Energy" platforms firmly supporting long duration storage, we feel confident of our prospects.

The U.S.: Focused on Deployment

Where the UK has focused on market innovation to accelerate storage, the U.S. focus has been on individual technologies and the companies that build them. In March 2023 the U.S. Department of Energy ("DOE") published its "Pathways to Liftoff" paper presenting how various forms of energy storage can enhance integration of renewables. That paper was strongly supportive of storage that delivers inter-day shifting of renewable energy, the segment where Invinity focuses. In June 2023, the Invinity team presented a whitepaper based on the U.S. DOE's analysis at the International Flow Battery Forum which identified the inter-day LDES segment as the one that would deliver the largest amount of energy to the grid by 2040.

U.S. STORAGE DELIVERED ENERGY TWH, 2040



Based on that work, the DOE has set out to allocate up to \$3.5 billion worth of funds to LDES projects. Results of the highly competitive first round of solicitations were announced in September 2023 with only 12 projects being funded, and Invinity being the only company to have been awarded funds twice. Upon delivery, our 12 MWh project at the DOE's Pacific Northwest National Labs' Grid Storage Launchpad, and our 72 MWh of VFBs installed at five sites with the National Renewables Cooperative Organization, will be a massive leap forward in proving not just the deployability of our batteries at scale, but the impact they can have for the grid at large.

From Our Shores to Their Shores

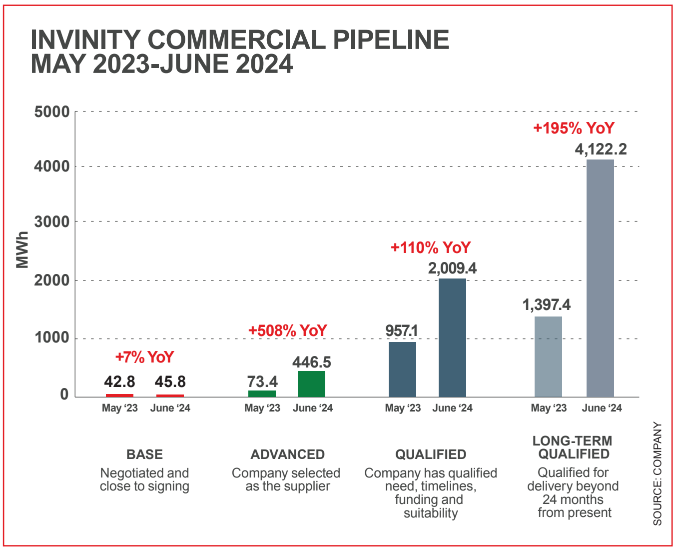
The one undeniable trend all over the world has been towards the regional manufacturing of infrastructure equipment in general, components for a net zero grid in particular, and battery, solar and wind components specifically.

We initially observed this trend in Asia where grid operators are increasingly nervous about security risks posed by products made in China. The trend accelerated with the introduction of the U.S. Inflation Reduction Act, which provides incentives for domestic battery manufacturing. While not every jurisdiction has the market power to shift an entire industry, in every country where we operate we consistently hear the fastest path to adoption is one that aligns with good, well-paying jobs and a strong domestic industry.

Fortunately, Invinity has a tremendous advantage in this respect. Our supply chain already has global reach and does not rely on "gigafactory" scale production or highly specialised manufacturing. As we are proving with our new facility in Motherwell in Scotland that, upon completion, will take our UK capacity to over 500 MWh per year for customers in the UK and EU, we can expand manufacturing based on customer demand at a very low capital cost. As we expand our partnership strategy to deliver our products globally through capable regional partners, we will be able to further scale our business faster than either lithium incumbents or new entrants to our industry.

Delivering on Capability

Invinity's plan to deliver the capabilities that will serve these massive and growing opportunities can be summed up in one word: Mistral. Mistral is, at its most fundamental, our platform for scale. The north star for our business is to build a battery that can deliver low-cost, low carbon renewable power on demand at a lower total cost of energy than any other source. With commercial rollout imminent, both we and our regional partners are getting ever more inbound sales inquiries, significantly enhancing our commercial pipeline.



Jonathan Wilkinson, Canada's Minister of Energy and Natural Resources, launches Canada's National Clean Energy Strategy from Invinity's Vancouver facility – August 2023

Our business is highly regional. Mistral is designed for a global supply chain both inbound to Invinity and outbound to our regional partners, who will deliver the market-specific operating knowledge, regional installation capabilities and domestic sources of supply that are critical to success. However, we must also achieve ultra-low cost, protect our intellectual property and ensure consistently high product quality all while accelerating speed to market.

In support of those plans, we have been encouraged by our current and prospective partners' response to the "license and royalty" model with which we intend to grow our international business. In this model, Invinity will deliver core technology components to our regional manufacturing partners, who will assemble and deliver products to their own regional client base. This will allow us to rapidly scale while remaining a capital-light business. Our first partner to adopt this model, Everdura in Taiwan, has begun work on their final assembly plant, and is painting a path for steadily evolving relationships in Australia, Eastern Europe and the Middle East.

Conclusion

The coming years for Invinity are all about scale. We need our products to be at a scale so they can solve grid operators' and project developers' most pressing challenges. We need our book of business to scale to where we can set the direction of a rapidly evolving global market and regulatory landscape. And we need our organisation to scale so we can deliver the revenue and profits that will see us continually enhance shareholder value.

The foundations for scale – both the opportunity we seek to serve and the capabilities we'll deliver to do so – are clear. The need for durable, safe, long duration storage as a critical component of a high renewables net zero grid is no longer in question and plans to deliver on that need are being developed by the world's most influential agencies, governments and regulators. With Mistral, Invinity will have the tool to deliver our vanadium flow batteries' capabilities to the global market. This foundation is an incredible starting point, and I'm looking forward to delivering its potential alongside the Invinity team.

Chairman's Report

Delivering progress

Neil O'Brien
Non-Executive Chairman

I'm pleased to report that Invinity continues to make further progress on its Pathway to Profitability Strategy that was set out on pages 12-13 of our 2022 Annual Report. Our achievements in 2023 were focused on our key themes of delivery and scaling our business.

I am especially pleased to note that Invinity has secured significant orders for its vanadium flow batteries and grown its pipeline of confirmed commercial interest. Growing commercial traction underpins our current ramp-up and investment phase aimed at delivering a profitable, self-sustaining business. Our achievements in 2023 were delivered against a backdrop of rapidly growing global renewable energy production and storage. Long duration energy storage is a key enabler in delivering these plans and governments are being increasingly urged to "get on with it" as a means to unlock lower cost, lower carbon energy on demand. The launch of our next-generation product later this year will further open up this potentially huge addressable global market.

ENGIE Belgium, Equans BeLux, Jan De Nul and the Belgian Energy Minister launch their Invinity VFB system – March 2024

Last year I stated that delivery is an important target for the Company and I am pleased to report that in 2023 Invinity delivered and commissioned more vanadium flow batteries in 12 months than ever before. This proven ability to deliver cements Invinity's position as a world leading manufacturer of vanadium flow batteries that is meeting the needs of its customers. I have been to two site openings in the last 12 months. One a large Canadian classic solar/storage site and secondly a European "behind-the-meter" project delivered by ENGIE Belgium, Equans BeLux and Jan De Nul with support from the Belgium Energy Ministry. These projects highlight the flexibility of our technology and its ability to generate value for our customers in a broad range of applications.

During 2023 we brought in our customer Everdura as a new strategic partner, enabling Invinity to gain operational and commercial access into a new market. Strategic partnerships are going to be of great importance to Invinity's long term growth and I am pleased to note that our partnership with Everdura took a step further early in 2024 when they signed up to become an exclusive manufacturer of our next-generation product for the Taiwanese market. The partnership route will enable Invinity's leading energy storage products to be deployed in more markets, quicker and more economically.

I am also pleased to note more recently the strategic investment secured from the UK Infrastructure Bank ("UKIB") and Korea Investment Partners, who participated in an oversubscribed fundraise alongside existing and new investors in May 2024. Their backing not only gives a valuable endorsement of Invinity and its technology but provides important growth capital which will further accelerate our progress towards profitability.

These successes are a testament to the foundations Invinity has laid over the last 18 months and I would like to take this opportunity to thank the entire team for their hard work and perseverance that made this possible. I would also like to thank all my Board colleagues for their support and assistance over the year, particularly Jonathan Marren who has taken on the role of Chief Financial Officer in addition to his role as Chief Development Officer. The years of experience, responsibility and focus that our Board collectively brings to bear will ensure that the Company continues to make the right decisions for its long-term future.

Invinity is making progress, having delivered more batteries than ever before and secured funding and contracts for almost 100 MWh of our next generation product. I wish to express the thanks of the entire Board for the support we received for our recent oversubscribed fundraise. Invinity is now adequately capitalised to address the opportunity at hand. We can attract and retain quality staff, expand manufacturing capacity and deliver our next-generation product to our clients. I look forward to this new phase in our development.

I have confidence in our team's ability to deliver on our publicly stated strategy. The opportunity is huge and there is much to be done.

Neil O'Brien
Non-Executive Chairman
26 June 2024

Chief Executive Officer's Report

Getting on with it

Larry Zulch
Chief Executive Officer

I've taken inspiration for my report title from Baroness Brown who simply titled her recent report to the House of Lords "Long-duration energy storage: get on with it"; I feel it succinctly captures our challenge. The need is acute and progress is required.

Every step toward renewable energy from wind, solar, or the tides is simultaneously a call for more energy storage to reduce instability. While the most widespread use of energy storage—stabilising the grid over seconds or minutes—remains important, grid stability over the course of a day, the "long-duration" referred to in the title, is increasingly vital. Invinity's products can do both.

Invinity is progressing well. In 2023, we:

- Delivered more product than ever before;
- Recognised five times more revenue than in 2022;
- Closed significant new deals across each of our core markets;
- Secured funding for major projects using Mistral, our next-generation product; and
- Progressed our strategic aim to deliver projects at positive gross margin, an important step towards net cash generation.

I am incredibly proud of our team for these accomplishments. We are receiving recognition for them: Bloomberg New Energy Finance included Invinity on its list of Global Tier 1 battery manufacturers for the first time, the only flow battery company and the only UK company they recognised.

But our 2023 accomplishments only serve to heighten our determination to rapidly and efficiently advance our products, their commercial recognition, and our ability to deliver ever-larger orders. Before looking forward, however, we should review our commitments from 2022.

Our 2023 Achievements

In my 2022 report, I outlined a four-part strategy that would enable Invinity to make demonstrable progress year-on-year. I am pleased to report significant progress in each area:

1) Deliver on Backlog

Invinity delivered more than 32,000 kilowatt-hours of our vanadium flow batteries ("VFBs") to customers across four continents.

Scaling up manufacturing and improving our supply chain was a major focus in 2023. A new manufacturing facility in Vancouver added 200,000 kilowatt-hours of yearly capacity. I am pleased that we have recently expanded our capacity in the UK and plan to do the same in the U.S. as well in due course. Our supply chain improvements reduced costs while keeping environmental, social and governance obligations front of mind.

2) Close New Deals

2023 saw Invinity sign deals with eight new customers and enter into a number of commercial partnerships. We targeted and subsequently won a number of funding opportunities that will support progressing large high-profile projects toward financial close.

Our sales pipeline, with continued application of strict criteria, has grown 170% year-on-year to over 6,000 megawatt-hours of qualified commercial demand, giving us confidence that the market opportunity remains very real and very large.

Johnson Chiang, Executive Chairman Asia, Invinity, Bong-Suck Kim, Principal Researcher, KEPCO New Energy Technology Research Institute, Larry Zulch, CEO, Invinity, Dr. Seung-Joo Lee, ESS Technology Advisor, KEPCO, and Dr. Dae-Hee Choi, Director, ESS Business, Hyosung Heavy Industries at the 1.5 MWh Invinity VFB in Korea – December 2023

3) Deliver Mistral

Mistral, the code name for our next-generation product currently being co-developed with Gamesa Electric and Siemens Gamesa Renewable Energy, promises to be more capable, more scalable, and more economical than other energy storage. That means it must operate continuously for decades without degradation, function at gigawatt-hour scale, and do so with a low lifetime cost per unit of energy stored and no risk of an expensive fire. Our current VS3 product has proven these goals are eminently achievable, and Mistral will deliver them.

Developing an ambitious new product is not easy, but I am pleased to report that the team made significant progress in 2023, achieving a fully operational prototype that validated Mistral's fundamental performance targets and operating parameters. This major step gave us confidence to initiate pilot manufacturing in readiness for Mistral's official launch later this year.

Performance verification enabled us to begin commercial activity for Mistral in 2023 and I am pleased that we met our target of securing a Mistral pilot project in the first half of 2023 and a commercial order for Mistral later in the year. Additional validation came from the U.S. Department of Energy ("DOE") which awarded funding for 84,000 kilowatt-hours of Mistral projects after an extensive process evaluating Mistral and Invinity's capability to deliver it.

4) Operational Excellence

Outward progress must be matched by internal capabilities, and in 2023 we focused on efficient delivery of more product than ever before and the processes that enable us to continue to grow. The delivery and commissioning of more than 28,000 kilowatt-hours of our VS3 product demonstrates success.

We focus on making Invinity a great place to work; the best workforce allows us to produce the best VFBs.

Looking Forward

In our recent fundraise, we highlighted our strategy of utilising partnerships. In the U.S. and UK, our partners help us pursue capex-light manufacturing and direct sales. Outside these core markets, we are working with existing and pursuing new partners capable of commercial engagement, product and project support, and after-sales activities. Our relationship with rest-of-world partners typically starts with reselling our products but can lead to manufacturing under a licence and royalty model.

Darren Yen, Chairman, Everdura and Larry Zulch, CEO, Invinity concluding the agreement for Everdura to set up domestic manufacturing in Taiwan – September 2023

1) The UK Market

Each year, the UK discards ("curtails") enough renewable energy to power an estimated million homes. Much of this could be captured in LDES and used effectively. However, current regulatory support for energy storage focuses on grid stability and therefore shorter-duration batteries. We know LDES projects to be economically compelling but proving that requires financial returns from operating LDES projects. The UK Government is helping us provide that proof:

- In April 2023, Invinity secured £11 million of matched funding under Phase 2 of the UK Government's Longer Duration Energy Storage ("LODES") Competition for the largest VFB deployed in the UK.
- The House of Lords released the aforementioned report from the Science and Technology Committee on LDES and its critical role in UK electricity supply.
- More recently, the UK Infrastructure Bank, wholly owned and backed by HM Treasury but operating independently, made a £25 million equity investment in Invinity to support UK LDES projects, manufacturing and jobs.

The UK electricity market has great potential for Invinity given the significant need for LDES and the UK Government's support for its deployment. Our manufacturing and electrochemical research in Scotland supports our focus on the UK. We envision an LDES growth phase occurring in the UK just as Mistral becomes available to dramatically expand our capabilities.

2) The North American Market

A somewhat different approach is required to address the enormous LDES market in North America, though in both markets, adoption of renewable energy is limited by the deployment of energy storage. Governments are stepping in to accelerate LDES projects with one prominent example being the U.S. Inflation Reduction Act of 2022 which provides tax credits that support energy storage projects. Further examples include:

- In June 2023, The British Columbia Centre for Innovation and Clean Energy provided funding to support the very first Mistral project;
- In September 2023, the U.S. DOE awarded funding for a 12,000 kilowatt-hour Mistral project at the Pacific Northwest National Laboratory ("PNNL"), an energy research lab with more than 6,000 scientists, engineers, and professional staff. This will be the largest battery system ever provided to PNNL; and
- The September 2023 U.S. DOE announcement also announced funding for 72,000 kilowatt-hours of Mistral to be installed at five regional energy cooperatives.

Qualifying for government support in the U.S. requires meeting certain requirements for U.S. domestic content. Invinity has developed relationships with various partners to support a capex-light strategy to optimize our supply chain and U.S. manufacturing.

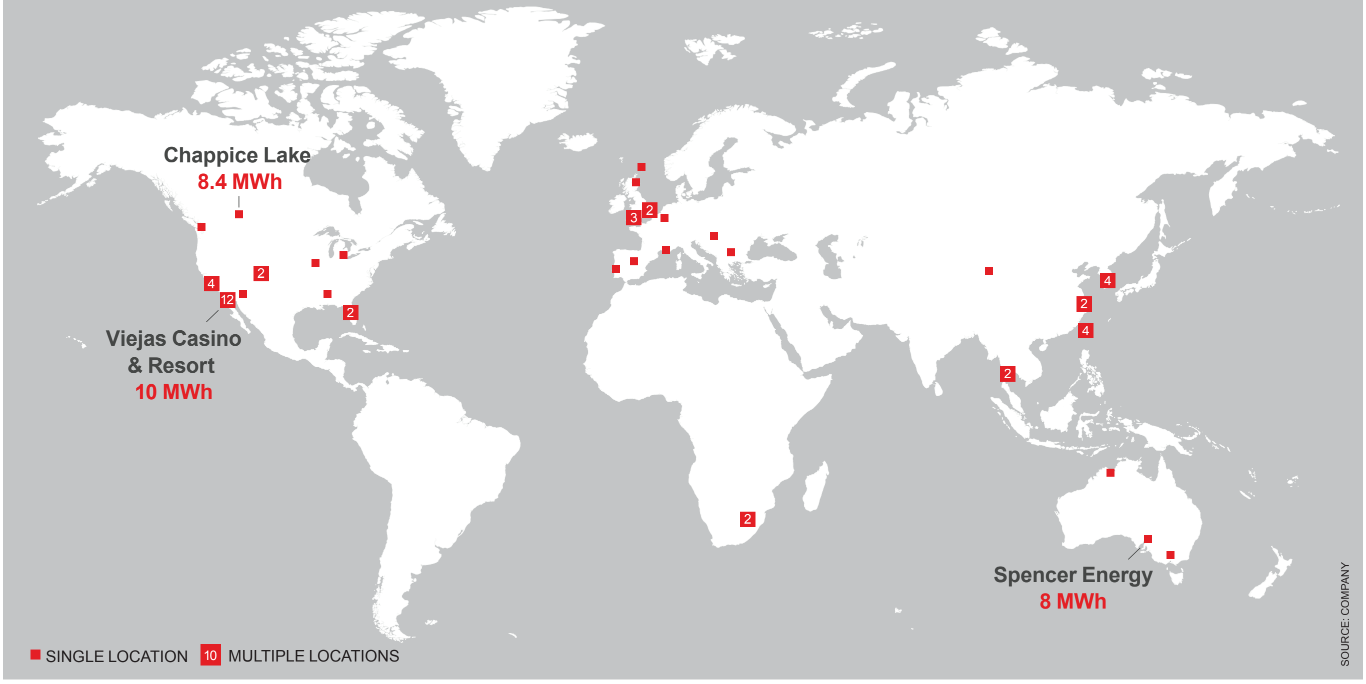
We see the North American market as having very high potential for Invinity. There is an emerging need for non-lithium LDES, and Invinity is in a prime position to address that need with Mistral.

3) Outside Core Markets

Invinity cannot address the worldwide need for LDES with a local presence in every area with potential. The solution is to identify partners able to fully represent our products.

An example is our relationship with Everdura in Taiwan. Everdura, whose parent Everbrite made an equity investment in 2023 in Invinity, has been pursuing commercial opportunities for Invinity's products across the entire ASEAN region. In September 2023, Everdura became our first commercial customer to place a Mistral order.

INVINITY PROJECTS WORLDWIDE



In February 2024, Everdura signed a manufacturing agreement for Mistral that gives Invinity a royalty based on a percentage of their Mistral revenue in exchange for direct access to our supply chain and the ability to order our proprietary cell stacks and software directly from Invinity.

We are pursuing other similar high-potential relationships and look forward to announcing them in due course.

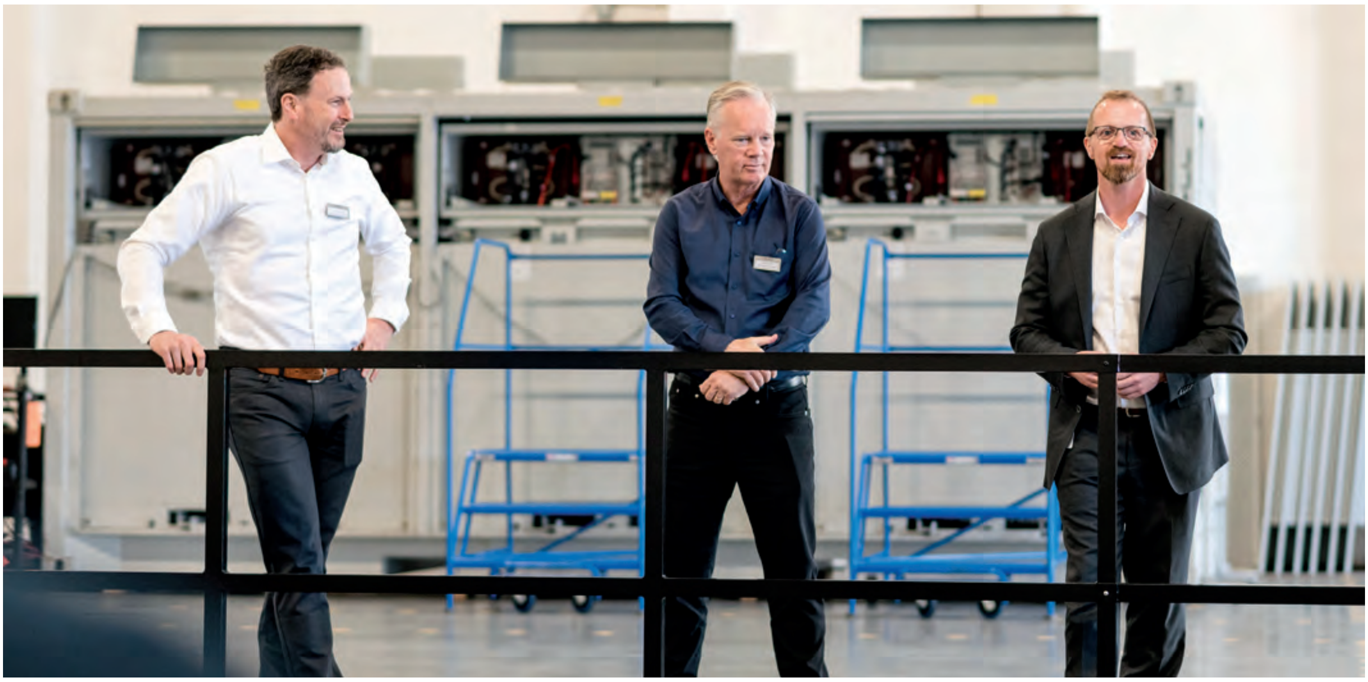
Conclusion

Mistral is a differentiated product with compelling economics. It promises to operate continuously for decades with high throughput, no degradation, and zero chance of a fire (our water-based electrolyte is entirely non-flammable). Bringing Mistral to market is our highest priority and I'm pleased to say it is going well, though certainly there are challenges, many we've met and some still to come. However, we view every challenge as an opportunity to prove our capabilities and take us further ahead of the competition.

Mistral in itself is not enough. We must have an appropriate strategy, tailored by region, for commercialization and manufacturing; embrace and enhance our relationships with partners; operate efficiently and effectively; and reduce the potential impact of events outside of our control. And, finally, we must rapidly become profitable, the ultimate measure of our success.

We are doing all of this with the finest team I have ever had the privilege of leading and the continued support of our investors and our partners. I am endlessly grateful for both.

Larry Zulch
Chief Executive Officer
26 June 2024



CCO Matt Harper and CEO Larry Zulch along with B.C. CICE Deputy Executive Director Todd Sayers at the opening of Invinity's new Pender St manufacturing facility in Vancouver – June 2023

Chief Financial Officer's Report

Building a Sustainable Business

Jonathan Marren
Chief Financial Officer and Chief Development Officer

2023 Financial Performance

I am pleased to report that total income including sales revenue and project related grant income increased significantly to £22.0 million in 2023 (2022: £3.6 million). Revenue is recognised against projects when specific performance obligations related to those projects have been satisfied.

In the year, revenue was recognised on 15 projects across Australia, the U.S., Canada, the UK and Europe totalling over 35 MWh of projects. This marks the first time the Company has recorded significant revenue and represents a major milestone.

As in the prior year, 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. Unlike 2022, such grant funding only constituted a negligible part of total revenue and grant income other than revenue.

The Company recorded a gross loss of £3.3 million (2022: gross profit of £0.7 million) but it is notable that the gross profit recorded in 2022 included the writing back of £3.2 million of provisions.

The Company has a strategic aim to move to delivering projects at positive gross margins and this positive trend continues with the majority of the gross loss being attributed to projects signed before 2022 and with the more recent projects being at broadly flat or small positive gross margins at the project level (before allocation of facility costs).

Financial Highlights

	2023 £'000	2022 £'000
Revenue	**22,006**	2,944
Project related grant income shown against cost of sales	**11**	647
Total revenue and grant income other than revenue	**22,017**	3,591
Loss from operations	**(22,778)**	(18,982)

	2023 £'000	2022 £'000
Total inventory	**3,288**	9,827
Pre-paid inventory	**1,073**	5,102
Total Inventory and Pre-paid Inventory	**4,361**	14,929
Amounts due from customer contracts included in trade receivables	**2,496**	1,737
Contract assets (accrued income for work done not yet invoiced)	**1,192**	500
Contract liabilities (deferred revenue related to advances on customer contracts)	**(1,312)**	(8,375)
Trade payables	**(2,166)**	(3,706)
Provision for contract losses	**(333)**	(1,607)
Warranty provision	**(602)**	(284)
Net position	**3,636**	3,194

Administrative expenses did not change significantly from the prior year at £19.1 million (2022: £19.0 million) reflecting a continued focus on managing costs. Administrative costs were represented by an increased investment in people with staff costs of £12.8 million in 2023 (2022: £10.3 million) and professional fees decreased to £0.7 million in 2023 (2022: £3.0 million), benefiting from the one-off items in 2022 not recurring in the current year. Sales and marketing costs increased to £1.0 million (2022: £0.2 million) as a result of continuing investment in this area to support marketing the Company's products, depreciation of £1.1 million (2022: £1.2 million) and IT costs of £0.9 million (2022 £1.2 million). Net research and development recoveries were £0.1 million (2022: £1.6 million costs) reflecting recoveries from Gamesa Electric S.A.U. ("Gamesa Electric") under the Joint Development and Commercialisation Agreement ("JDCA") whereby Gamesa Electric agreed to fund up to an aggregate US$4.62 million of Invinity's activities towards the development of the Company's next-generation product, code-named "Mistral", payable as development milestones are met.

Net Finance costs were £0.4 million (2022: £0.4 million income) with the majority of the difference being the costs associated with the repayment and termination of the convertible loan instrument that was entered into on 14 December 2022 to provide additional working capital for the business and was completed in the year.

Total inventory and pre-paid inventory reduced to £4.4 million (2022: £14.9 million) as a result of the conversion into revenue from the delivery of products during the year and in particular the Spencer Energy, Viejas Casino & Resort and Elemental Energy projects. Considering wider balance sheet items directly relating to product sales (i.e. Trade receivables, Accrued income, Deferred revenue, Trade payables, Provision for contract losses and Warranty provision), the net balance sheet position increased by £0.4 million to £3.6 million (2022: £3.2 million).

2023 Cash Performance

Year-on-year cash outflow from operations reduced to £19.7 million (2022: £21.9 million) principally as a result of a net improvement in operating assets and liabilities as set out in note 14.

As stated above, the Company has a strategic aim to move to delivering projects at positive gross margin and this positive trend continues with the more recent projects being at broadly flat or small positive gross margins at the project level (before allocation of facility costs). 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 Mistral. Mistral is expected to be manufactured at significantly lower cost than the Company's existing product, the VS3 and, when deployed, 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.

Funding and Net Working Capital

At 31 December 2023 the Company had cash and cash equivalents of £5.0 million (2022: £5.1 million). The Company's cash balance during 2024 has been materially increased following the successful conclusion of a capital raising of £57.4 million which completed in May 2024.

At the prior year end, the Company had recorded a US$2.5 million convertible loan instrument taken out with Riverfort Global Opportunities PCC Ltd and YA II PN that was entered into on 14 December 2022 to provide additional working capital for the business. This convertible was entirely repaid during the period.

Accordingly, the Company was debt free as at 31 December 2023 and remains so as at the date of this document.

Strategic Investment

As noted last year, Invinity sees strategic partnerships and investment as an important pillar of its future corporate growth and it was delighted to conclude a material strategic investment from the UK Infrastructure Bank of £25.0 million and an investment from Korea Investment Partners of £3.0 million as part of a larger £57.4 million fundraising completed in May 2024.

In addition, 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.

These strategic investments underscore the development progress of the Company since the 2020 merger transaction that formed the Group as it is today and, in relation to the agreement with Everbrite, is intended to support a closer strategic relationship for the deployment of vanadium flow batteries in Taiwan and further afield.

Going Concern

Following completion of the fundraising in May 2024, the Company had cash of £53.2 million as at 31 May 2024 (2023: £15.4 million).

The Directors have prepared a cash flow forecast for the period from the balance sheet date until 30 June 2025. This forecast indicates that the Group would expect to remain cash positive during this period and without the requirement for further fundraising. The business continues to be in a cash outflow position, using funding generated from previous fundraises (although it is planning to move to a cash inflow position upon the launch and delivery of material volume of Mistral). As such, this cash flow forecast was stress-tested for a worst-case scenario of no positive cash receipts from sales. In this tested scenario, the business would remain cash positive for the 12 months from the date of approval of these financial statements. The accounts have therefore been prepared on a going concern basis.

Jonathan Marren
Chief Financial Officer and Chief Development Officer
26 June 2024

Risk Management Report

The Group's business exposes it to a broad range of risks. Invinity has implemented a robust system of internal controls which aims 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 in terms of its product (e.g. safety, ultra-high cycle counts), domestic content and manufacturing considerations and general alignment with national energy policy and regulation.
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 Company's technology is still in process and therefore product may fall short of performance expectations.	With the first VS3 contracts delivered in 2021 and 2022 and the next-generation Mistral product yet to be delivered, 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.

Commercial Risk
continued

	Detail	Likelihood	Impact	Risk trend	Mitigation
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.
Invinity deals with a significant number of counterparties both commercially and operationally in the course of its business activities.	Failure of a counterparty to conduct itself appropriately or fulfil its obligations to Invinity has the potential to materially affect the Group's ability to trade.	Medium	Medium	↑	The Board regularly reviews and monitors material counterparty risk. The Company's customers, suppliers, partners, investors and other counterparties as appropriate are vetted prior to engagement by the Company or its advisors in an effort to reduce counterparty risk to the greatest possible extent.
The levels of key input costs such as steel, electrolyte, labour and transport, can fluctuate, particularly in the current inflationary environment.	An uncertain macro-economic outlook across the globe can cause increases in the costs of transport, steel and vanadium.	Medium/ High	High	→	Strategic relationships such as offtake agreements with suppliers can reduce short-term price volatility.
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 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.

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.	Medium	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 growing order book and a strong balance sheet will enable the Group to build more equitable relationships with larger suppliers.
Expanding manufacturing with new partners increases the risk of intellectual property (IP) issues/ infringements.	Invinity's strategy is to use outsourced manufacturing partners. This approach carries a limited risk of IP infringements.	Low	Medium	↑	The Group carries out significant due diligence on all potential partners and all contractual agreements are consulted upon by external parties so that there is significant protection to the Group should there need to be a pursuit and defence of IP.

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 can potentially impact collaboration and coordination.	High	Medium	↓	Senior roles have been allocated on the basis of function rather than geography to encourage a group, rather than regional, view. The Group encourages proactive working practices to take advantage of timezones to enhance the efficiency of overall operations.
Failure to meet shareholder expectations.	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.

Financial Risk	Detail	Likelihood	Impact	Risk trend	Mitigation
The Group does not yet generate positive cash flows.	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, product development and 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 US, Canadian and Australian $.	Whilst sales receipts are in a range of currencies, the majority of the materials costs are settled in US $ 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 US $ required and converts Australian $ receipts into Canadian $.
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.

How Invinity is Supporting a Just and Equitable Transition

The impacts of Climate Change continue to be evidenced worldwide. Providing a solution to address this forms the fundamental tenet of our business and Invinity remains even more committed to our role as part of the solution to the global climate emergency.

As chair of Invinity's Environmental, Social and Governance (ESG) Committee which regularly presents the Company's ESG progress to the Board, I am pleased to provide this report which focuses on Invinity's environmental and societal progress throughout 2023. Invinity's Board of Directors also believes that strong corporate governance and effective risk management are key to the delivery of shareholder value, and the Board has adopted the Quoted Companies Alliance Corporate Governance Code. Further details on this are covered in the Governance section of this Annual Report.

A Just and Equitable Transition

Invinity believes that there is no contradiction between sustainable development, a healthy economy, and a clean and safe environment. The principal of operating sustainably sits at the heart of the Company's business and is important to our future.

It is widely acknowledged that the transition of energy away from fossil fuels will bring significant environmental benefits to communities around the world. The rapid deployment of energy storage alongside clean renewable generation, such as solar and wind, provides a secure route to lowering emissions by allowing clean energy to be dispatched 24/7.

However, this transition also has the potential to bring about significant social change as economies must adapt. Invinity believes it is important that no one is left behind as part of this transition. We recognise the significance of this change and it is why the Company is pleased to be undertaking a series of endeavours designed to make a positive societal contribution for the benefit of all stakeholders.

Invinity is proud that its safe, durable and reliable energy storage solution, and the manner in which we operate, has the ability to accelerate the Just and Equitable transition to net zero.

Environment

Credentials

Invinity takes great pride in being recognised as a leader in clean energy. The Company was one of the first to be awarded the London Stock Exchange's Green Economy Mark back in 2019 and we are gratified to continue to maintain our status as a company that derives more than 50% of its revenues from products and services that are actively contributing to climate change mitigation and adaptation, pollution reduction and the circular economy.

The Company has been a signatory on the SME Climate Commitment since 2021, recognising that we cannot expect others to reduce their carbon footprint if we do not do so ourselves. Invinity continues to monitor, and is working to reduce, its carbon footprint across its operations and employs a quality audit to ensure its supply chain is in line with the Company's long-term social, environmental and economic values that aim to generate further benefits.

Invinity continues to recognise that the Just Transition provides impetus for everyone towards meeting the United Nations Sustainable Development Goals. The Company is pleased with its ongoing contributions to, amongst other goals, Goal 7: 'Affordable and Clean Energy', Goal 11: 'Sustainable Cities and Communities', and Goal 13: 'Climate Action'.

Circular Economy

A major requirement of the Just Transition is that companies help build a more circular economy, one that reduces waste and creates further value for all. Invinity's vanadium flow batteries are well-suited to support the transition because:

- they are recyclable: almost 100% of an Invinity VFB can be fully recycled, ensuring virtually no waste is created at end-of-life;
- their lack of degradation means that nearly 100% of the vanadium itself will also be recovered for further use in other applications; and
- our batteries do not contain any 'conflict' materials, such as cobalt, ensuring we have a socially sustainable product.

Invinity is proud of its efforts to date that are helping to further protect the environment, reduce our use of virgin raw materials and help to improve quality of life for all.

Invinity is committed to further improve the sustainability of its products for the long term. The recognition of the sustainable role that our vanadium flow batteries play (see case studies below), and the knowledge that they will leave almost no waste behind at end-of-life, provides confidence to go further in our pursuit of an even more sustainable solution for the energy transition.

Carbon Footprint Reporting

Invinity is a fast-growing company that remains committed to taking action to reduce its own carbon footprint. The Company has a range of policies in place, which are reviewed and adopted annually at Board level, to ensure that our impact is minimised as we grow.

Invinity reports its carbon footprint in compliance with the world's most widely used greenhouse gas reporting framework, The Greenhouse Gas Protocol, and with the SME Climate Commitment. The Company reports on its direct emissions (Scope 1) and indirect emissions (Scope 2) and uses an operational control accounting approach which involves accounting for all emissions from operations over which the Company has control. Finally, as per SME Climate Commitment guidelines, as a "fast growing SME that provides solutions which avoid or remove emissions as their core business", it is considered appropriate for Invinity to report its carbon footprint on an 'intensity' basis, using the metric of grammes of CO_2 equivalent per £ of annual revenue.

Invinity is delighted to report that it has continued to reduce its Carbon Intensity and minimise the greenhouse gas emissions of its activities year on year.

Social

As part of our strategy to maintain and improve Operational Excellence, Invinity encourages socially responsible practices within its global operations and is embedding them to help the Company on its pathway to profitability. Being a socially responsible business is an important part of the Just Transition and is of critical importance to Invinity as it will ensure the Company's future operations continue to bring benefits to all stakeholders.

2023 Group Carbon Intensity:

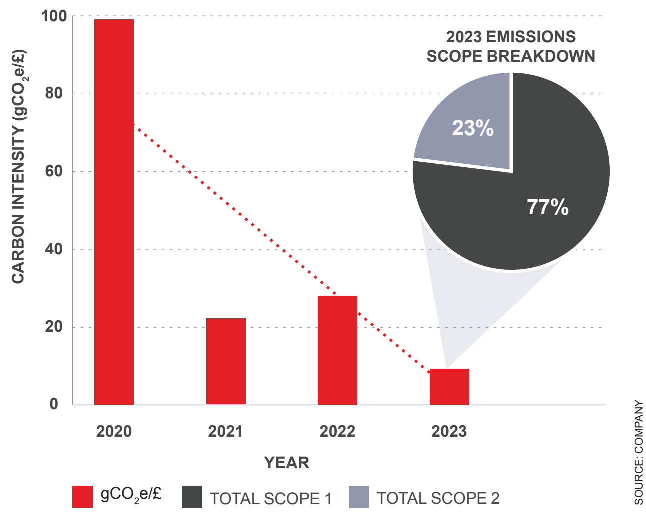
8.96g CO_2e

per £1 of recognised revenue

91% reduction

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

INVINITY CARBON FOOTPRINT 2020-23



Health and Safety statistics on Accidents and Near Misses

As a manufacturer of leading utility-scale energy storage solutions, Invinity's commitment to Health and Safety remains non-negotiable. We retain a zero-tolerance approach to accidents and injuries as we believe all our people should finish their working day as healthily as they started it. This commitment is reflected throughout the workforce who are empowered to speak out on safety to ensure Invinity maintains the highest possible standards in this regard.

	UNITED KINGDOM			CANADA			OTHER LOCATIONS		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Average Number of employees	**59**	61	68	**73**	68	65	**11**	9	12
Reportable lost time incidents	**0**	0	0	**0**	1	0	**1**	0	0
Minor incidents	**0**	3	3	**1**	0	1	**0**	0	0
Near miss (No injury)	**1**	2	8	**0**	4	2	**1**	0	4
First Aid	**0**	0	1	**1**	0	1	**0**	0	0

CASE STUDIES

Two of Invinity's signature VFB projects, our 5 MWh VFB at the Energy Superhub Oxford and our 8.4 MWh VFB at Elemental Energy's Chappice Lake Solar & Storage site, are helping their respective local grids to reduce their carbon emissions by dispatching clean energy on demand:

- In July 2023, Energy Superhub Oxford published data for its first year of operation, noting particularly that it saved c.732.66 tonnes of carbon (the equivalent of planting 4,300 trees) and had provided over 1.1 GWh of power to local residents. This battery, combined with the EV charging hub, low carbon heating network and smart energy management technologies together will help to eliminate 10,000 tonnes of CO_2 per year, rising to 25,000 tonnes per year by 2032.
- In September 2023, the Chappice Lake Solar & Storage project became operational and began supplying clean energy to the local Albertan Grid, enough to power around 3,000 homes. This project, which is also backed by the Cold Lake First Nation, is expected to achieve annual carbon savings of c.20,000 tonnes of CO_2e. The Company is proud of its commitment to work with indigenous nations, particularly through its partnership with Indian Energy which covers North America, and the Chappice Lake project shows how government, industry and indigenous nations can work together to ensure everyone can benefit from the just transition.

Invinity's 10 MWh VFB at the Viejas Casino & Resort, the largest VFB in the U.S. – May 2024

Invinity Board member Kristina Peterson with Jamie Houssian, Elemental Energy and representatives of Cold Lake First Nations at the launch of the Chappice Lake project – September 2023

Diversity

Invinity is committed to fostering a diverse, inclusive and equitable workplace. Workforce diversity has been proven to boost creativity and innovation, provide greater opportunities for professional growth and leads to better decision-making. The Company monitors the age distribution across its employees to ensure it is well-placed for the future and that its hiring policies are appropriately managed. Invinity is a keen supporter of Women in STEM roles and is proud to note that the Company hired its largest number of female staff in 2023, including into the engineering functions within the business. The Company also began measuring ethnic diversity within the Group in 2023 to better identify and prevent bias as part of its Operational Excellence strategy. Invinity continually reviews its activities across each of these areas to ensure the Company is doing the right thing and that all Invinity stakeholders can benefit.

Initiatives and Programmes

Social responsibility programmes are recognised important tools that can boost employee morale, lead to greater productivity and increase customer retention and loyalty. A happy, diverse and motivated workforce not only leads to better outcomes for all stakeholders but also to increased brand recognition and awareness in the industry. Furthermore, these programmes will also enhance Invinity's growing reputation as a company that takes its social responsibilities seriously as the world makes a Just Transition to net zero.

Invinity has a number of initiatives and programmes in place to ensure the Company is doing as much as is possible to enhance its social responsibility. Specific programmes include:

- **Women in Tech Roundtable**
  Set up in 2022, this initiative created an open forum for the women at Invinity to discuss a wide range of topics selected by female employees as well as a major focus on how to increase the number of female staff at Invinity.

- **Invinity Leadership Council (ILC)**
  The ILC, established in 2023, has a mandate to foster better culture, communication and collaboration across the entire organisation. The group includes the Company's Senior Leadership Team as well as other senior staff members from across all facets of the business. Their purpose is to identify organisational challenges and discuss potential solutions through presentations and Q&A. Within the ILC, a sub-committee also specifically focuses on employee engagement by gathering feedback and implementing initiatives designed to improve employee experience. This feedback is collected through open discussion meetings and is presented to the Executive Committee.

- **Student Engagement**
  Invinity continues to offer internships (in the UK) and Co-ops (in Canada) for students to provide valuable first-hand experience in a professional setting and thereby enable Invinity to recruit future employees who are interested in the green economy. Over the past three years, Invinity has employed a significant number of students in both the UK and in Canada, many of whom have gone on to become full-time employees, with others gaining valuable experience that has helped them to start successful careers in the clean energy industry. In 2023 Invinity increased its student hires by 25% YoY and has plans to continue this trend throughout 2024 and beyond.

- **Employee-led Social Initiatives**
  Invinity is highly supportive of its employees carrying out activities that are designed to enhance inter-office links and support other social benefits, recognising that good employee cohesion is vital to the health and productivity of the workforce. Specific employee-led examples include charitable fundraising events held at Invinity's Bathgate office and a global fitness event connecting UK, Canadian, American and Australian-based staff across the whole Company. Employees at all levels of the Company participated in these events and Invinity actively encourages and supports its staff as they look to undertake similar activities.

These initiatives are enabling Invinity not only to play an active role in the local community by sharing our knowledge and providing new opportunities for those in the local area, but also fostering inclusive and open attitudes and healthy activities amongst our staff.

Invinity's commitment to sustainability for the environment and society, as well as the principles of the Just Transition, is a non-negotiable part of Invinity's development. Furthermore, the Company is proud of the successes it has achieved and the enhanced initiatives it has deployed in 2023 in support of our hard-working team to make Invinity a great place to work. We fundamentally believe that good practices embedded now will ensure that Invinity is well set for the future.

Rajat Kohli
Chairman, Environmental, Social and Governance Committee
26 June 2024

Board of Directors

Neil O'Brien *Non-Executive Chairman* 61 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 quoted 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:
- South Staffordshire Community Energy
- UK Hire Ltd

Larry Zulch *Chief Executive Officer* 66 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

Matt Harper *Chief Commercial Officer* 47 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

Jonathan Marren *Chief Financial Officer and Chief Development Officer* 49
Jonathan was appointed Chief Development Officer in July 2022 and became the full-time Chief Financial Officer in September 2023 after serving as Interim CFO from September 2022. Prior to his appointment as an Executive Director, he was a member of Invinity's Board as the Senior Independent Director (appointed May 2021) and a Non-Executive Director since March 2016. Previously, Jonathan had been 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

Committee compositions

1 Audit & Risk Committee
2 Nomination Committee
3 Remuneration Committee
4 ESG Committee

C Chairman/Chair
M Member

Rajat (Raj) Kohli *Senior Independent Director* 60 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
- Minas de Revuboe Ltd
- Talbot Group Holdings Pty Ltd
- Jockeys Financial Ltd
- Oval Advisory Ltd
- Talbot Group Investments Pty Ltd
- Midrev Mining Mauritius Ltd

Kristina Peterson *Non-Executive Director* 60 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:

- Augment Ventures Fund III, L.P.
- Coalition for Green Capital
- Madison Energy Infrastructure Inc
- Blink Charging
- Electriq Power

Michael Farrow *Non-Executive Director* 70 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

Governance Report

Neil O'Brien
Non-Executive Chairman

Introduction on the Governance Report from the Chairman, Neil O'Brien

Invinity is quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Company's shares are also admitted to trading on the Apex segment of the Aquis Stock Exchange Growth Market (AQSE) and the Company's long-term warrants trade on the Access segment of the AQSE. The Company's shares also trade 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.

Since 2021, the corporate governance framework has been 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. The Board has also established an ESG Committee to ensure that the Company delivers on its objective of operating responsibly and sustainably.

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

The above policies are hosted on the Company's internal HR portal and form a core part of Invinity's staff onboarding process in addition to Health and Safety training. Staff are also required to complete online training and pass an assessment to prove compliance with both the Company's share dealing code and anti-bribery and corruption policy.

Board Composition During the Year

Name	Role	Length of service as at 31 May 2024	Date of appointment
Non-Executives			
Neil O'Brien	Non-Executive Chairman	7 years, 8 months	9 September 2016
Michael Farrow	Non-Executive Director	18 years, 2 months*	16 March 2006
Rajat Kohli	Senior Independent Director	3 years, 11 months	22 June 2020
Kristina Peterson	Non-Executive Director	2 years, 6 months	2 November 2021
Executives			
Lawrence Zulch†	Chief Executive Officer	4 years, 1 month	2 April 2020
Matthew Harper†	Chief Commercial Officer	4 years, 1 month	2 April 2020
Jonathan Marren†	Chief Financial Officer and Chief Development Officer	1 year, 11 months	11 July 2022

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

† All three executives previously held board-level positions in Invinity's predecessor companies, redT energy and Avalon Battery. Lawrence Zulch was previously CEO of Avalon Battery from April 2019 to April 2020. Matt Harper was Co-Founder, President and Chief Product Officer of Avalon Battery between July 2014 and April 2020 and Jonathan Marren was a Non-Executive Director from March 2016 to July 2022 and previously Chief Financial Officer of redT energy.

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 2023, Jonathan Marren was confirmed as permanent Chief Financial Officer alongside his existing role as Chief Development 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 2023 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 18 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. The Board also note their intention to redomicile the Company to the UK and expect this activity to include a restructuring of the board composition.

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, ensuring an appropriate organisational structure and knowledge to cater for changing external and internal environments. This would include 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
Total meetings during year	**8**

In addition to the scheduled Board meetings shown above, a number of meetings were held to deal with administrative matters including exercises of warrants and grants and exercises of share options and approval of documentation required for grant funding applications.

The Board has 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.

Board Performance Evaluation
Post the successful fundraising in May 2024, there are a number of Board changes expected to occur as Invinity redomiciles to the UK and the UK Infrastructure Bank takes up their Board position. The Board will evaluate performance and any gaps in knowledge and experience that may occur with these changes later in 2024.

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 (2022: £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
26 June 2024

Report of Chairman of Audit & Risk Committee

Michael Farrow
Chairman, 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 2023. The report includes details of the Committee's activities during the financial year.

Committee Composition

The members of the Committee are Michael Farrow, Rajat Kohli and Kristina Peterson. The Board is satisfied that all members of the Committee have recent and relevant financial experience.

Meetings

The Committee met six 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	6
Rajat Kohli	4
Kristina Peterson	5
Directors	
Neil O'Brien	† 3
Jonathan Marren	† 6
Lawrence Zulch	† 3
Matthew Harper	† 3
Total meetings during year	**6**

† 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 including monitoring, overseeing and assessing the Group's strategy and framework of policies, procedures, systems and controls to identify, assess, manage and report on compliance matters;
- 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 and policies relating to the preparation of the financial statements;
- Audit plan of the external auditors for the 2023 financial year;
- Reports of the external auditors concerning its audit and review of the financial statements of the Group;
- 2022 Annual Report and Accounts and 2023 interim financial statements;
- External auditors' fees; and
- Change of external auditors.

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 actively considers the effectiveness and quality of the external auditors on an ongoing basis and, if considered appropriate, will retender for the position of external auditor. During the year, the Committee undertook a tender process for the Group audit as a result of which the Committee recommended to the Board that BDO LLP be appointed as external auditors in place of PricewaterhouseCoopers LLP. BDO LLP were subsequently appointed as auditors to the Company from 30 November 2023.

The Committee is responsible for the approval of the provision of all audit services and permitted non-audit services undertaken by the external auditors. Since the year end, the Committee has adopted a policy on the independence and objectivity of the external auditor which includes a list of permitted and prohibited non-audit services.

The Committee is responsible for assessing 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
26 June 2024

Report of Chairman of the ESG Committee

Rajat Kohli
Chairman, Environmental, Social and Governance 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 2023. 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 twice during 2023.

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

Director	ESG Committee Meetings Attended
Rajat Kohli – Chairman	2
Michael Farrow	2
Matthew Harper	2
Total meetings during year	**2**

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:

- HSE incidents and remedial actions;
- Approval of ESG-related policies;
- Confirmation of appointment of staff representatives to promote and execute ESG initiatives at the Company's manufacturing facilities;
- Annual carbon footprint reporting;
- Review of ESG disclosure in the Annual Report and on the Company's website; and
- Governance matters and disclosures.

Rajat Kohli
Chairman, Environmental, Social and Governance Committee
26 June 2024

Report of Chairman of the Nomination Committee

Neil O'Brien
Chairman, 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 2023.

Committee Composition

The Committee is chaired by Neil O'Brien with Michael Farrow, Rajat Kohli and Lawrence Zulch as its members. The Board considers all members of the Committee, with the exception of Lawrence Zulch (CEO), to be independent.

Meetings

The Committee did not meet during 2023. The confirmation of Jonathan Marren's appointment as permanent Chief Financial Officer alongside his existing role as Chief Development Officer was approved by the Board.

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.

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
26 June 2024

Report of Chair of the Remuneration Committee

Kristina Peterson
Chair, 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 2023.

The Report is divided into two sections:

- The Policy report which sets out the current Remuneration Policy; and
- 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 2023. It also sets out details of the implementation of the Remuneration Policy for Executive and Non-Executive Directors for the year ending 31 December 2024.

In early 2023, the Remuneration Committee engaged Alvarez & Marsal Tax LLP ("A&M") to review Executive and Non-Executive Director compensation and provide benchmarks and recommendations compared to its AIM-traded peers. A&M's report was used as the basis of the salary and incentives review undertaken during the year, details of which are in the Director's Remuneration Report which follows.

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
26 June 2024

Directors' Remuneration Report

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 Financial Officer and Chief Development Officer (CFO & 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. Options granted to Executive Directors in July 2023 will cliff-vest after three years and will have a one year holding period post-vesting.
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 Financial Officer & Chief Development Officer	11 July 2022	11 July 2022	Invinity Energy (UK) Limited

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, the following provisions will apply in Good leaver and Intermediate leaver circumstances (as defined in the Option Plan rules):

- Good leaver where options have vested: options can be exercised for a six-month period from the leaving date (or longer at the Committee's discretion);
- Good leaver where options have not vested: options will vest on a time pro-rated basis (or according to such other criteria as the Committee determines) and can be exercised for a six-month period (or longer at the Committee's discretion) from (a) the normal vesting date or (b) the leaving date (if the Committee exercises its discretion);
- Death while employed where options have vested: options can be exercised for a 12-month period (or longer at the Committee's discretion) from the date of death;
- Death while employed where options have not vested: options will vest on a time pro-rated basis (or according to such other criteria as the Committee determines) and can be exercised for a 12-month period (or longer at the Committee's discretion) from (a) the date of death or (b) the normal vesting date (if the Committee exercises its discretion);
- Death after leaving where options are still held: options can be exercised for a 12 month period (or longer at the Committee's discretion) from the date of death (or longer at the Committee's discretion);
- Intermediate leaver where options have vested: options can be exercised for a six-month period from the leaving date (or longer at the Committee's discretion);
- Intermediate leaver where options have not vested: options can only be exercised if the Committee exercises its discretion.

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. 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.

Options which have been granted as Incentive Stock Options have different leaver rules designed to comply with U.S. tax legislation relating to stock options.

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 or Committee 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: £72,000 Non-Executive Director basic fee: UK: £40,000 U.S.: $50,000 Senior Independent Director fee: £5,000 Committee Chair fee: UK: £5,000 U.S.: $10,000 Committee membership fee: UK: £2,500 U.S.: $7,500 No additional fees are payable for membership of, or acting as Chairman of the Nomination 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 2023, the Committee comprised Kristina Peterson as the Committee Chair, Michael Farrow and Rajat Kohli.

The Committee met four times formally during the financial period and had informal discussions during the year. Details of the formal meetings attended during the financial year were as follows:

Director	Remuneration Committee meetings attended
Kristina Peterson – Chair	4
Michael Farrow	4
Rajat Kohli	3
Total meetings during year	**4**

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

- Approving bonus awards in respect of the year ended 31 December 2022 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 2023 KPIs and weightings for the executive bonus plan;
- Considering the outcome of the external remuneration benchmarking exercise and approving salary increases for the Executive Directors; and
- Amendments to the Option Plan.

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

External Advice

During the financial year, the Committee appointed Alvarez & Marsal Tax LLP (A&M) 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.

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:

	Salary £'000(i)		Benefits £'000(ii)		Annual bonus £'000(i)		Long-term incentives £'000 (v)		Pension benefits £'000		Total £'000	
Directors at 31 December 2023	**Year ended 31 Dec 23**	Year ended 31 Dec 22	**Year ended 31 Dec 23**	Year ended 31 Dec 22	**Year ended 31 Dec 23(iii)**	Year ended 31 Dec 22(iv)	**Year ended 31 Dec 23**	Year ended 31 Dec 22	**Year ended 31 Dec 23**	Year ended 31 Dec 22	**Year ended 31 Dec 23**	Year ended 31 Dec 22
Lawrence Zulch	**243.1**	176.9	**—**	—	**98.8**	93.7	**—**	—	**—**	—	**341.9**	270.6
Matt Harper	**216.9**	172.4	**1.8**	2.2	**86.2**	91.4	**—**	—	**—**	—	**304.9**	266.0
Jonathan Marren	**214.7**	75.9	**3.0**	1.2	**47.7**	41.5	**—**	—	**8.6**	3.0	**274.0**	121.6
Former Executive Director												
Peter Dixon-Clarke (resigned 29 September 2022)	**n/a**	145.0	**n/a**	—	**n/a**	—	**n/a**	—	**n/a**	7.3	**n/a**	152.3

(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 2024 in respect of bonus awards for the year ended 31 December 2023.
(iv) Represents amounts paid in 2023 in respect of bonus awards for the year ended 31 December 2022.
(v) A number of options vested during the year ended 31 December 2023. The value of the vested options, calculated with reference to the mid-market price on the vesting dates less the cost of exercise, was £0 for M Harper (2022: £0) and £12,500 for J Marren (2022: £0). The options had not been exercised as at the date of this report in the case of M Harper and J Marren and date of leaving in the case of P Dixon-Clarke.

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

	Basic Fees £'000		Additional Fees £'000		Total Fees £'000	
Directors at 31 December 2023	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022	**Year ended 31 Dec 2023**	Year ended 31 Dec 2022
Neil O'Brien	**72.0**	60.0	**—**	—	**72.0**	60.0
Michael Farrow	**40.0**	30.0	**10.0**	5.0	**50.0**	35.0
Rajat Kohli*	**40.0**	30.0	**20.0**	5.2	**60.0**	35.2
Kristina Peterson†	**39.9**(i)	40.6	**16.6**(i)	5.0	**56.5**(i)	45.6
Former Non-Executive Directors						
Jonathan Marren‡ (appointed as Executive Director on 11 July 2022)	**n/a**	15.8	**n/a**	8.3	**n/a**	21.2

(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 benefits, pension contributions or other remuneration are provided to the Chairman and Non-Executive Directors.

Additional Information in Respect of Single Figure Table of Remuneration for the Year Ended 31 December 2023

Base salaries

During the year, the Committee considered the results of the A&M Executive Director compensation and benchmarking review. A&M benchmarked the remuneration packages of each of the Executive Directors against a peer group comprising AIM quoted companies with a similar market capitalisation to Invinity's and concluded that the Executive Directors' salaries and pension contribution levels were below market in each case. The Committee agreed that it was appropriate to increase the Executive Directors' base salaries and agreed the following adjustments with effect from 1 January 2023:

Lawrence Zulch: £250,000 p.a.
Matthew Harper: £220,000 p.a.
Jonathan Marren: £220,000 p.a.

Chairman and Non-Executive Director fees

The fees for the Chairman and Non-Executive Directors had 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 considered the outcome of the benchmarking exercise undertaken by A&M and agreed the following adjustments to fees with effect from 1 January 2023:

Chairman fee: £72,000
Non-Executive Director basic fee: £40,000
Committee membership fee (except Nomination Committee): £2,500

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 gross revenue, closing cash, share price target and next-generation product rollout.

The Committee concluded that the final bonus calculation for 2023 was 50%.

Awards of share options during the financial year
The Board considered the outcome of the A&M benchmarking review in respect of long-term incentives which concluded that the Executive Directors' long-term incentives opportunity was significantly below market and noted that the CEO had not received any share options since joining the Company. The Board agreed that it was appropriate to make a one-off grant of share options to cover the next three performance years with three-year cliff vesting at the end of the performance period and a one year holding period post vesting subject to continued employment. The table below summarises the options granted to Executive Directors during the financial year.

Director	Date of grant	Number of options	Exercise price	Vesting date
Larry Zulch	20 July 2023	1,500,000	£0.512	Options vest in full at the end of year 3 following date of grant and are subject to a further holding period of one year post vesting
Matthew Harper	20 July 2023	1,250,000	£0.512	Options vest in full at the end of year 3 following date of grant and are subject to a further holding period of one year post vesting
Jonathan Marren	20 July 2023	1,250,000	£0.512	Options vest in full at the end of year 3 following date of grant and are subject to a further holding period of one year post vesting

Implementation of Executive Director Remuneration Policy for 2024
Base salaries
The Committee agreed that a company-wide 4% salary increase effect from 1 June 2024 would also apply to the Executive Directors' salaries. This increase was implemented to assist staff with the rising cost of living due to inflationary pressure in the UK, the U.S. and Canada.

Annual bonus
For 2024, 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 2024, the Committee has agreed objectives with a range of weightings relating to gross revenue, fundraising, next-generation product rollout and delivery, product development partnerships and UK project development.

Option Plan
The Committee does not plan to make any awards of share options to Executive Directors under the Option Plan during the 2024 financial year.

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 2024
No adjustments to Non-Executive Director fees are planned for the 2024 financial year.

The current fees are set out in the table below:

Role	Type of fee	£/$
Chairman	Total fee	£72,000
Other Non-Executive Directors	Basic fee Chair of Committees with exception of Nomination Committee Senior Independent Director Committee membership (with exception of Nomination Committee)	£40,000 (UK) $50,000 (U.S.) £5,000 (UK) $10,000 (U.S.) £5,000 £2,500 (UK) $7,500 (U.S. Director for Audit & Risk Committee only)

Statement of Directors' Shareholdings

The table below summarises the interests of the Directors in office as at 31 December 2023 in the Company's shares:

	Ordinary shares of €0.01 each at 31 December 2023	% of issued share capital at 31 December 2023
Neil O'Brien	165,625	0.09
Lawrence Zulch	2,290,199	1.20
Matthew Harper	1,613,470	0.84
Jonathan Marren	280,000	0.15
Michael Farrow	9,224	—
Rajat Kohli	—	—
Kristina Peterson	—	—

In line with other investors, the Directors who participated in the Placing announced in November 2021 acquired one short-term warrant (which subsequently expired after 16 December 2023) 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 2023 in long-term warrants to subscribe for shares:

	Long-term warrants over Ordinary Shares of €0.01 each with an exercise price of £1.00 exercisable until 16 December 2024	% of total number of long-term warrants issued
Lawrence Zulch	6,000	0.04

Outstanding Awards under the Option Plan

Director	Date of grant	Exercise price	Options held at 31 December 2022	Lapsed/Relinquished/ exercised during year	Vested during year	Options held 31 December 2023	Earliest vesting date
Lawrence Zulch	20 July 2023	£0.512	—	—	—	1,500,000	20 July 2026
Matthew Harper	1 April 2020* (revised)	£0.0434	263,034	—	—	263,034	Options fully vested as at 15 July 2019
Matthew Harper	1 April 2020* (revised)	£0.0434	73,065	—	—	73,065	Options fully vested as at 1 July 2021
Matthew Harper	26 August 2020 (revised)	£1.13	300,000	—	100,000	300,000	Options fully vested as at 26 August 2023
Matthew Harper	20 July 2023	£0.512	—	—	—	1,250,000	20 July 2026
Jonathan Marren	11 July 2022	£0.455	500,000	—	166,667	500,000	11 July 2023 (options vest in equal instalments at the end of years 1, 2 and 3 following date of grant)
Jonathan Marren	20 July 2023	£0.512	—	—	—	1,250,000	20 July 2026

* 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.

Share Price Movements During Year Ended 31 December 2023

The mid-market closing price of the Company's shares at 29 December 2023 was 35 pence. The range of the trading price of the Company's shares during 2023 was between 59 pence and 26 pence per share.

Kristina Peterson
Chair of the Remuneration Committee
26 June 2024

Directors' Report

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 2022: £nil).

Major Shareholders
At 5 June 2024, 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
UK Infrastructure Bank	108,695,652	24.67%
Schroders plc	81,691,634	18.54%
Premier Miton	20,434,783	4.64%
Herald Investment Management	16,446,850	3.73%

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 33.

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 the Group is set out in the Notes to the Consolidated Financial Statements in Note 2 (Accounting Policies) and in Note 28 (Financial Assets and Liabilities).

Political and Charitable Contributions
The Group made no charitable donations (year ended 31 December 2022: £nil) and no political donations (2022: £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 19 days (year ended 31 December 2022: 49 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 140 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 BDO LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

Jonathan Marren
Chief Financial Officer and Chief Development Officer
26 June 2024

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 and on the APEX segment of the AQSE Growth Market of AQSE, 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 22-23, 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 Financial Officer and Chief Development Officer
26 June 2024

Financial Statements Contents

INVINITY
ENERGY SYSTEMS

Financial Statements

Notes to the Consolidated Financial Statements

Other Information

Independent Auditors' Report
to the Members of Invinity Energy Systems plc

Opinion on the Financial Statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of Companies (Jersey) Law 1991.

We have audited the financial statements of Invinity Energy Systems Plc (the 'Group') for the year ended 31 December 2023 which comprise the consolidated statement of profit and loss, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the 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 remain independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions Relating to 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:

- We evaluated the Directors papers assessing going concern for the forecast period, including the Director's assessment of risks and uncertainties, together with the supporting cash flow forecasts prepared by the Directors. In doing so, we formed our own assessment of risks and uncertainties based on our understanding of the business and current economic conditions;
- We examined the cash flow forecasts and challenged the significant assumptions made by the Directors in preparing the projections including comparing revenue from contracts to business plans and budget;
- Where available, we obtained signed contracts on supply of batteries underlying expected future cash flows, enquired with Chief Commercial Officer on the project pipeline, future capital program and ability to meet the rollout targets as per product road map, compared forecast costs of sale to budgets, compared projected contract margins with actual margins. In addition, we evaluated the forecast of general and administrative costs to recent actuals;
- We reviewed the forecast data to actual results post year-end and latest available cash position as of 31 May 2024;
- We examined evidence related to received gross proceeds in the amount of £57.4 million from a share offering subsequent to year-end. We inspected the terms relevant to this offering to conclude on whether any restrictions may be placed on the Directors' ability to use the related funds to support their operation;
- We considered the Director's sensitivity analysis and performed our own sensitivity analysis on the forecasts in respect of discretionary spending in adverse scenarios of lower sales compared to base case scenario and ran stress tests to estimate cash balances through the going concern period in the scenario of reduced sales; and
- We reviewed the adequacy of the disclosures in the financial statements in respect of going concern based on the results of our evaluation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

Coverage	100% of Group loss before tax 100% of Group revenue 98% of Group total assets	
Key audit matters		2023
	Revenue Recognition	✔
Materiality	*Group financial statements as a whole* £0.33 million based on 1.5% of revenue.	

An Overview of the Scope of Our Audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We identified five significant components, being Invinity Energy Systems Plc (Parent Company), Invinity Energy (UK) Ltd., Invinity Energy Systems (Ireland) Ltd., Invinity Energy Systems (Canada) Ltd. and Invinity Energy Systems (U.S.) Ltd. The Group Audit team performed full scope of audit of the Parent Company, Invinity Energy (UK) Ltd. and Invinity Energy Systems (Ireland) Ltd. The Canadian and U.S. subsidiaries (Invinity Energy Systems (U.S.) Ltd. and Invinity Energy Systems (Canada) Ltd.) were subject to a full scope audit by a BDO member firm. The remaining non-significant components were subject to analytical review.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Detailed Group reporting instructions were sent to the component auditor, which included the significant areas to be covered by the audit (including Revenue Recognition that was considered to be a key audit matter as detailed below) and set out the information required to be reported to the Group audit team.
- We performed both remote and on-site reviews of the component audit file in Canada using our online audit software platform and held regular calls and video-conferences with the component audit team. In addition, we visited Canada to meet with the component auditor and component management to consider relevant audit findings and conclusions.
- The Group audit team was actively involved in the direction of the audits performed by the component auditor for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn. We performed our own additional procedures in respect of the significant risk areas that represented Key Audit Matters in addition to the procedures performed by the component auditor.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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 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.

Key Audit Matter		How the Scope of Our Audit Addressed the Key Audit Matter
Revenue Recognition (Notes 2 and 4) Key audit matters	Revenue generated for the year ended 31 December 2023 amounted to £22.0 million (2022: £3.6 million). The Directors are required to assess whether performance obligations under contractual arrangements were met for each individual contract scenario. There are certain complexities inherent to contractual arrangements and, in particular, delivery terms and bill-and-hold arrangements. This, as a result, increases the risk that the cut-off of revenue is inappropriately applied. Based on the above, this is deemed to be a Key Audit Matter.	▪ We obtained the listing of revenue transactions and selected 100% of the reported transactions for testing. We obtained signed revenue agreements related to each transaction and reviewed their terms, including delivery terms, volume and pricing; ▪ We obtained evidence regarding transfer of control, including shipping documents, correspondence with customers evidencing acceptance of the product by the customer and other relevant documents, evidencing meeting performance obligations under related agreement terms and, in particular, terms of delivery. ▪ Performed a cut-off test of revenue transactions, including revenue recognised in respect of goods in transit by inspecting related documentation and correspondence for evidence of customers' acceptance. We examined supporting contracts of sale to confirm the point at which control over the underlying inventory transferred to the customer including review of related terms of delivery based on Incoterms. Where applicable, we also corroborated the evidence by reviewing associated freight, insurance and other applicable arrangements related to the delivery of the product. ▪ We traced the movement of inventory to the cost of sales ledger to confirm that related cost of sales has been appropriately recognised pre and post year end; ▪ For bill and hold arrangements for which revenue was recognised during the year, we obtained Directors' assessment supporting the recognition of revenue, inspected related documentation and correspondence for evidence of customers' acceptance of the product. Where applicable, we corroborated the evidence by reviewing associated storage and insurance arrangements. Based on the above we concluded on whether the revenue recognised, where bill and hold arrangements were present, meets the requirements per IFRS 15; and ▪ We examined financial statements disclosures and accounting policies for compliance with IFRS 15. **Key observations:** Based on the audit procedures performed we considered that revenue recognised in the year is appropriate.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

Key Audit Matter	Group Financial Statements 2023 £m
Materiality	0.33
Basis for determining materiality	1.5% of Revenue
Rationale for the benchmark applied	The Group is in a loss making position and focused on expanding revenue. Revenue is considered to be an appropriate materiality benchmark and constitutes a key performance measure.
Performance materiality	0.2
Basis for determining performance materiality	60% of overall materiality
Rationale for the percentage applied for performance materiality	Given the nature of business activity, a lower level of performance materiality was considered appropriate.

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group based on a percentage of between 30% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £100k to £300k. In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £6,600. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other Information

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

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

We have nothing to report in this regard.

Other Companies (Jersey) Law 1991 Reporting

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Directors determine is necessary to enable the preparation of 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Extent to which the audit was capable of detecting irregularities, including fraud

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:

Non-compliance with laws and regulations

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (UK adopted international accounting standards, the Companies (Jersey) Law 1991, the AIM rules and the QCA Corporate Governance Code) and local taxation legislation in the countries where the Group operates, and the terms and requirements included in the Group's operating and exploration licences.

Our audit procedures included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations noted above.
- Enquiries of Management, the Audit Committee of any known or suspected instances of non-compliance with laws and regulations;
- Reading minutes of meetings of those charged with governance, and reviewing correspondence with local tax and regulatory authorities to identify potential litigation and claims and non-compliance with laws and regulations;
- Performing a review of local and international tax compliance with the involvement of our tax specialists;
- Reviewing of legal expenditure accounts to understand the nature of expenditure incurred and obtaining external legal confirmations, where applicable.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiring of Management and the Audit Committee of known or suspected instances of fraud, potential litigation and claims. We read minutes of meetings of those charged with governance, and reviewed correspondence with local tax and regulatory authorities;
- Holding discussions within the audit engagement team as to how and where fraud might occur in the financial statements and where any potential indicators of fraud may arise in the Group in order to consider how our audit strategy should reflect our considerations;
- Testing the appropriateness of journal entries made throughout the year, to supporting documentation, by applying specific criteria to detect possible irregularities or fraud;

- Assessing and challenging key areas of judgement and estimation made by Management and the Directors, including the accounting policy over revenue recognition and its application (see Key Audit Matter above), the Directors' assessment of the going concern position of the Group and key accounting estimates;
- Performing substantive testing on revenue to ensure that cut-off was appropriately applied (see Key Audit Matter above);
- Undertaking unpredictability testing through substantive work on a number of selected general ledger balances;
- Obtaining an understanding of, and evaluating the design and implementation of, relevant controls surrounding the financial reporting close process such as controls over the posting of journals and the consolidation process and obtaining an understanding of the segregation of duties in these processes;

With regards to compliance with laws and regulations at the component level, we instructed the component auditor to report to us on any instances of non-compliance with local laws and regulations that could result in a risk of material misstatement in the Group financial statements. We reviewed the component auditor's working papers over laws and regulations compliance.

We also communicated relevant identified laws and regulations and identified fraud risks to all engagement team members (including component engagement teams) and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of Our Report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
26 June 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Profit and Loss
for the year ended 31 December 2023

	Note	2023 £000	2023 £000	2022 £000	2022 £000
Revenue	4		**22,006**		2,944
Direct costs		**(25,361)**		(2,927)	
Grant income against direct costs	4	**11**		647	
Cost of sales	5		**(25,350)**		(2,280)
Gross (loss)/profit			**(3,344)**		664
Operating costs					
Administrative expenses	6		**(19,085)**		(19,042)
Other items of operating income and expense	10		**(349)**		(604)
Loss from operations			**(22,778)**		(18,982)
Finance income			**719**		62
Finance costs			**(1,233)**		(65)
Gain on foreign currency transactions			**113**		448
Net finance (costs)/income	11		**(401)**		445
Loss before income tax			**(23,179)**		(18,537)
Income tax expense	12		**—**		—
Loss for the year			**(23,179)**		(18,537)
Loss per ordinary share in pence					
Basic	13		**(13.1)**		(16.0)
Diluted	13		**(13.1)**		(16.0)

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 2023

	2023 £000	2022 £000
Loss for the year	**(23,179)**	(18,537)
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on the translation of foreign operations	**(60)**	(137)
Total comprehensive loss for the year	**(23,239)**	(18,674)

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

Consolidated Statement of Financial Position
as at 31 December 2023

	Note	2023 £000	2022 £000
Non-current assets			
Goodwill and other intangible assets	15	**24,002**	24,050
Property, plant and equipment	16	**1,699**	1,208
Right-of-use assets	17	**1,558**	1,845
Contract assets	21	**304**	—
Total non-current assets		**27,563**	27,103
Current assets			
Inventory	19	**3,288**	9,827
Other current assets	20	**2,721**	8,781
Contract assets	21	**888**	500
Trade receivables	22	**2,496**	1,737
Cash and cash equivalents	23	**5,014**	5,137
Total current assets		**14,407**	25,982
Total assets		**41,970**	53,085
Current liabilities			
Trade and other payables	24	**(3,948)**	(4,935)
Derivative financial instruments	25	**(406)**	(769)
Contract liabilities	21	**(1,312)**	(8,375)
Lease liabilities	26	**(723)**	(740)
Provisions	21	**(812)**	(2,907)
Total current liabilities		**(7,201)**	(17,726)
Net current assets		**7,206**	8,256
Non-current liabilities			
Lease liabilities	26	**(833)**	(969)
Provisions	21	**(123)**	—
Total non-current liabilities		**(956)**	(969)
Total liabilities		**(8,157)**	(18,695)
Net assets		**33,813**	34,390
Equity			
Called up share capital	27	**51,348**	50,716
Share premium	27	**162,883**	141,579
Share-based payment reserve	27	**6,683**	5,957
Accumulated losses	27	**(185,273)**	(162,094)
Currency translation reserve	27	**(1,867)**	(1,807)
Other reserves	27	**39**	39
Total equity		**33,813**	34,390

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

The financial statements on pages 49 to 87 were authorised by the Board of Directors and authorised for issue on 26 June 2024 and were signed on its behalf by:

Jonathan Marren
Director

Consolidated Statement of Changes in Equity
as at 31 December 2023

	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 2023	**50,716**	**141,579**	**5,957**	**(162,094)**	**(1,807)**	**39**	**34,390**
Loss for the year	—	—	—	(23,179)	—	—	(23,179)
Other comprehensive income							
Foreign currency translation differences	—	—	—	—	(60)	—	(60)
Total comprehensive loss for the year	**—**	**—**	**—**	**(23,179)**	**(60)**	**—**	**(23,239)**
Transactions with owners in their capacity as owners							
Investment funding arrangement, net of transaction costs	631	21,295	—	—	—	—	21,926
Exercise of share options	1	9	—	—	—	—	10
Share-based payments	—	—	726	—	—	—	726
Total contributions by owners	**632**	**21,304**	**726**	**—**	**—**	**—**	**22,662**
At 31 December 2023	**51,348**	**162,883**	**6,683**	**(185,273)**	**(1,867)**	**39**	**33,813**

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 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.

Consolidated Statement of Cash Flows
for the year ended 31 December 2023

	Note	**2023 £000**	2022 £000
Cash flows from operating activities			
Cash used in operations	14	**(19,657)**	(21,934)
Interest received		**299**	62
Interest paid		**(1)**	(1)
Net cash outflow from operating activities		**(19,359)**	(21,872)
Cash flows from investing activities			
Acquisition of property, plant and equipment	16	**(1,013)**	(708)
Proceeds from disposal of property, plant and equipment	16	**57**	—
Deposits on right-of-use assets		**(28)**	—
Net cash outflows from investing activities		**(984)**	(708)
Cash flows from financing activities			
Payment of lease liabilities	26	**(629)**	(591)
Interest paid on lease liabilities	26	**(44)**	(59)
Proceeds from the issue of share capital		**23,044**	1,161
Proceeds from the investment funding arrangement, net of transaction costs	25	**—**	769
Proceeds from sale of conversion shares		**742**	—
Financing charges on repayment of derivative financial instruments		**(992)**	—
Repayment of investment funding arrangement		**(881)**	—
Proceeds from the exercise of share options and warrants		**10**	6
Payment of transaction costs for the issue of share capital		**(1,117)**	—
Net cash inflow from financing activities		**20,133**	1,286
Net decrease in cash and cash equivalents		**(210)**	(21,294)
Cash and cash equivalents at the beginning of the year		**5,137**	26,355
Effects of exchange rate changes on cash and cash equivalents		**87**	76
Cash and cash equivalents at the end of the year		**5,014**	5,137

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2023

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 quoted 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 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
The Directors are satisfied that the Group has adequate resources to continue to operate as a going concern for the foreseeable future and that no material uncertainties exist which could cause significant doubt with respect to this assessment. In making this assessment, the Directors have considered the Group's balance sheet position and forecast earnings and cash flows for the period from the date of approval of these financial statements to 30 June 2025.

The Group has relied on fundraising in previous years and following the completion of successful fundraising in May 2024, the Group had cash of £53.2 million as at 31 May 2024 (2022: £15.4 million).

As part of the going concern assessment the Directors have prepared a cash flow forecast which indicates that the Group would expect to remain cash positive during this period and without the requirement for further fundraising. The business continues in a cash outflow position, using funding generated from previous fundraises. However, it plans to move to a cash inflow position upon the launch and delivery of material volume of the next generation product.

This cash flow forecast was stress-tested for a worst-case scenario of no positive cash receipts from sales. In these tested scenarios, the business would remain cash positive for the 12 months from the date of approval of these financial statements.

Therefore, the Directors believe it is appropriate to prepare the accounts on a going concern basis.

New standards, amendments and interpretations effective and adopted by the Group in 2023
Amendments to existing standards previously issued by the IASB with effective dates during the year ended 31 December 2023 are summarised below. There was no effect on the Group's consolidated financial statements for the year ended 31 December 2023 as a result of the adoption of these amendments.

IFRS 17 Insurance Contracts
The Group has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It considers market interest rates, and the impact of policyholders' options and guarantees. The Group does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Notes to the Consolidated Financial Statements
continued for the year ended 31 December 2023

Amendments to 'IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Making Materiality Judgements – Disclosure of Accounting Policies'

The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Amendments to 'IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

Amendments to 'IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates'

The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 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 summarised below:

- IAS 1 Classification of Liabilities as Current or Non-Current (effective for periods beginning on or after 1 January 2024);
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date of the amendments has yet to be set by the IASB);
- IAS 1 Non-current Liabilities with Covenants (effective for periods beginning on or after 1 January 2024);
- IAS 7 and IFRS 7 Supplier Finance Arrangements (effective for periods beginning on or after 1 January 2024); and
- IFRS 16 Lease Liability in a Sale and Leaseback (effective for periods beginning on or after 1 January 2024)

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 functional currency 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 currency operations

Subsidiaries of the Company 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 currency 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 average 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.

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.

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 Financial Officer and Chief Development 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.

Revenue

The Group generates revenue from the sale of battery storage systems integration hardware, installation, extended warranty and other services. These multiple elements are separate performance obligations that are derived from contractual arrangements with customers. 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.

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. With respect to the battery system, associated control systems and integration hardware, control is transferred at a point in time and is usually based on the contractual shipping terms. In certain instances, the battery system and integration hardware may be ready for delivery although the customer is not ready to receive the product. The Group will recognise revenue in accordance with IFRS 15 as a Bill-and-Hold arrangement if all of the following conditions are satisfied:

- The reason for the bill and hold arrangement is substantive;
- The battery systems and hardware are identified separately as belonging to the customer;
- The battery systems and hardware are currently ready for physical transfer to the customer; and
- The Company does not have the ability to use the product or to direct it to another customer.

With respect to the services that includes installation and commissioning, the performance obligation is usually satisfied at a point in time when a when a commissioning certificate or site performance report has been issued to the customer. 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.

In addition, under the terms of its contracts for sale, the Group may be responsible for other services such as storing and 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. Revenue is recognised for the storage services over time as the services are delivered and for shipping services at a point in time when the goods are delivered to the agreed upon location. The related costs incurred by the Group for storage, 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 Group 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.

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 Group. 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 Group'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.

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 for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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 and associates. 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 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. Deferred tax balances are presented on a gross basis. Refer to note 18, deferred tax balances.

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. 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.

Goodwill is tested for impairment on an annual basis, and the Group will also test for impairment at other times if there is an indication that an impairment may exist. Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGU. The key estimates are therefore the selection of the suitable discount rates and the estimation of future growth rates which may depend on specific risks and the anticipated economic and market conditions related to the CGU.

As part of determining the value in use of the CGU, sensitivities have been considered on the underlying inputs included within the value-in-use calculations used for impairment reviews and no impact exists on the carrying value of goodwill, given the headroom identified as a result of the impairment test. Goodwill is impaired where circumstances indicate that the recoverable amount of the underlying CGU may no longer support the carrying value of the CGU. 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.

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 assets are available for use. Work-in-progress assets are not depreciated until they are available for 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 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 Group's best estimate of the expenditure required to settle the obligation at the financial position date, considering the risks and uncertainties of the obligation, and are discounted to 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. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time, this increase is recognised as borrowing cost.

Leases
Group entities only participate in lease contracts as the lessee. Lease contracts typically relate to 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 lease term of less than 12 months and leases related to low value assets with an annual lease cost of £5,000 or less. The payments for the exempt leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, by class of underlying asset. Each lease component and any associated non-lease components are accounted for as a single lease component.

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.

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

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

Financial asset	Measurement basis
Trade receivables	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 are recognised immediately in profit or loss and are included in other gains/(losses).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

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

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3 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. Refer to 'Basis of preparation' for details of the going concern analysis performed and the Directors' conclusions regarding going concern.

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 such as the delivery of the battery systems and integration hardware. 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 hardware or 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.

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 20% increase in the number of warranty claims or a 20% increase in the cost to remedy warranty issues would increase the provision by £120,436. A 40% increase in the number of warranty claims or a 40% increase in the cost to remedy warranty issues would increase the provision by £240,872.

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.

The assessment of unavoidable costs includes direct costs such as parts and labour and indirect costs, such as production overhead or indirect labour, that are expected to be incurred in servicing a warranty claim.

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.

A 20% increase in unavoidable costs would increase the provision by £66,493. A 40% increase in unavoidable costs would increase the provision by £132,986.

Refer to note 21, contract related balances.

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 2023 were derived from continuing operations.

Revenue from contracts with customers	2023 £000	2022 £000
Battery systems and associated control systems	**19,425**	2,548
Integration hardware	**1,470**	—
Integration and commissioning	**504**	254
Other services	**607**	142
Total revenue in the consolidated statement of profit and loss	**22,006**	2,944
Analysed as:		
Revenue recognised at a point in time	**22,000**	2,936
Revenue recognised over time	**6**	8
Total revenue in the consolidated statement of profit and loss	**22,006**	2,944
Grant income shown against cost of sales	**11**	647
	22,017	3,591

Geographic analysis of revenue

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

Geographic analysis of revenue	2023 £000	2022 £000
Asia	**737**	160
Australia	**6,212**	—
Europe	**2,826**	1,691
North America	**12,231**	1,093
Total revenue in the consolidated statement of profit and loss	**22,006**	2,944

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	2023 £000	2022 £000
Customer A	**6,238**	—
Customer B	**6,038**	—
Customer C	**4,299**	—
Customer D	**—**	1,247
Customer E	**—**	466
Customer F	—	466

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 total grant income that was received in the year was as follows:

Grant income received	2023 £000	2022 £000
Business support grants against employee costs – COVID-19	**—**	(11)
Grants for research and development	**160**	647
Grants for product deployment	**378**	—
Economic and social development	**1**	—
Total government grants	**539**	636
Disclosed as:		
Grant income against cost of sales	**11**	647
Grant income against administrative expenses	**528**	(11)

5 Cost of sales

	2023 £000	2022 £000
Movement in inventories of finished battery systems	**27,023**	6,168
Movement in provisions for warranty and warranty costs	**(429)**	763
Movement in provisions for sales contracts	**(1,233)**	(4,004)
Total cost of sales	**25,361**	2,927

Notes to the Consolidated Financial Statements
continued for the year ended 31 December 2023

6 Administrative expenses

	2023 £000	2022 £000
Staff costs	**12,750**	10,322
Research and development costs	**1,868**	2,184
Research and development recoveries, tax credits and grants	**(1,949)**	(592)
Professional fees	**669**	2,983
Sales and marketing costs	**1,048**	249
Facilities and office costs	**232**	385
Depreciation and amortisation	**1,056**	1,150
Other administrative costs	**3,411**	2,361
Total administrative expenses	**19,085**	19,042

No development costs were capitalised in the period (2022: £nil).

7 Auditors' remuneration

	2023 £000	2022 £000
Fees payable to the Company's auditors for the audit of the consolidated financial statements	**282**	271
Audit of financial statements of subsidiaries pursuant to legislation	**17**	33
Fees payable to the Company's auditor for other services:		
– Tax compliance services	**—**	19
	299	323

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.

8 Staff costs and headcount

Staff costs	2023 £000	2022 £000
Wages and salaries	**11,475**	9,280
Employer payroll taxes	**839**	840
Contributions to defined contribution plans	**123**	95
Other benefits	**977**	822
Share-based payments	**726**	388
Total staff costs	**14,140**	**11,425**

Administrative staff costs in the year were £12,749,556 (2022: £10,321,870) and staff costs included in cost of sales were £1,390,336 (2022: £1,103,027).

Average headcount	2023 Number	2022 Number
Canada	**73**	71
South Africa	**—**	1
United Kingdom	**59**	68
United States of America	**8**	7
Total	**140**	147

Key management compensation
The key management of the Group comprises the members of the senior leadership team.

Key management compensation	2023 £000	2022 £000
Short-term employee benefits	**2,364**	1,812
Post-employment benefits	**14**	16
Equity settled share-based payment	**263**	225
Total key management compensation	**2,641**	2,053

Prior year equity settled share-based payment was included into the table above to conform to the current period presentation.

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 2023.

Standard	Grant date	Final Expiry date	Exercise price		2023	2022
redT 2015 plan	07 Dec 2015	07 Jan 2020	58.95	€c	**—**	68,803
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	**151,428**	185,143
Invinity Energy 2018 ESOP	01 Apr 2020	12 Mar 2030	82.50	p	**290,000**	290,000
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	**1,052,134**	1,052,134
Invinity Energy 2018 ESOP	01 Apr 2020	08 May 2029	6.84	p	**628,358**	658,314
Invinity Energy 2018 ESOP	26 Aug 2020	26 Aug 2030	113.00	p	**1,540,000**	2,043,334
Invinity Energy 2018 ESOP	28 Jan 2021	28 Jan 2031	204.00	p	**313,000**	372,000
Invinity Energy 2018 ESOP	04 Mar 2021	04 Mar 2031	152.00	p	**170,000**	194,000
Invinity Energy 2018 ESOP	15 Apr 2021	15 Apr 2031	151.00	p	**84,000**	108,000
Invinity Energy 2018 ESOP	03 Aug 2021	03 Aug 2031	134.50	p	**290,000**	375,000
Invinity Energy 2018 ESOP	29 Oct 2021	29 Oct 2031	111.50	p	**263,000**	297,000
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	**150,000**	186,000
Invinity Energy 2018 ESOP	02 Mar 2022	02 Mar 2032	93.50	p	**45,000**	60,000
Invinity Energy 2018 ESOP	11 Apr 2022	11 Apr 2032	90.00	p	**60,000**	60,000
Invinity Energy 2018 ESOP	11 Jul 2022	11 Jul 2032	45.50	p	**500,000**	500,000
Invinity Energy 2018 ESOP	08 Dec 2022	08 Dec 2032	38.00	p	**531,000**	822,000
Invinity Energy 2018 ESOP	27 Jan 2023	27 Jan 2033	42.00	p	**2,655,100**	—
Invinity Energy 2018 ESOP	20 Apr 2023	20 Apr 2033	43.50	p	**97,000**	—
Invinity Energy 2018 ESOP	19 Jul 2023	19 Jul 2033	51.20	p	**4,177,000**	—
Invinity Energy 2018 ESOP	26 Oct 2023	26 Oct 2033	38.00	p	**369,000**	—
Invinity Energy 2018 ESOP	07 Dec 2023	07 Dec 2033	29.50	p	**75,000**	—
					13,957,908	7,788,616

Non-standard	Grant date	Expiry date	Price		2023	2022
Long-term incentive plan	8 Dec 2009	30 Jul 2023	50.00	€c	**—**	15,000
Camco 2006 Executive Share Plan	30 Jul 2013	30 Jul 2023	50.00	€c	**—**	68,127
redT 2018 plan	30 May 2018	30 Jul 2023	400.00	p	**—**	70,000
					—	153,127
Total					**13,957,908**	7,941,743
Weighted average remaining contractual life of options outstanding at the end of the year					**7.96**	7.18

A total of 39,956 employee options were exercised during the year (2022: 87,678) with a weighted average exercise price of 14.64 pence per share (2022: 4.34p).

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 Group.

The Long-term Incentive Plan, Camco 2006 Executive Share Plan and redT 2015 Plan are closed and all options have expired in 2023. No further option awards will be made under any 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 2023	**3,538,691**	**84.86p**	**4,249,925**	**72.80p**
Granted	**8,184,600**	**46.41p**	**—**	**—**
Forfeited	**(1,279,738)**	**52.13p**	**(695,614)**	**114.21p**
Vested	**(1,844,379)**	**91.84p**	**1,844,379**	**91.84p**
Exercised	**—**	**—**	**(39,956)**	**14.64p**
At 31 December 2023	**8,599,174**	**51.64p**	**5,358,734**	**74.42p**

	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

Plans with standard performance conditions

The primary share plan that remains outstanding at 31 December 2023 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.

Parallel options issued

In addition, certain legacy redT options were reissued in 2020 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. The options expire on 10 May 2025.

Warrants issued in the period or outstanding

The Company had 909,090 warrants outstanding at 31 December 2023 in relation to a 2020 investment agreement with Riverfort Global Opportunities ("Riverfort") which expired 2 April 2024.

VSA Capital was awarded 340,000 warrants with an exercise price of 82.5 pence in April 2020, at the time of the merger. These warrants are outstanding and expire on 2 April 2025. In June 2023, the exercise price was amended to 50 pence with the expiry date remaining unchanged.

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 2023, the Company had nil (2022: 14,464,317) short-term warrants and 14,463,665 (2022: 14,646,317) long-term warrants outstanding.

Short-term warrants expired 16 December 2023. The long-term warrants' subscription price was amended to 100 pence per ordinary share, giving the holder the right to subscribe to one new ordinary share at any time from Second Admission until 16 December 2024. The warrants are trading on the Aquis Stock Exchange (AQSE) and have been deemed to have no fair value based on the price at which they are currently 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 32 pence per ordinary share until 14 December 2026.

In consideration of the Noteholders undertakings, the Company has agreed to grant a further 449,980 warrants at an exercise price of 32 pence which will expire on 14 December 2026.

10 Other items of operating income and expense

The following items are included in comprehensive loss:

	2023 £000	2022 £000
(Income)/expense		
Provision for onerous contracts, net of amounts used	—	554
(Gain)/Loss on disposal of property, plant and equipment	(15)	33
Obsolete inventory	8	25
Impairment of inventory to net realisable value	151	—
Loss/(gain) on curtailment of right-of-use asset	205	(8)
Total other operating expenses	**349**	604

11 Net finance income and costs

	2023 £000	2022 £000
Finance income		
Interest on bank deposits and money market funds	(299)	(62)
Gain on realised foreign currency transactions	(42)	(38)
Gain on unrealised foreign currency transactions	(71)	(410)
Finance costs		
Finance charges on convertible loan notes and financial instruments	768	6
Finance charges for lease liabilities	44	58
Finance charges for liabilities held at amortised cost	1	1
Net finance costs/(income)	**401**	(445)

12 Income tax expense

	2023 £000	2022 £000
Current tax		
Current tax on profits for the year	**—**	—
Total current tax expense	**—**	—

Reconciliation of income tax expense calculated using statutory tax rate

	2023 £000	2022 £000
Loss before tax	**(23,179)**	(18,537)
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	**67**	181
Differences in overseas tax rates	**(4,761)**	(4,707)
Unrelieved tax losses carried forward	**4,615**	4,350
Origination and reversal of timing differences not recognised	**79**	176
Total income tax expense	**—**	—

13 Loss per share

Basic loss per share	2023 In pence	2022 In pence
From continuing operations	**(13.1)**	(16.0)

Diluted loss per share	2023 In pence	2023 In pence
From continuing operations	**(13.1)**	(16.0)

Loss used in calculation of basic and diluted loss per share	2023 £000	2022 £000
From continuing operations	**(23,179)**	(18,537)

Weighted average number of shares used in calculation	2023 Number	2022 Number
Basic	**176,439,069**	116,151,378
Diluted	**177,915,837**	117,754,966

Additional potential shares used in the calculation of diluted earnings per share primarily relate to potential shares outstanding at 31 December 2023 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	2023 Number	2022 Number
In issue at 1 January	**119,007,846**	116,048,761
Shares issued in the year – weighted average	**57,431,223**	102,617
Weighted average shares in issue 31 December	**176,439,069**	116,151,378
Effect of employee share options and other warrants not exercised	**1,476,768**	1,603,588
Weighted average number of diluted shares in issue 31 December	**177,915,837**	117,754,966

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 are not included in the diluted loss per share calculation because they had an anti-dilutive effect on the calculation was 26,279,049 (2022: 29,170,511).

14 Cash flows from operating activities

	2023 £000	2022 £000
Loss after income tax	**(23,179)**	(18,537)
Adjustments for:		
Depreciation and amortisation	**1,399**	1,350
(Gain)/loss on disposal of property, plant and equipment	**(15)**	33
Impairment of inventory	**151**	24
Obsolete inventory	**8**	—
Share-based payments charge	**726**	681
Equity settled interest and transaction costs on Investment funding arrangement	**—**	6
Net finance costs	**481**	(8)
Gain on unrealised foreign currency transactions	**(71)**	(168)
	(20,500)	(16,619)
Change in operating assets & liabilities		
Decrease/(increase) in inventory	**6,144**	(3,875)
Increase in contract assets	**(694)**	(174)
Increase in trade receivables and other receivables	**(796)**	(88)
Decrease/(increase) in other current assets and prepaid inventory	**5,823**	(2,354)
(Decrease)/increase in trade and other payables	**(956)**	1,263
(Decrease)/increase in warranty provision	**(647)**	183
Decrease in onerous contract provision	**(1,217)**	(3,252)
(Decrease)/increase in contract liabilities	**(6,814)**	2,982
	843	(5,315)
Cash used in operations	**(19,657)**	(21,934)

15 Goodwill and other intangible assets

	Goodwill £000	Patents and certifications £000	Software and domain names £000	Total £000
Cost				
At 1 January 2023	23,944	203	50	24,197
Disposals	—	—	(15)	(15)
Foreign currency exchange differences	—	—	(1)	(1)
At 31 December 2023	**23,944**	**203**	**34**	**24,181**
Accumulated amortisation				
At 1 January 2023	—	(112)	(35)	(147)
Amortisation charge	—	(41)	(7)	(48)
Disposals	—	—	15	15
Foreign currency exchange differences	—	—	1	1
At 31 December 2023	**—**	**(153)**	**(26)**	**(179)**
Net book value				
At 1 January 2023	**23,944**	**91**	**15**	**24,050**
At 31 December 2023	**23,944**	**50**	**8**	**24,002**

	Goodwill £000	Patents and certifications £000	Software and domain names £000	Total £000
Cost				
At 1 January 2022	23,944	203	47	24,194
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

For impairment testing goodwill acquired through business combinations and patents and certifications with indefinite useful lives are allocated to the single CGU.

Goodwill

All goodwill is tested annually for impairment. At 31 December 2023, 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 35.0 pence per share at that date and the discounted cash flow forecasts used to estimate the recoverable amounts. The discount rate used in the calculation amounted to 15%. Change of discount rate by 5% would not result in impairment of goodwill given significant headroom was maintained under all sensitivity scenarios run. No impairment loss was identified in relation to goodwill.

On 24 May 2024, the Company announced the results of a placing, subscription and open offer. The fundraising raised total proceeds of £57.38 million through placing of 121,739,130 new ordinary shares, subscription of 121,739,130 new ordinary shares and open offer of 6,011,983 new ordinary shares at 23.0 pence per share.

The closing share price on 30 May 2024 was 22.00 pence, giving a market capitalisation of £42.0 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 2023.

16 Property, plant and equipment

	Computer and office equipment £000	Leasehold improvements £000	Vehicles and equipment £000	Total £000
Cost				
At 1 January 2023	**699**	**1,119**	**1,402**	**3,220**
Additions	76	212	799	1,087
Disposals	(214)	(328)	(125)	(667)
Transfers	—	(161)	191	30
Foreign currency exchange differences	(7)	(19)	(32)	(58)
At 31 December 2023	**554**	**823**	**2,235**	**3,612**
Accumulated depreciation				
At 1 January 2023	**(662)**	**(635)**	**(715)**	**(2,012)**
Depreciation charge	(23)	(271)	(230)	(524)
Disposals	214	328	83	625
Transfers	—	147	(177)	(30)
Foreign currency exchange differences	6	7	15	28
At 31 December 2023	**(465)**	**(424)**	**(1,024)**	**(1,913)**
Net book value				
At 1 January 2023	**37**	**484**	**687**	**1,208**
At 31 December 2023	**89**	**399**	**1,211**	**1,699**

	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

The Group has no assets pledged as security. No amounts of interest have been capitalised within property, plant and equipment at 31 December 2023 (2022: £nil).

17 Right-of-use assets

	Offices and facilities £000	Vehicles and equipment £000	Total £000
Cost			
At 1 January 2023	**3,330**	**31**	**3,361**
Additions	929	—	929
Adjustments[1]	(392)	—	(392)
Transfers[2]	—	(30)	(30)
Curtailments and disposals	(738)	—	(738)
Foreign currency exchange differences	(83)	(1)	(84)
At 31 December 2023	**3,046**	**—**	**3,046**
Accumulated depreciation			
At 1 January 2023	**(1,489)**	**(27)**	**(1,516)**
Depreciation charge	(824)	(4)	(828)
Adjustments[1]	200	—	200
Transfers[2]	—	30	30
Curtailments and disposals	582	—	582
Foreign currency exchange differences	43	1	44
At 31 December 2023	**(1,488)**	**—**	**(1,488)**
Net book value			
At 1 January 2023	**1,841**	**4**	**1,845**
At 31 December 2023	**1,558**	**—**	**1,558**

	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	(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	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	1,841	4	1,845

[1] During the year, adjustments were made to remove variable payments related to non-lease components from the lease liability and right-of use assets.

[2] During the year, right-of-use assets were transferred to property, plant and equipment upon completion of lease terms.

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

	2023 £000	2022 £000
Deferred tax relates to the following:		
Accelerated capital allowances	**5,292**	1,003
Share options	**292**	595
Accrued liabilities	**266**	137
Reserves and other	**901**	3,008
Tax losses	**110,568**	91,482
Total deferred tax assets	**117,319**	96,225

Tax losses

The Company's subsidiaries carry on business in other tax regimes where the corporation tax rate is not zero. At 31 December 2023, the Group had the following tax losses carried forward available for use in future periods:

	2023 £000	2022 £000
Canada	**35,928**	27,707
Ireland	**6,214**	4,467
United Kingdom	**51,877**	46,416
United States of America	**16,539**	12,892
Total potential tax benefit	**110,568**	91,482

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.

The UK Government announced that the Corporation Tax rate increased from 19% to 25% on profits of over £250,000, effective 1 April 2023. Profits below £50,000 continue to be chargeable to Corporation Tax at 19%. 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

	2023 £000	2022 £000
Raw materials and consumables	**2,961**	1,815
Work in progress	**285**	6,370
Finished goods	**42**	1,642
Total inventory	**3,288**	9,827

Inventory recognised as an expense within cost of sales during the current year amounted to £27,023,108 (2022: £3,356,045).

At 31 December 2023, inventory impairment to net realisable value totalled £150,988 (2022: nil). Net reversal of inventory write-downs during the current year amounted to £nil (2022: £5,154).

20 Other current assets

	2023 £000	2022 £000
Prepayments and deposits	**475**	1,879
Prepaid inventory	**1,073**	5,102
Tax credits – recoverable	**719**	551
Other receivables	**454**	1,249
Total other current assets	**2,721**	8,781

Prepaid inventory is recognised on inventory payments where physical delivery of that inventory has not yet been taken by the Group.

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:

	2023 £000	2022 £000
Amounts due from customer contracts included in trade receivables	**2,496**	1,737
Contract assets (accrued income for work done not yet invoiced)	**888**	500
Non-current contract assets	**304**	—
Contract liabilities (deferred revenue related to advances on customer contracts)	**(1,312)**	(8,375)
Net position of sales contracts	**2,376**	(6,138)

The amount of revenue recognised in the year that was included in contract liabilities at the end of the prior year was £8,097,770 (2022: £428,417).

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 2023	**284**	**1,016**	**1,607**	**2,907**
Charges to profit or loss:				
– Provided in the year	552	15	332	899
– Unused amounts reversed	(38)	(968)	(235)	(1,241)
Amounts used in the year	(195)	(13)	(1,315)	(1,523)
Foreign exchange	(1)	(50)	(56)	(107)
At 31 December 2023	**602**	**—**	**333**	**935**
Current	**586**	**—**	**226**	**812**
Non-current	**16**	**—**	**107**	**123**

	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	555	565	1,324
– Unused amounts reversed	(28)	(94)	(2,059)	(2,181)
Amounts used in the year	(153)	(406)	(1,980)	(2,539)
Foreign exchange	4	101	222	327
At 31 December 2022	**284**	**1,016**	**1,607**	**2,907**
Current	**284**	**1,016**	**1,607**	**2,907**
Non-current	**—**	**—**	**—**	**—**

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 for the costs of ongoing maintenance for certain legacy products. Provisions in respect of legacy products have fully unwound in 2023 and are no longer provided.

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 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 2024 and will therefore unwind during that year. Provisions in respect of contract losses relating to extended warranties for up to a total of ten years will unwind over that period.

22 Trade receivables

	2023 £000	2022 £000
Total trade receivables	**2,496**	1,737

All trade 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 2023 was determined to be less than 1% of total sales (2022: less than 1%). An allowance for potential credit losses of £139,639 (2022: £23,953) has been recognised.

23 Cash and cash equivalents

	2023 £000	2022 £000
Total cash and cash equivalents	**5,014**	5,137

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition.

24 Trade and other payables

	2023 £000	2022 £000
Trade payables	**2,166**	3,706
Other payables	**29**	78
Accrued liabilities	**877**	701
Accrued employee compensation	**772**	143
Government remittances payable	**104**	306
Total trade and other payables	**3,948**	4,934

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

	2023 £000	2022 £000
Derivative value of warrants issued	**406**	449
Other	**—**	320
Total derivative financial instruments	**406**	769

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.

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 2023 capital raise. 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.

The convertible notes balance was fully repaid by 31 March 2023 using funds from the 2023 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 totalling US$208,107.

Following the redemption of the investment agreement, proceeds from the sale of the conversion shares were split 97% to the company and 3% to the Noteholders, resulting in net proceeds to the Company of £742,601.

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

26 Lease liabilities

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

At 31 December	**2023 £000**	2022 £000
Current – due within 12 months	**723**	740
Non-current – due after 12 months	**833**	969
Total lease liabilities	**1,556**	1,709

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

At 31 December	**2023 £000**	2022 £000
Payments of lease principal	**629**	591
Payments of interest	**44**	58
Total payments under leases	**673**	649

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

At 31 December	**2023 £000**	2022 £000
Less than one year	**784**	804
One to five years	**884**	1,009
Total lease liabilities	**1,668**	1,813

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.

Amounts recognised in the consolidated statement of profit and loss were:

	2023 £000	2022 £000
Variable lease payments	**230**	117
Expenses relating to short-term leases	**70**	82
Expenses relating to leases of low-value assets	**8**	5

27 Issued share capital and reserves

	2023 No: 000	2023 £000	2022 No: 000	2022 £000
Authorised at 31 December	**1,000,000**	**—**	1,000,000	—
Issued and fully paid				
At 1 January	**119,007**	**50,716**	116,048	50,690
Issued in the year	**72,060**	**632**	2,959	26
At 31 December	**191,067**	**51,348**	119,007	50,716

During the year, 72,059,618 new shares were issued with a nominal value of £631,857. The total gross proceeds were £23,045,832 with the balance of £22,413,975 credited to the share premium account. Total costs of issuance were £1,117,307 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.

Ordinary shares have a par value of €0.01. 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 capital and share premium
Share capital comprises issued capital in respect of issued and paid-up shares, at their par value. Share premium comprises the difference between the proceeds received and the par value of the issued and paid-up shares.

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 2023, 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.

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 2023 (2022: 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 2023	Sterling £000	Euro £000	Canadian dollar £000	US dollar £000	Australian dollar £000	Total £000
Cash and cash equivalents	**3,284**	**696**	**346**	**444**	**244**	**5,014**
Trade receivables	**747**	**1,350**	**11**	**388**	**—**	**2,496**
Trade and other payables	**(1,799)**	**(178)**	**(1,466)**	**(505)**	**—**	**(3,948)**
Derivative financial instruments	**(406)**	**—**	**—**	**—**	**—**	**(406)**
Lease liabilities	**(254)**	**—**	**(1,169)**	**(133)**	**—**	**(1,556)**
Net exposure	**1,572**	**1,868**	**(2,278)**	**194**	**244**	**1,600**

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
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	(350)	(203)	(2,633)	2,326	5	317	(538)

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.

At 31 December +/ -5%	2023 £000	2022 £000
Euro	**93**	24
Canadian dollar	**(114)**	227
US dollar	**10**	137
South African rand	**—**	1
Australian dollar	**12**	16
	1	405

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 (V2O5) 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	2023 £000	2022 £000
Aa1	**220**	780
Aa2	**566**	1,315
A1	**4,228**	3,037
Ba2	**—**	5
	5,014	5,137

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. 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. The assessment reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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	2023 £000	2022 £000
Current	**1,940**	1,582
Past due – less than 30 days	**339**	112
Past due – more than 30 days	**217**	43
Total trade receivables	**2,496**	1,737

Past due amounts at 31 December 2023 related to six customers (2022: four customers) and £139,639 (2022: £23,953) 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 2023	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	3,948	—	—	—	3,948	3,948
Derivative financial instruments	406	—	—	—	406	406
Lease liabilities	784	422	462	—	1,668	1,556
Total financial liabilities	**5,138**	**422**	**462**	**—**	**6,022**	**5,910**

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**

Capital management
At 31 December 2022, 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 2024, the Group had £53.2 million of cash on hand.

30 Related parties

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

Invinity Energy Systems plc purchased a total of 15,000 shares at the issue price of 32 pence per share in the March 2023 fundraising on behalf of two executive directors. 31,250 shares were purchased on behalf of Larry Zulch and 15,625 shares on behalf of Matt Harper. At 31 December 2023, the £15,000 owed by executive directors had been settled.

Key management compensation is disclosed in note 8, Staff costs and headcount.

Notes to the Consolidated Financial Statements
continued for the year ended 31 December 2023

31 Group entities

Direct subsidiary undertakings	Country of incorporation	Registered office	Principal activity	Ownership % 2023	Ownership % 2022
Camco Holdings UK Limited	England	128 City Road, London, EC1V 2NX United Kingdom	Holding company	**100%**	100%
Invinity Energy Systems Limited *(formerly Camco Services (UK) Limited)*	England	128 City Road, London, EC1V 2NX 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	128 City Road, London, EC1V 2NX United Kingdom	Energy storage	**100%**	100%
Indirect subsidiary undertakings					
redT Energy Holdings (UK) Limited	England	128 City Road, London, EC1V 2NX United Kingdom	Research and consultancy	**100%**	100%
Re-Fuel Technology Limited	England	128 City Road, London, EC1V 2NX 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	128 City Road, London, EC1V 2NX United Kingdom	Vanadium procurement	**50%**	50%

32 Contingent liability

The Group is involved in legal proceeding with a landlord with a received claim which has a possible range from £nil to £693k. While the outcome of this matter is uncertain and difficult to predict, management believes that, based on the information currently available, the ultimate resolution of these matters will not have a material adverse effect on the Group's financial position.

33 Events occurring after the report period

On 26 February 2024, the Company announced that it had entered into an agreement with its Taiwanese strategic partner, Everdura, to undertake domestic manufacturing of its next generation vanadium flow battery ("VFB") product, code-named "Mistral", to serve the Taiwanese and other markets ("the Agreement"). Under the Agreement, Everdura will manufacture Mistral VFBs to fulfil orders it intends to secure under the terms of the existing reseller agreement which targets more than 255 MWh of product sales over a three-year period. The Agreement states that Everdura will pay Invinity a royalty fee based on a material percentage of the sale price of any Mistral products sold. Everdura will also utilise Invinity's existing supply chain and purchase cell stacks directly from the Company, which will continue to be manufactured by Invinity at its facilities in the UK and Canada.

In addition, on 24 May 2024, the Company announced it had raised gross proceeds of £57.4 million through the issue of 249,490,243 new ordinary shares of €0.01 each at the issue price of 23 pence per new ordinary share. Of this amount, £25.0 million was raised through a subscription by the UK Infrastructure Bank (the British state-owned policy bank), £3.0 million by Korean Investment Partners (an affiliate of Korea Investment Holdings, a leading financial conglomerate in the Republic of Korea) acting through an investment fund, £28.0 million through an oversubscribed placing with institutional and other investors and £1.38 million from an open offer of 3 open offer shares for every 20 ordinary shares held to existing shareholders.

The fundraising shares were admitted to trading on the AIM market of the London Stock Exchange and the APEX segment of the AQSE Growth Market on 24 May 2024.

Officers and Advisers

Officers	
Neil O'Brien	Non-Executive Chairman
Larry Zulch	Chief Executive Officer
Matt Harper	Chief Commercial Officer
Jonathan Marren	Chief Financial Officer and Chief Development 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
AQSE Corporate Advisor, Financial Advisor and Joint Broker	**VSA Capital Limited** Park House 16-18 Finsbury Circus London EC2M 7EB
Registrar	**Computershare Investor Services (Jersey) Limited** Queensway House 13 Castle 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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