COMPANY REGISTRATION NO. 04006413 (ENGLAND AND WALES)

# DG INNOVATE PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2023

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## GROUP INFORMATION

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| **Directors** | Nicholas Tulloch (Non-Executive Chairman)<br>John ("Jack") Allardyce (Chief Financial Officer)<br>Martin Boughtwood (Chief Technical Officer)<br>Trevor Gabriel (Non-Executive Director)<br>Peter Tierney (Chief Executive Officer to 10 December 2023, Non-Executive Director from 11 December 2023)<br>Peter Bardenfleth-Hansen (Chief Executive Officer) (appointed 11 December 2023)<br>Christian Eidem (Executive Director) (appointed 11 December 2023)<br>Jochen Rudat (Executive Director) (appointed 11 December 2023) |
| **Secretary** | Bailey Wilson Accounting Ltd |
| **Company Number** | 04006413 |
| **Registered office** | 15 Victoria Mews<br>Cottingley Business Park<br>Mill Field Road<br>Bingley<br>England<br>BD16 1PY |
| **Statutory Auditor** | PKF Littlejohn LLP<br>15 Westferry Circus<br>London<br>E14 4HD |
| **Solicitors** | Fasken Martineau LLP<br>6th Floor<br>100 Liverpool Street<br>London<br>EC2M 2AT |
| **Bankers** | Royal Bank of Scotland Plc<br>28 Cavendish Square<br>London<br>W1M 0DB |
| **Registrar** | Link Asset Services<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent<br>BR3 4TU |

## CHAIRMAN'S STATEMENT

It is a pleasure to present DGI's annual report and accounts for our financial year ended 31 December 2023. We have become accustomed to change driven by corporate activity and 2023 was no exception with the most significant development for the Company coming just a few weeks before the year end.

On 11 December 2023, we welcomed Christian Eidem, Peter Bardenfleth-Hansen and Jochen Rudat to our Board as Executive Directors, with Christian also taking a near 30% stake in the business. Christian, Peter and Jochen have extensive experience in the wider electric mobility space, most notably including various senior positions within Tesla, and the Company's desire was for them to accelerate the commercialisation of DGI's intellectual property through their networks and profiles in the space. At the same time we raised £2.4 million through the issue of convertible loan notes. The stock market was immediately impressed and we became one of the best performing stocks in London with our share price rising over 500 per cent in the days following their appointment. We have every reason to be excited about opportunities that may come our way during 2024.

Our operations encompass two popular global themes - sustainable transport and energy storage. Bloomberg New Energy Finance (BNEF) notes that electrified transport spending hit $634 billion in 2023, up 36% compared to 2022 and overtaking renewable energy as the largest sector for spending in the energy transition. The total $1.77 trillion invested in the global energy transition in 2023 was up 17% YoY, with China continuing to lead the charge with $676 billion (38%).

The sustainable transport industry represents a pivotal shift towards environmentally conscious modes of transportation that prioritise efficiency and reduce carbon emissions. This burgeoning sector encompasses a diverse range of innovations, from electric vehicles and hydrogen-powered cars to bike-sharing programs and advanced public transportation systems. With ongoing advancements and global initiatives aimed at reducing reliance on fossil fuels, the sustainable transport industry combats climate change and embraces renewable energy sources and cutting-edge technology.

The energy storage industry facilitates the transition to a more sustainable and resilient energy system. By harnessing various technologies such as batteries, pumped hydro storage and thermal energy storage, Energy storage systems enable the efficient capture and utilisation of renewable energy sources like solar and wind power, to enhance grid stability, improve energy reliability, and mitigate the challenges associated with peak demand periods. Furthermore, energy storage systems support the integration of electric vehicles and decentralised energy generation.

In what are still seen as relatively "new" industries, DGI has over a decade of experience in exploring the transition from costly, carbon-intensive technologies to high-performance sustainable innovations, pioneering cutting-edge battery and electric drivetrain solutions that propel industries toward a net zero future and beyond.

In February 2023 we signed a Collaboration Framework Agreement with tier one commercial and off-highway vehicle axle suppliers, BRIST and BASE, working together to develop and integrate DGI's innovative Pareta® motor technology into our partners' range of axles, accelerate our joint activities in the retrofit and conversion market, and ultimately assemble a full electric drivetrain in the UK. Detailed plans were established during the year to develop a series of commercial offerings to the growing commercial vehicle electric drivetrain market, targeting both new OEM and aftermarket conversion opportunities.

Alongside the appointments of Christian, Peter and Jochen to the board, we also implemented other management changes. With Peter being appointed CEO, Peter Tierney, who has led our operations since July 2022, stepped down from that role but I am delighted that he remained on the board in a non-executive role. Pat Symonds, who served as a non-executive director for almost two years, left the board at the same time. Also, at the same time as our fundraise in January 2023, Sir Stephen Dalton and Andrew Boughtwood both stepped down as non-executive Directors in order to reduce costs at the time. I would like to express my thanks to Peter, Pat, Sir Stephen and Andrew for the contributions that they have made to DGI.

*Post year end*
At the end of January 2024, we signed a joint development agreement for Pareta® drive system with a tier one commercial vehicle components company to develop systems for heavy goods vehicles applications. This followed

completion of the first phase of our project to utilise our Pareta® e-drive in marine applications, targeting the market for workboats and crew transfer vessels servicing offshore installations in the North Sea and elsewhere.

*Outlook*
We enter the current financial year in a strong position. Alongside our share price performance, investor and market interest in DGI is considerably greater than it was during 2023. We have assembled an experienced team and we are already gaining access to opportunities that, even just a few months ago, might have seemed beyond our grasp. The convertible loan notes issued in December 2023 were predicated on the possibility of moving our listing to AIM, arguably a more appropriate market for a high-growth technology company such as ours. AIM also opens up a wider investor audience to include the EIS and VCT market, subject to DGI meeting the qualifying criteria.

I would like to offer my sincere thanks to our shareholders for their continued support. As always, the DGI board welcomes shareholder interaction and feedback and we hope to see as many of our investors as possible at our AGM later in the year.

**Nicholas Tulloch**
**Non-Executive Chairman**
**19 April 2024**

## OPERATIONAL REVIEW

The Company was admitted to the Official List by way of a Standard Listing and to trading on the London Stock Exchange's Main Market for listed securities on 30 March 2017.

On 8 April 2022 the Company completed the acquisition of Deregallera Holdings Ltd ("DHL") via a reverse takeover, being renamed DG Innovate Plc. It concurrently raised £4.6m via a subscription and the exercise of existing warrants, to cover the costs associated with the transaction, settle historical debts and provide working capital for the enlarged group. Its subsequent primary business has been a continuation of the advanced research and development work historically undertaken by the acquired companies, with management now seeking to commercialise the nascent technologies being developed.

On 8 April 2022, the Company changed its name to DG Innovate Plc. It is domiciled and its principal place of business is in the United Kingdom and is subject to the City Code.

During the year under review the Company continued with its research and development projects across both its electric drive and energy storage divisions. These included the ongoing development of the Group's Pareta® integrated electric drives for bus and truck applications under the SUPAR ('Scale up Readiness Validation of Parallel Motor for Automotive Applications') project, in close contact with collaboration partner Cummins-Meritor. Testing and optimisation of the prototype drives continues, with a new design iteration expected to be completed in the coming months.

In addition, the Group continued working on the MTorX project, which explored the potential of a motor design with no permanent magnet, and a feasibility study into a larger 3MW Pareta® e-drive for marine operations. The first phase of the marine project received "Approval in Principle" from Lloyd's Register post-period end in January 2024, with a second phase now underway and expected to lead to a full 3MW demonstration vessel project. Scale-up and testing of the Company's hard carbon anode material continued, with the Cap-Size project delivering a feasibility study on manufacturing the material at scale in the UK.

Despite difficult market conditions and reduced availability of capital, in January 2023, the Group concluded a fundraise of £418,000 through a subscription and broker option. A further £517,000 was then raised via a placing in June 2023, conditional on a proposed capital reorganisation which was duly approved by shareholders at the Group's AGM in July. These funds were raised to fund the ongoing development of the Group's technologies towards commercialisation, against a very challenging economic and market environment.

In December 2023, a new CEO Peter Bardenfleth-Hansen was appointed to the Board, alongside two other new Executive Directors, Christian Eidem and Jochen Rudat. All three have significant experience in the electric vehicle and mobility sector, including senior roles with Tesla. The new executive team are seeking to leverage the Group's innovation and build a scaled business focused on green technology. At the same time, the Group raised £2.4m through the issue of convertible loan notes, to allow the required investment in DGI's product development and strengthen the technical team.

On the commercial front, DGI signed a Collaboration Framework Agreement with Tier 1 axle suppliers BRIST and BASE in February 2023, representing the Group's first commercial partnership. Under this agreement the parties are working together to develop and integrate Pareta® into BRIST and BASE's range of axles, to provide a turnkey offering for commercial and military vehicles globally. Post the year-end, in January 2024 the Group signed a Joint Development Agreement with a tier one commercial vehicle components company, to jointly develop systems for heavy goods vehicles applications utilising Pareta®. This is expected to see prototypes produced during H1 2024, with on vehicle trials in H2 2024. In February 2024, the Group's improved funding position enabled it to purchase new equipment for both its electric drive and energy storage divisions, to enhance its in-house capabilities in both areas.

## FINANCIAL REVIEW

The financial performance and position of the Group during the year ended 31 December 2023 reflects the Group's ongoing focus on the development of its electric drive and energy storage technologies, with the aim of progressing towards commercialisation. Nominal revenues were attributable to ongoing work for the Group’s collaboration partner Cummins-Meritor, with the Group’s activities funded by a combination of new equity capital, the issue of convertible loans and grant awards. Increased general and administrative costs were incurred due to a full 12 months of the enlarged group structure and associated corporate costs post the acquisition of DHL in April 2022.

The Group’s consolidated accounts presented in the financial statements and associated notes within this report, and summarised here, are prepared under reverse acquisition accounting rules. As such, consolidated figures represent the enlarged Group in the current year, while the prior year comparative relates to the enlarged Group from completion of the reverse takeover in April 2022 to 31 December 2022. The prior comparative period from 1 January 2022 until completion of the reverse takeover relates to the accounting acquirer, that being DHL.

**Trading performance**
The Group remained pre-revenue during the year, except for a small contribution from work for the UK Government. The Group made an operating loss of £3,785,104 (2022 restated: £2,976,055). This was primarily due to increased administration expenses of £3,092,186 (2022: £2,715,557) and share based payment of £1,324,443 (2022 restated: £699,385), which were somewhat offset by increased grant income of £618,021 (2022: £433,989).

A one-off reverse acquisition expense of £5,094,074 in 2022 was recognised, relating to the fair value of the Company at the time of completing the acquisition of DHL, under reverse acquisition accounting. Further detail is contained in note 29 of the Consolidated Financial Statements contained within this report.

Net finance costs of £45,078 (2022: £67,873) were predominantly due to interest on convertible loan notes issued in December 2023 and CBILS loans. The Group claimed R&D tax relief, resulting in a positive tax credit of £131,443 for the year (2022: £188,864). As the business is currently loss-making, there is no corporation tax payable on earnings.

For the year ended 31 December 2023, the Group made a net loss of £3,775,945 (2022 restated: £8,040,033). The basic and diluted loss per share for the year was 0.04 pence (2022 restated: 0.09 pence).

**Financial position**
As at 31 December 2023, the Group’s non-current assets amounted to £4,955,515 (2022: £5,298,683), including intangible assets of £4,419,286 (2022: £4,573,592) and property, plant and equipment of £536,229 (2022: £725,091). The capitalisation of internally generated development costs in the year was £149,541 (2022: £848,443).

Non-current liabilities were £2,262,273 (2022: £495,860), including convertible loans of £1,848,094 (2022: £Nil), leases and other borrowings of £398,114 (2022: £471,836).

Group net current assets at year-end were £1,719,573 (2022: £618,313).

**Cash movement**
Group cash and equivalents at 31 December 2023 was £1,879,701 (2022: £234,990). Net cash outflow from operating activities for the Group during the year was £1,304,751 (2022: (£2,392,663)), and cash outflow from investments was £85,104 (2022: (£1,010,477)). In January 2023, the Group raised a further £418,000 through a subscription and broker option. A further £517,000 was then raised via a placing in June 2023, conditional on a proposed capital reorganisation which was duly approved by shareholders at the Group’s AGM the following month. In December 2023, £2.4m of convertible loan notes were issued. These funds were raised to fund the ongoing development of the Group’s technologies towards commercialisation.

**Key Performance Indicators**

During the year, the Group continued the ongoing research and development projects across its electric drive and energy storage divisions. The Group continues pursuing commercial opportunities, alongside continuing to expand its intellectual property portfolio and technology offering.

While we present KPIs showing the progress we continue to make on our ongoing research and development work below, we have begun to identify a number of additional financial and non-financial key performance indicators, for both the near and longer term, to monitor progress on our technology commercialisation efforts and ramp up in trading. These will begin to be introduced over the coming financial year as well as subsequent periods, to ensure that the business is performing or to signal any problems which may be arising. These will include financial KPIs such as order book, sales revenue and volumes, which will be key to long-term, sustainable organic growth. Technical KPIs will benchmark motor, inverter and material performance, and patents filed/granted, whilst operational KPIs will include engineering hours worked, completed units produced and employee headcount. The Directors believe these will provide strong indications of the Group's ability to secure a long-term sustainable competitive advantage.

| **Key Performance Indicator** | **2023** | **2022** | **Change (%)** |
|---|---:|---:|---:|
| Patents held | 9 | 10 | -10% |
| Projects completed | 2 | 3 | -33% |
| Grant funding received | £618,021 | £433,989 | 42% |
| Revenue | £30,240 | £4,280 | 607% |
| Prototype delivered (units) | 4 | 0 | - |

The grant award of £116,000 from Innovate UK is for a feasibility study under the competition of "CMDC Round 4 – Feasibility Studies and Pre-Deployment Trials" which is to commence early April 2024.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

During the period covered by the Annual Report, the Board initially consisted of Nicholas Tulloch (Non-Executive Chairman), Peter Tierney (Chief Executive Officer), Jack Allardyce (Chief Financial Officer), Martin Boughtwood (Chief Technical Officer), Andrew Boughtwood (Non-Executive Director), Sir Stephen Dalton (Non-Executive Director) and Trevor Gabriel (Non-Executive Director) and Dr. Patrick Symonds (Non-Executive Director). During the period Andrew Boughtwood, Sir Stephen Dalton and Dr. Patrick Symonds resigned from the board. Three new Executive Directors were appointed on 11 December 2023: Peter Bardenfleth-Hansen (Chief Executive Officer), Christian Eidem (Executive Director), Jochen Rudat (Executive Director). Former CEO Peter Tierney stepped down and remained on the board as a Non-Executive Director. The Directors consider the Board to be appropriate for a group of DGI's size and of sufficient experience to execute the Group's strategy. Details of the current Board are set out below:

***Nicholas Tulloch, Independent Non-Executive Chairman, aged 51***
Nick Tulloch has advised companies on the UK capital markets for over 20 years, working for several well-known investment banks and stockbrokers, including Cazenove, Arbuthnot, Cenkos and Cantor Fitzgerald. With a particular focus on oil and gas, Nick has worked on several cross-border transactions in many parts of the world. In 2019 he became finance director and then subsequently CEO of Zoetic International Plc transforming the company from its oil and gas roots to become the first CBD company to be listed in London. He subsequently founded and is CEO of Voyager Life Plc. Nick began his career as a solicitor with Gouldens and he holds a master's degree in law from Oxford University.

***Peter Bardenfleth-Hansen, Chief Executive Officer, aged 54 (appointed 11 December 2023)***
Peter is an accomplished executive in the electric vehicle and mobility sector, with over a decade of experience at Tesla. He played a key role in launching Tesla in Scandinavia, and later oversaw its expansion across Europe, Japan, the Middle East and Africa. He joins DGI from the Norwegian charge point Manufacturer Zaptec, where he was CEO. Currently he also serves on the boards of Viggo Energy and Evyon, and advises a number of other e-mobility companies such as Monta and Alpha Motors.

***Jack Allardyce, Chief Financial Officer, aged 41***
Jack has over 18 years' experience in the energy sector, including 11 years as a leading equity research analyst with a number of UK investment banks. He began his career as a process engineer, before joining the leading research and consultancy house Wood Mackenzie, specialising in European upstream and unconventional resources. Jack's skillset spans global asset evaluation, financial forecasting, corporate advisory, M&A and equity capital markets. He graduated from Heriot-Watt University with a degree in Chemical Engineering.

***Martin Boughtwood, Chief Technical Officer, aged 69***
Martin Boughtwood is the Founder of DHL, and a prolific inventor. With a background in electronics, mechanical engineering and power management systems, and company leadership roles over 40 years, Martin Boughtwood focuses on the innovation of, sustainable, non-toxic solutions that leverage material property enhancements: improving energy efficiency for a host of applications across a plethora of potential end markets.

***Christian Eidem, Executive Director, aged 53 (appointed 11 December 2023)***
Christian is an experienced investor and entrepreneur with over 25 years of experience in founding and leading companies. He has co-founded several companies, including Orion Systems, an artificial intelligence business which was acquired by Microsoft. Christian graduated from the Wharton School of Business, University of Pennsylvania, with a degree in Economics.

***Jochen Rudat, Executive Director, aged 43 (appointed 11 December 2023)***
Jochen is an automotive executive with over 25 years of industry expertise. He was an early European hire for Tesla, instrumental in launching across several new markets. He led operations in the critical German market and reported directly to Elon Musk, becoming Director for Central Europe and also receiving Tesla's Key Contributor Award for his achievements. Beyond Tesla, Jochen has held different roles at BMW, Porsche, Citroen and Kia Motors. Today,

he is a consultant and advisor to a number of e-mobility companies, including Micro Mobility Systems AG, American Manganese, Bonnet Ltd and Carify.

***Peter Tierney, Non-Executive Director, aged 56***
Peter Tierney is an experienced Chief Executive with over 30 years' experience in operating and developing growth orientated service and manufacturing businesses. He was until recently Chairman and Chief Executive officer of Lewmar Marine Limited ("Lewmar Marine"), a private equity backed international marine manufacturing and distribution business. Peter was initially appointed to lead the turnaround of Lewmar Marine in 2008, quickly returning the business to profit and implementing a successful growth strategy that led to sales doubling, before the business was sold to a US trade buyer in 2019, generating a significant return for its private equity backers. Prior to joining Lewmar Marine, Peter was Chief Executive Officer of Vector Aerospace, based in Canada, an aerospace maintenance and operating business, between 2003 and 2008. He has also held senior roles at a number of other engineering businesses in the UK and North America and has a degree in mechanical engineering, together with a master's degree in business. Peter was the CEO of the Company until 10 December 2023 and became a non-executive director from thereafter.

***Trevor Gabriel, Non-Executive Director, aged 76***
Mr Gabriel is the CEO of a Monaco-based trading enterprise called Classic Riviera whose focus is the representation and brokerage of all forms of luxury transport (including EVs) and media content production. Until 2023 he was managing partner of a real estate brokerage in Monaco, having previously been finance director of Camper & Nicholson International, the yacht brokerage firm. He is a chartered accountant and fellow of the ICAEW and spent 12 years with Jardine Matheson in finance and general management roles. He is currently non-executive director of TSX-V listed GlobalBlock Digital Asset Trading Limited and previously was a non-executive director of Kirkland Lake Gold Ltd while it was TSX listed and AIM quoted.

## DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2023.

**Directors and Directors' interests**
The Directors at the date of these financial statements who served during the period and their interest in the Ordinary shares of the Group are as follows:

| | 31 December 2023 Number of Ordinary Shares | 31 December 2022 Number of Ordinary Shares |
|---|---|---|
| J. Allardyce | 6,000,000 | 6,000,000 |
| M. Boughtwood* | 465,954,554 | 3,026,591,664 |
| T. Gabriel ** | 331,561,664 | 555,561,720 |
| C. Eidem | 2,994,637,110 | - |

* 465,954,554 Ordinary Shares are held by Deregallera Trust and its beneficiary is Martin's wife, Denise Boughtwood.
** 331,561,664 Ordinary Shares are held by Disruptech Limited owned by Trevor Gabriel.

**Major interests in Ordinary Shares**
Save for the interests of the Directors, as at 17/04/2024 being the latest practicable date prior to the publication of this Annual Report, the Group has identified the following holdings of Ordinary Shares which represent more than 3 per cent. of its issued share capital:

| Shareholder | Number of Shares | % of issued share capital |
|---|---|---|
| Christian Eidem | 2,994,637,110 | 29.19% |
| The Bank of New York (Nominees) | 1,185,105,451 | 11.55% |
| Hargreaves Lansdown (Nominees) | 517,968,129 | 5.05% |
| Lawshare Nominees Limited | 502,677,134 | 4.90% |
| Hargreaves Lansdown (Nominees) | 411,175,152 | 4.01% |
| Trevor Gabriel | 332,752,720 | 3.24% |
| Vidacos Nominees Limited | 317,379,431 | 3.09% |

**Results**
The Group's loss after taxation for the year to 31 December 2023 amounted to £3,775,945 (2022 restated: £8,040,033).

**Managing business risk**
The Board constantly monitors the operational and financial aspects of the Group's activities and is responsible for the implementation and ongoing review of business risks that could affect the Group. Duties in relation to risk management that are conducted by the Directors include but are not limited to:

- Initiate action to prevent or reduce the adverse effects of risk
- Control further treatment of risks until the level of risk becomes acceptable
- Identify and record any problems relating to the management of risk
- Initiate, recommend or provide solutions through designated channels
- Verify the implementation of solutions
- Communicate and consult internally and externally as appropriate

The Board has carried out a review of the effectiveness of the Group's risk management and internal controls systems, including financial, operational and compliance controls as is appropriate at this early stage of the Group's business.

As part of the reverse takeover of DHL the Group's Financial Position and Prospects Procedures Board Memorandum (FPPP) and all internal policies were overhauled. This was to ensure that they remained appropriate for the enlarged

Group. These documents lay out all controls and procedures relating to finance, reporting, systems & IT, disclosures and corporate governance.

**Taxation status**
The Company was not a close company within the provisions of the Corporation Tax Act 2010 and this position has not changed since the end of the financial period.

**Future developments**
Information about the future plans of the Group is covered in the Strategic Report on page 16.

**Dividends**
The Directors do not recommend the payment of a dividend (2022: £Nil).

**Capital structure**
The Group's issued share capital consists of Ordinary Shares (100% of total share capital).

The Ordinary Shares shall confer upon the holders the right to receive dividends and other distributions and participate in the income or profits of the Company.

**Financial instruments**
Details of the use of financial instruments by the Group are contained in note 26.

**Environmental Reporting**
Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity and transport fuel, as well as an intensity ratio, under the Streamlined Energy and Carbon Reporting (SECR) Regulations.

**Emissions data**
The Group's Scope 1 and Scope 2 emissions are limited to those associated with business travel and electricity consumption at the premises in Caerphilly.

Standard conversion rates used in this report were obtained from the UK Government. The energy data used in this report relates to invoiced consumption against specific meter points for the specified period and has been qualified by the suppliers of the invoices. Transport and supplementary fuel data was provided directly by the Company, together with the selected intensity ratio metric and the supporting intensity ratio data.

**Summary of usage**
The Group's Scope 1 and Scope 2 Emissions are summarised in the table below.

| | **DG Innovate Plc kg $CO_2e$** | **Subsidiary Companies kg $CO_2e$** | **2023 Total kg $CO_2e$** | **2022 Total kg $CO_2e$** |
|---|---|---|---|---|
| Scope 1 - Business Travel | 650 | 844 | 1,494 | 3,139 |
| Scope 2 - Energy Usage* | - | 23,020 | 23,020 | 26,377 |
| **Total** | **650** | **23,864** | **24,514** | **29,516** |

*provider SSE Energy Supply Limited

The Group has taken steps to improve its $CO_2$ emissions as follows:

- Installation of EV charging points at the company premises for use with the company vehicles which are now electric. The electricity is generated onsite from the solar panels.
- A review of the buildings energy rating has been carried out and improvements are being made to the air conditioning and heating systems, ensuring that the building is only heated when it is occupied, thus saving energy.
- We have reorganised our office space to reduced energy consumption for heating and lighting.

**Donations**

There were no charitable or political donations during the current period or prior year.

**Post balance sheet events**

Post balance sheet events are discussed in the Chairman's Statement on page 3 and in note 31.

**Going concern**

The financial statements have been prepared on the assumption that the Group will continue as a going concern. Under this assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, the Directors take into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements.

The Directors consider the use of the going concern assumption to be appropriate. At the latest reported date of 31 December 2023, the Group had cash and cash equivalents totalling £1,879,701 and net current assets of £1,719,573.

In January 2023, the Group raised £418,000 through a subscription and broker option. A further £517,000 was then raised via a placing in June 2023, conditional on a proposed capital reorganisation which was duly approved by shareholders at the Group's AGM the following month. These funds were raised to fund the ongoing development of the Group's technologies towards commercialisation, against a very challenging economic and market environment. In December, the Group welcomed Peter Bardenfleth-Hansen, Christian Eidem and Jochen Rudat to its Board, with the new Directors joining to accelerate the Group's commercialisation strategy through their extensive electric mobility sector experience and networks. At the same time, the Group raised £2.4m through the issue of convertible loan notes, to allow the required investment in DGI's product development and strengthen the technical team.

Despite difficult market conditions and reduced availability of capital during the period, with testing and further optimisation of the Group's Pareta® drive, which has been designed in collaboration with major Tier 1 axle supplier Cummins-Meritor. In February 2023, DGI signed a Collaboration Framework Agreement with Tier 1 axle suppliers BRIST and BASE, representing the Group's first commercial partnership. Under the agreement the parties are working together to develop and integrate Pareta® into BRIST and BASE's range of axles, to provide a turnkey offering for commercial and military vehicles globally.

The Group also continues its work with the UK Ministry of Defence, and completed three grant-funded projects during the period. The first phase of a project to develop Pareta® for marine applications received "Approval in Principle" from Lloyd's Register, with a second phase now underway and expected to lead to a full 3MW demonstration vessel project. Post-period end, in January the Group signed a Joint Development Agreement with a tier one commercial vehicle components company, to jointly develop systems for heavy goods vehicles applications utilising Pareta®. This is expected to see prototypes produced during H1 2024, with on vehicle trials in H2 2024. In February 2024, the Group's improved funding position enabled it to purchase new equipment for both its electric drive and energy storage divisions, to enhance its in-house capabilities in both areas.

In line with all pre-revenue companies, further funding will be required as the Group continues to move through the development phase. The Board have considered a number of detailed cashflow scenarios and have identified a further funding requirement from mid-2024. As this falls within 12 months of the date of this report, a material uncertainty exists in relation to the ability of the Group to continue as a going concern.

The Directors would note that while the fundraises undertaken during January and June 2023 were made up of a small group of supportive existing investors, the larger fundraise completed during December 2023 included significant new investors introduced by the incoming investors. This and the subsequent share price appreciation give the Directors belief that further equity fundraises would be well supported. The Directors also maintain a dialogue with lenders regarding debt facilities, should it achieve material customer orders over the coming months. Taking this into account,

the Directors have formed the opinion that there are adequate arrangements in place to enable the settlement of their financial commitments as and when they fall due.

For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. While there are inherent uncertainties in relation to future events and ultimately no certainty over the outcome of matters described above, in the opinion of the Directors, the newly formed group will be a going concern for the next 12 months.

**Research and Development**

The Group is focusing on advanced research and development of sustainable and environmentally considerate improvements to electric mobility and energy storage, Enhanced Drive Technology and Enhanced Battery Technology

*Enhanced Drive Technology*

The Group's electric drive technology platform, Pareta®, consists of a motor, high power inverter and control electronics, with a novel 'multi motor/inverter' architecture and a number of fundamental and patent pending innovations. This technology has been developed over a number of years via the Group's ongoing work to build ultra-high performance and durable electric drives for the UK Ministry of Defence ("MoD"), with the resulting product family currently in its third iteration.

The Pareta® platform has most recently been extended to deliver its associated performance and durability parameters at a competitive cost point for volume manufacture for commercial electric vehicles, initially for the Group's collaboration partner Cummins-Meritor, the US-headquartered global commercial vehicle components company. The advanced prototypes produced in a scalable 250kW/400kW format, aimed at bus and HGV applications, continue to be tested and optimised but have already shown good performance versus electric motor systems from global motor manufacturers. A further joint development project has also recently commenced to develop Pareta® for alternative HGV applications, and the Group commenced the second phase of a project to develop Pareta® for marine applications.

In addition, the Group has signed a framework collaboration agreement with Tier 1 axle suppliers BRIST and BASE, with the intention of Pareta® drives powering the partners' electric axle offerings, continues to work with the UK Ministry of Defence and is in discussions with other commercial vehicle Tier 1 suppliers and OEMs with a view to signing commercial agreements.

*Enhanced Battery Technology*

The Group's proprietary energy storage technology encompasses a family of hard carbon anode materials produced from a sustainable bio waste product, specifically developed for use in sodium-ion batteries, with potential applications in existing lithium-ion battery production. Sodium-ion batteries offer an attractive alternative to lithium-ion batteries, using materials that are more abundant, with lower carbon footprints, and which circumvent natural resource constraints involved in the production of lithium-ion batteries.

The Group believes that its technology can be a disruptive alternative in their aspiration to reduce dependency on hydrocarbon-derived anodes for both sodium and lithium-ion battery technologies. The Group's hard carbon anode materials have already demonstrated commercially attractive performance characteristics, particularly enabling significant energy densities, in line with the best performing sodium-ion batteries currently available, in battery cells manufactured at a small scale in the Group's own facility.

Further scale up of material production will involve an iteration of process engineering to maintain the desired performance and material characteristics in high volume. To this end, DGI acquired a jet mill and furnace for its materials lab post-period, in February 2024. This will allow the Group to improve the processing of key materials used in the production of its anode material, with the jet mill grinding components to precise specifications within micrometres and the furnace delivering extreme heat up to 1,700ºC to facilitate close temperature control.

Given of the capital requirement involved in commercial scale battery manufacturing, The Group intends to primarily pursue a licensing model to bring its battery technology to the market, through licensing to sodium-ion battery manufacturers, with the potential for in-house material production should that prove commercially attractive. Whilst there is currently limited volume sodium-ion battery manufacture worldwide, a number of large global battery

manufacturers have recently announced plans to establish substantial sodium-ion battery manufacturing capabilities. As global sodium-ion battery production increases in the coming years, the Group believes there will be a substantial addressable market for its technology.

During the period, the Group completed a feasibility study under Innovate UK's competition "Automotive Transformation Fund Feasibility Studies: Round 3" for the evaluation of manufacturing its sodium-ion anode material at scale in the UK, in particular to enable the Group to refine its economic and technology model out to 10,000 tonnes-per-annum production of DGI's hard anode material.

**Statement of Directors' responsibilities**
The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared financial statements in accordance with UK-adopted International Accounting Standards ('IAS'). Under 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 Group and of the Statement of Comprehensive Income of the Group for that year.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted IASs, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Website publication**
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

**Directors' responsibilities pursuant to DTR4**
The Directors confirm to the best of their knowledge:

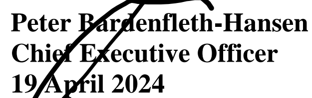
- the Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IASs) and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.

- The annual report includes a fair review of the development and performance of the business and financial position of the Group together with a description of the principal risks and uncertainties that they face.

**Disclosure of information to auditors**

Each of the Directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditors are unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

The Directors' Report was approved by the board of Directors and signed on its behalf by:



**Peter Bardenfleth-Hansen**
**Chief Executive Officer**
**19 April 2024**

## STRATEGIC REPORT

The Directors present their strategic report on the Group for the year ended 31 December 2023.

**Principal Activities**
DG Innovate Plc is a public company incorporated under the Companies Act 2006 and domiciled in the United Kingdom. In April 2022 the Company completed the acquisition of the DG Innovate group of companies, becoming an advanced research and development company pioneering sustainable and environmentally considerate improvements to electric mobility and storage.

**Business Review**
During the period, the Group continued to develop its technology and potential routes to market, while successfully raising funds on three separate occasions against a challenging market backdrop. The appointment of Peter Bardenfleth-Hansen, Christian Eidem and Jochen Rudat in December 2023 represented a significant shift in momentum for both the share price and the pace of DGI's commercialisation efforts.

Further details are contained in the Chairman's Statement and in the Operational and Financial Reviews on pages 3 to 7 of this document.

**Position of the Group's business at the year end**
At the year end, the Group's Statement of Financial Position shows net assets totalling £4,379,643 (2022: £5,391,090).

*The future plans of the Group*
The Group's focus for the coming months and years is on the development and commercialisation of its electric drive technology and hard carbon anode material. As noted in the Chairman's Statement and Operational Review on pages 3 to 7, the current design iteration of the 250kW/400kW Pareta® drive continues to be tested and optimised, while work has also commenced on a joint development programme to deliver a Pareta® drive to be used in an alternative HGV application. DGI continues its collaboration with our commercial partners BRIST and BASE to accelerate the offering of a full electric drivetrain solution to OEMs and aftermarket customers across the commercial and military sectors, while work is also underway on the second phase of a partially grant-funded project to develop Pareta® for marine applications The Group is ultimately targeting volume assembly of both its electric drive platform and potentially full drivetrain solutions at a DGI facility in the UK.

*Employees*
For the year ended 31 December 2023 the Group had on average 22 employees (2022: 25).

*Employee gender diversity*

| | Male | Female |
|---|---|---|
| Directors of the Company | 6 | - |
| Total number of employees | 10 | 6 |

**Principal risks and uncertainties**

The Group is subject to various risks relating to investments, industry, business and financial conditions. The following risk factors, which are not exhaustive, are particularly relevant to the Group and its business activities:

| **Risk** | **Mitigation** |
| --- | --- |
| *Competition* | |
| The Group is subject to competition from competitors who may develop alternative technologies which offer superior performance characteristics or equivalent performance at lower cost, both compared to DGI's existing technologies and for those which are still being developed. | The Group seeks to reduce this risk by assessing competing technologies on a regular basis. The Group seeks to commercialise the production of its electric drives and energy storage materials through multiple channels to reduce its dependency on individual partners. It is also exploring potential licensing routes for its technologies. The Group takes steps to ensure that it retains the rights to all internally developed intellectual property and protects them through the registration of patents. |
| *Scaling risk - Technology* | |
| The Group currently produces its electric drive technology on a low volume, prototype basis but ultimately seeks to move to higher volume and mass production, with optimised assembly. In addition, the Group's anode material is currently produced in-house at low volume, but is being scaled up with a view to volume manufacture. However, given the Group's limited track record of commercialising its technology, there is no guarantee that DGI's motors and anode material will deliver the same performance levels in volume production. | The Group seeks to reduce this risk by establishing a framework of rigorous testing, incorporating the experience of our team and partners throughout this process. This requires all products under development to pass through a series of tests, from initial simulation, to practical testing in-house and, should the previous stages prove successful, all products are extensively tested in real-world scenarios. |
| *Scaling risk - Operational* | |
| There can be no certainty that the Group's anticipated scale-up in assembly capacity and associated benefits, including unit cost reduction, will be achieved. If material costs escalate or there are delays in the installation of equipment, commissioning could take longer than expected and equipment may not work as expected. | The Group seeks to minimise this risk by working with established partners that have a strong track record in manufacturing equipment at scale, incorporating suitable cost reducing processes. The Group is taking a phased approach to manufacturing, with a pilot production phase being undertaken to allow for optimisation. |
| *Supply chain* | |
| The Group's ability to source components and materials for its development projects and planned commercial operations at the required time is of paramount importance in meeting schedules and customer demand. Supply chain disruptions could have an adverse effect on prototype delivery, production volume, revenue and profitability, customer satisfaction and DGI's reputation. | The Group seeks to reduce this risk by operating an effective supply chain risk management framework which enables proactive engagement with suppliers to identify and mitigate potential disruptions. The Group also continues to maintain and develop strong partnerships with key strategic suppliers to ensure a stable future supply of components and materials. |

| **Risk** | **Mitigation** |
|---|---|
| *Counterparty risk* | |
| The Group relies on a small number of materially significant partners/customers. If these relationships were to expire or be terminated, this could have a material adverse effect on the Group's prospects, operations or financial condition. | The Group seeks to reduce this risk by growing its customer and partner base, thereby reducing reliance on individual significant counterparties. The Group also seeks to reduce this risk by partnering with established companies which can broaden the target customer base. |
| *Foreign currency exposure* | |
| The Group's supply chain is already global due to the nature of the components required withing its electric drives, while its growth plans will likely require it to sell products in a number of countries, meaning it will be exposed to various currencies other than UK pound sterling. As a result, fluctuations in foreign currency exchange rates may affect operations, which in turn could adversely affect reported earnings and the comparability of period to period results of operations. | The Group seeks to reduce this risk by regularly reviewing its projects to identify where foreign exchange risk exists. The Group will seek to mitigate any identified risks of adverse currency fluctuations through the use of financial instruments where necessary to secure favourable, predetermined rates of exchange. |
| *Intellectual Property Rights* | |
| The Group faces the risk that the intellectual property rights necessary to achieve research and development objectives may not be sufficiently secured or protected in the countries where the patent applications are sought, leaving the Group vulnerable to misappropriation of intellectual property by third parties. Furthermore, the Group's intellectual property may also become obsolete before all products can be fully commercialised. | The Group seeks to reduce this risk by utilising the services of patent agents and attorneys with considerable experience of global patenting and licensing. It also seeks to develop its products in such a way that severely limit or negates the possibility of third parties being able to reverse engineer them. The Group has substantial information and data security protocols to prevent its intellectual property being misappropriated by third parties, physically or virtually. |
| *Regulatory risk* | |
| The Group is required to comply with the Companies Acts, the rules of the UK Listing Authority and United Kingdom Accounting Standards. Breach of any of these might lead to suspension of the Group's Stock Exchange listing, financial penalties or a qualified audit report. | The Group retains professional advisors and legal counsel, which ensure the Directors are aware of their regulatory duties and any changes to relevant legislation on an ongoing basis. |
| *Liquidity risk* | |
| Given its pre-revenue status, the Group has and will continue to fund its R&D work primarily through equity funding. There can be no guarantee that such financing remains available to the Group, given that external investors' willingness and ability to provide further funding will be subject to external factors such as market dynamics. | The Group's listing provides access to investors and transparency on market value. The Group remains in regular contact with existing shareholders and alternative financing providers, and retains corporate brokers who would undertake any future equity fundraises on its behalf. Further detail is provided within the Going Concern discussion in Note 1.2 to the accounts and the Directors' Report. |
| *Further funding for investments/acquisitions* | |
| The Group's investments or future acquisitions, expansion, activity and/or business development will require additional capital, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. | The Group will not enter into any binding agreement without assurance of requisite funding being in place. The Group is actively seeking to diversify its sources of funding to mitigate against the risk of any single source becoming inaccessible. |

| Risk | Mitigation |
|---|---|
| *Legal and compliance risk* | |
| The Group's proposed growth strategy is expected to result in entry into new geographic and product markets. This would present challenges caused by distance, language and cultural differences, legal or regulatory restrictions, potential adverse tax consequences and higher costs associated with doing business internationally. | The Group mitigates this risk by contracting business advisors with experience of the legal and regulatory requirements necessary to operate in the countries and regions within which the Group currently operates, or intends to expand into. |
| *IT systems and security infrastructure* | |
| The Group could prove a target for cyber criminals, given its valuable IP portfolio. Failing to safeguard personal data could result in regulatory punishment, such as fines which would have an adverse impact on DGI's reputation and financial condition. | The Group seeks to mitigate this risk by maintaining rigorous controls and managing information assets to acceptable levels. This is managed and reassessed regularly to ensure controls remain current and appropriate to the size and growth trajectory of the company. |
| *Dependence on key executives and personnel* | |
| The success of the Group will be dependent on the recruitment of management and staff with the requisite industry and commercial experience. The Group will face competition from more established companies for existing or potential employees. Delays in recruitment may ultimately delay the achievement of the Group's commercial objectives. | The Group will conduct ongoing market research into industry salary levels and employment trends and seek to offer competitive packages including equity-based awards. Regular employee reviews will be utilised to ensure staff remain engaged. The Group will utilise the experience of external recruitment consultants where appropriate. Plans to invest in formal training and development programmes to facilitate development of in-house talent. |
| *Geopolitical risk* | |
| Geopolitical events such as that occurring in Ukraine and the Red sea currently could have adverse impacts on global macroeconomic conditions, which in turn could have wide-ranging impacts on the Group such as the ability to raise further finance, disruptions to its supply chain, and consumer confidence. | The Group seeks to reduce this risk by constantly monitoring the macro environment. Whilst events are outside of DGI's control, the Group ensures it takes steps to protected against potential issues which may arise. These includes assessing supply chains and taking steps to ensure sustainable supply of key components. |
| *Climate change risk* | |
| The Group is exposed to the increasing level of risk associated with climate change, despite its stated mission to reduce the impacts of greenhouse gas emissions through its sustainable electric drives and anode material solutions. These risks include both the physical impacts of climate change, such as rising sea levels and extreme weather events, and those related to the transition to a lower-carbon economy, such as changing market demand. | The Group seeks to mitigate these risks by actively promoting its technologies as a way of allowing industry and wider society to move away from high carbon-emission vehicles and unsustainable battery materials (including lithium and cobalt), towards sustainable solutions. The Group always seeks to conduct business with sensitivity to its environmental impact, and to encourage responsibility within management and employees. Steps taken include the planned introduction of an Electric Vehicle ("EV") salary sacrifice scheme and the installation of EV charging points at its premises. |

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

**Section 172(1) Statement - Promotion of the Group for the benefit of the members as a whole**
The Directors believe they have acted in the way most likely to promote the success of the Group for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members and, in doing so, have regard (amongst other matters) to the following factors:

(a) the likely consequences of any decision in the long term,
(b) the interests of the company's employees,
(c) the need to foster the company's business relationships with suppliers, customers and others,
(d) the impact of the company's operations on the community and the environment,
(e) the desirability of the company maintaining a reputation for high standards of business conduct, and
(f) the need to act fairly as between members of the company.

The Board believes that appropriate steps and considerations have been taken during the year so that each Director has an understanding of the various key stakeholders of the Group. The Board recognises its responsibility to contemplate all such stakeholder needs and concerns as part of its discussions, decision-making, and in the course of taking actions, and will continue to make stakeholder engagement a top priority in the coming years.

Below is set out the key stakeholder groups, their importance and how the Group has engaged with them over the year.

**Investors**

*Desired outcome*
To communicate and secure support for our long-term strategic objectives, and to promote long-term holdings.

*Method of engagement*
Annual and interim reports, AGM, analyst presentations, investor presentations, RNS and the use of digital platforms such as Directors Talk to extend reach to retail investors.

*Achievements in the year*
Three successful fundraises via equity and convertible loan notes, despite extremely challenging market conditions. A significant recovery in share price following the appointment of new directors in December 2023. Numerous RNS communications during the year with accompanying PR activities to provide clarity for investors.

**Employees**

*Desired outcome*
To deliver our long-term strategic objectives and near-term targets. To promote our culture, values and support employees' well-being, driving low turnover and high productivity rates.

*Method of engagement*
Yearly performance reviews with strategic objectives, formal policies and procedures, evaluations and promotion of our culture.

*Achievements in the year*
Employee appraisals and pay rises in line with market rates.

**Community and the environment**

*Desired outcome*
To ensure all business activities are socially and environmentally responsible, and align with our corporate objectives to deliver sustainable and environmentally considerate improvements to electric mobility and energy storage.

*Method of engagement*
Development of products promoting lower energy consumption and environmental impact. Collaboration with local partners and institutions, including sponsorship of PhD students.

*Achievements in the year*
Ongoing development of sustainable hard carbon anode material and lower energy electric drives. Signed a Collaboration Agreement with Tier 1 axle manufacturers BRIST and BASE to provide route to market for DGI's efficient electric drive technology.

In addition, under the FCA's Listing Rule 14, as a Standard Listed entity, the Group is required to comply or explain non-compliance with the Task Force on Climate-Related Financial Disclosures' (TCFD) Recommendations and Recommended Disclosures. Given the early stage nature of the Group, we have not undertaken a full quantitative analysis for the period. However, as a developer of sustainable technologies aimed at mitigating climate change, DGI is committed to complying with the TCFD's framework as it becomes more established.

**Diversity**

Under the FCA's Listing Rule 14, as a Standard Listed entity, the Group is subject to certain Diversity and Inclusion targets. These include: i) at least 40% of the individuals on its board of directors are women; (ii) at least one senior position (chair, chief executive, senior independent director or chief financial officer) on its board of directors is held by a woman; and (iii) at least one individual on its board of directors is from a minority ethnic background. Unfortunately the Group has been unable to meet these targets during the period, largely due to the small, early stage nature of the business and the short time since its formation. The Group recognises the benefits of diversity across all areas and believes that a diverse Board is a positive factor in business success, brings a broader, more rounded perspective to decision making, and makes the Board more effective. When recruiting, the Board will endeavour to consider a wide and diverse talent pool whilst also taking into account the optimum make-up of the Board, including the benefits of differences in skills, industry experience, business model experience, gender, race, disability, age, nationality, background and other attributes that individuals may bring.

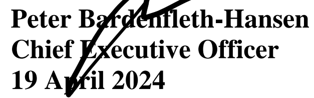
**Customers/Partners**

*Desired outcome*
To deliver customer/partner satisfaction and belief in our technologies to maximise our opportunity base as we move towards commercialisation.

*Method of engagement*
Regular development meetings. Ongoing communication through PR and trade media articles, as well as attendance at significant trade shows.

*Achievements in the year*
Signing of collaboration agreement with BRIST and BASE, marking the Group's first commercial agreement.

The Strategic Report was approved by the board of Directors and signed on its behalf by:



**Peter Bardenfleth-Hansen**
**Chief Executive Officer**
**19 April 2024**

## GOVERNANCE REPORT

**Introduction**
As a Group with a Standard Listing, the Group is not required to comply with the provisions of the Corporate Governance Code. However, the Board is committed to good corporate governance and, so far as is appropriate given the Group's size and composition of the Board, intends to comply with the QCA Guidelines on Corporate Governance which is publicly available from the Financial Conduct Authority. The QCA Code sets out 10 principles of Corporate Governance which should be applied in order to deliver long-term shareholder value through good communication and an efficient, effective and dynamic management framework.

The 10 principles of the QCA Code are listed below together with a short explanation of how the Group applies each of the principles and where the Group does not fully comply with each principle, an explanation is provided as to why it does not currently do so.

The Governance Report forms part of the Directors' Report.

**1. Establish a strategy and business model which promote long-term value for shareholders**

The Board believes that the Group's model and growth strategy will help to promote long-term value for shareholders. An update on strategy will be given from time to time in the strategic report that is included in the annual report and accounts of the Group. The Group's business model is covered in greater detail in the Chief Executive Officer's Operational Review.

**2. Seek to understand and meet shareholder needs and expectations**

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders on a regular basis.

All shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Group. In addition, all shareholders are encouraged to attend the Group's Annual General Meeting and any other General Meetings that are held throughout the year.

Investors ordinarily have access to current information on the Group though its website, https://dgiplc.com/, and the Group's financial PR advisers, IFC Advisory Limited, are also available to liaise with shareholders.

The Group expects to widen its investor base over time and already meets or talks regularly with any significant shareholders, fund managers and analysts as part of an active investor relations programme, in conjunction with its IR advisers, to discuss long term issues and obtain feedback.

The Group has and intends to continue to periodically attend Investor Evenings to meet with existing and potential shareholders and provide updates on corporate developments; and at appropriate points in the future the Group will host analyst site visits.

**3. Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Board recognises that the long-term success of DG Innovate Plc is reliant upon the relationship and good communications with the relevant government authorities, the local community and the efforts of the employees of the Group and its contractors, suppliers and regulators in each respective country of operation.

An agreed procedure exists for Directors in the furtherance of their duties to take independent professional advice. With the prior approval of the Chairman, all Directors have the right to seek independent legal and other professional advice at the Group's expense concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors. If the Chairman is unable or unwilling to give approval, Board approval will be sufficient. Newly appointed Directors are made aware of their responsibilities through the Company Secretary.

**4. Embed effective risk management, considering both opportunities and threats, throughout the organisation**

***Principal risks and risk management***
The principal risks and uncertainties facing the Group are set out on pages 16 to 18, together with how the Board mitigate them.

The Board constantly monitors the operational and financial aspects of the Group's activities and is responsible for the implementation and ongoing review of business risks that could affect the Group.

Duties in relation to risk management that are conducted by the Directors include, but are not limited, to:
- Initiating action to prevent or reduce the adverse effects of key risks;
- Controlling further treatment of risks until the level of risk becomes acceptable;
- Identifying and recording any problems relating to the management of risk;
- Initiating, recommending or providing solutions through designated channels;
- Verifying the implementation of solutions;
- Communicating and consulting internally and externally as appropriate; and
- Informing investors of material changes to the Group's risk profile.

***Conflicts of interest***
The Board has instituted a process for reporting and managing any conflicts of interest held by Directors. Under the Group's Articles of Association, the Board has the authority to approve such conflicts.

The Board acknowledges that assessment on materiality and subsequent appropriate thresholds are subjective and open to change. As well as the applicable laws and recommendations, the Board has considered quantitative, qualitative and cumulative factors when determining the materiality of a specific relationship of Directors.

**5. Maintain the board as a well-functioning, balanced team led by the Chair**

The Board recognises that the Group's objective of delivering growth in long-term shareholder value requires an efficient, effective and dynamic management framework and should be accompanied by good communication which helps to promote confidence and trust.

Details of the qualifications, background and responsibility of each director is provided on pages 7 and 8 of the Annual Report, with additional information in respect of Directors' record of attendance at meetings and the operation of the Audit and Risk Committee and Remuneration Committee provided in the below under Principle 9.

The Non-Executive Directors bring a broad range of business and commercial experience to the Group. The Board considers Nicholas Tulloch to be independent in character and judgement. He holds neither an interest in the shares of the Group nor hold any options, and has no other relationships with the Group or the other Directors that could impact his independence.

***Commitments***
All Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to discharge their duties.

***Induction***
All new Directors receive an induction as soon as practicable on joining the Board.

***Remuneration***
The Board currently retains responsibility for agreeing the remuneration policy for senior executives, under recommendations from the Remuneration Committee. The Remuneration Committee Report is presented on pages 29 to 32 and contains full details of the activities during the period.

**6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

The Board is comprised of directors considered to possess the appropriate experience, skills, personal qualities and capabilities necessary to deliver the Group's strategy for the benefit of its shareholders and is appropriate to its present size and stage of development. The non-executive Directors bring a broad range of business and commercial experience to the Group and have a responsibility to challenge independently and constructively the performance of the Executive management and to monitor the performance of the management team in the delivery of the agreed objectives and targets. This has become much more relevant post the acquisition of DHL.

Non-executive Directors are initially appointed for a term of one year, which may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement. Short biographies of the Directors holding office during the year under review can be found on pages 8 and 9.

***Nomination***
Currently due to the size of the Group there is no Nomination Committee. Nominations are considered by the whole Board. The Directors anticipate that a Nomination Committee will be established in the future when the size of the Group justifies it.

The Nomination Committee will review the composition and balance of the Board and senior management on a regular basis to ensure that the Board and senior management have the right structure, skills and experience in place for the effective management of the Group business and is expected to meet twice a year.

***Diversity***
As a small business, the Group does not have a formal diversity policy. The Group recognises the benefits of diversity across all areas and believes that a diverse Board is a positive factor in business success, brings a broader, more rounded perspective to decision making, and makes the Board more effective. When recruiting, the Board will endeavour to consider a wide and diverse talent pool whilst also taking into account the optimum make-up of the Board, including the benefits of differences in skills, industry experience, business model experience, gender, race, disability, age, nationality, background and other attributes that individuals may bring.

**7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

Given the Group's stage of development, no formal assessment of the Board performance has been taken to date. However, post the completion of the acquisition of DHL, clear and relevant management objectives have been implemented for effectiveness measurement. Requests to attend seminars, courses, conferences to improve the effectiveness of the Board are encouraged.

There are periodic discussions on the future direction of the Group and review of its corporate strategy, the requirements to augment the senior management team as appropriate, the potential for new Board members and succession planning.

**8. Promote a corporate culture that is based on ethical values and behaviuor**

As part of the Board's commitment to the highest standard of conduct, the Group adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders;
- compliance with UK laws and regulations;
- anti-corruption practices;
- relations with customers and suppliers;
- ethical responsibilities;
- employment practices; and
- responsibility to the environment and the community.

Regular meetings and communications with management (and employees where relevant) are conducted throughout the year to ensure such corporate culture are instilled within the Group.

**9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

**Board meetings**
The core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Group's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings.

Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Group or their areas of responsibility, and to keep them fully briefed on the Group 's operations.

The Board expects to meet formally at least six times a year.

***Summary of the Board's work in the period***
During 2023, the Board considered all relevant matters within its remit.

Attendance at meetings:

| Member | Meetings held | Meetings attended | Attendance |
|---|---|---|---|
| Jack Allardyce | 12 | 12 | 100% |
| Nicholas Tulloch | 12 | 12 | 100% |
| Martin Boughtwood | 12 | 12 | 100% |
| Trevor Gabriel | 12 | 11 | 92% |
| Dr Patrick Symonds | 12 | 11 | 92% |
| Peter Tierney | 12 | 12 | 100% |

The Board is pleased with the high level of attendance and participation of Directors at Board meetings. Due to the early stage of the Group, all relevant business was conducted at Board meetings.

The Chairman sets the Board Agenda and ensures adequate time for discussion.

Following the acquisition of DHL the Board has met regularly with meetings scheduled a number of weeks in advance. The five current Executive Directors communicate on a daily basis. Decisions concerning the direction and control of the business are made by the Board.

Generally, the powers and obligations of the Board are governed by the UK Companies Act 2006, and the other laws of the jurisdictions in which it operates. The Board is responsible, inter alia, for setting and monitoring Group strategy, reviewing trading performance, changes in the Board / senior management, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders. These areas are set out in more detail in a formal schedule of matters reserved for the Board.

***Audit & Risk Committee***
The Audit and Risk Committee was formed on completion of the acquisition of DHL, and is currently comprised of Trevor Gabriel (Chair), Nicholas Tulloch and Peter Tierney. The committee meets at least twice a year. It is responsible for making recommendations to the Board on the appointment of auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of internal financial controls. It also has responsibility for the reporting of the financial performance of the Group and for reviewing financial statements prior to publication. The Audit & Risk Committee also assists the Board in fulfilling its oversight responsibilities with regard to Group risk management and compliance framework and governance structure that supports it.

***Remuneration Committee***
The Remuneration Committee was formed on completion of the acquisition of DHL and is comprised of Peter Tierney (chair), Nicholas Tulloch and Trevor Gabriel. The Remuneration Committee meets as required during each financial year. It is responsible for reviewing the performance of the executive directors and setting the scale and structure of their remuneration and the basis of their service agreements with due regard to the interest of shareholders.

The Remuneration Committee shall also determine the allocation of share options to employees. It is a rule of the Remuneration Committee that a Director shall not participate in discussions or decisions concerning his/her own remuneration.

***Other governance matters***
All of the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a director. In addition, each Director has access to the advice of the Company Secretary.

***The Company Secretary***
The Company Secretary throughout the period was Bailey Wilson Accounting Ltd, who are available to the Directors and responsible for the Board complying with UK procedures.

***Board performance and evaluation***
DG Innovate Plc has a policy of appraising Board performance annually. DG Innovate Plc has concluded that for a Group of its current scale, an internal process administered by the Board is most appropriate at this stage.

***Internal audit***
The Directors consider that the Group is not currently of a size to warrant the need for an internal audit function although the Board has put in place internal financial control procedures as summarised below:

***Internal financial control***
The Directors acknowledge their responsibility for the Group's system of internal controls and for reviewing its effectiveness.

The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors are conscious of the need to keep effective internal financial control, particularly in view of the limited cash resources of the Group. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are appropriate to the nature and scale of the operations of the Group.

**10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

Open and transparent communication with shareholders is given high priority. The Directors are available to meet with institutional shareholders to discuss any issues and gain an understanding of the Group 's business, its strategies and governance.

All Directors are kept aware of changes in major shareholders in the Group and are available to meet with shareholders who have specific interests or concerns. Regular updates to record news in relation to the Group and the status of its projects are included on the Group's website, http://dgiplc.com.

In addition to the Chairman's Statement and CEO report in the Group's Annual Report and Interim Results, Shareholders are regularly advised of any significant developments in the Group and are encouraged to participate in the Annual General Meeting and any other General Meetings that may take place throughout the year. The Group expects to widen its investor base over time and then meet regularly with any significant institutional shareholders,

fund managers and analysts as part of an active investor relations program to discuss long term issues and obtain feedback.

Investors have access to current information on the Group though its website, https://dgiplc.com, and the Group's financial PR advisers, IFC Advisory Limited, are also available to liaise with shareholders.

The Group also intends to periodically attend Investor Evenings to meet with shareholders and provide updates on corporate developments.

## REMUNERATION COMMITTEE REPORT

**The Remuneration Committee**
Prior to completion of the acquisition of the DG Innovate companies on 8 April 2022, the full Board met to consider matters relating to remuneration. The Group's Remuneration Committee was formed at completion, and it operates within the terms of reference approved by the Board. At the end of the period, the Remuneration Committee comprised the Group's Non-Executive Directors Peter Tierney (Chairman), Nicholas Tulloch and Trevor Gabriel.

The Remuneration Committee is responsible for setting policy on and reviewing the ongoing appropriateness and make-up of the remuneration of executive directors. In addition, it is responsible for approving and reviewing share incentive plans and bonus schemes, determining the awards to be made under such plans or schemes, and ensuring that the remuneration policies adopted by the Group give due regard to any legal requirements and the provisions and recommendations in the QCA Code.

The Remuneration Committee met two times during the year.

The items included in this report are unaudited unless otherwise stated.

**Committee advisors**
No Director takes part in any decision directly affecting their remuneration. No remuneration advisors were retained by the Group during the period.

**Statement of the Group's policy on Directors' remuneration**
The Group's policy is to maintain levels of remuneration so as to attract, motivate and retain Directors and senior executives of the highest calibre who can contribute their experience to deliver industry leading performance with the Group's operations.

**Service Agreements and Letters of Appointment**
All of the service contracts with Directors are on a continuous basis, subject to termination provisions. The appointment of Executive Directors is subject to termination upon twelve months' notice given by either party. The appointment of Non-Executive Directors is subject to termination upon one month's notice given by either party.

The Directors who held office at 31 December 2023 and who had beneficial interests in the Ordinary Shares of the Group are summarised as follows:

| Name of Director | Position |
|---|---|
| Martin Boughtwood | Chief Technical Officer |
| Jack Allardyce | Chief Financial Officer |
| Trevor Gabriel | Non-Executive Director |
| Christian Eidem | Executive Director |

Details of these beneficial interests can be found in the Directors' Report on page 10.

**Terms of appointment**
The services of the Directors, provided under the terms of agreement with the Group dated as follows:

| Director | Year of appointment | Number of years completed | Date of current engagement letter |
|---|---|---|---|
| Jack Allardyce | 2020 | 3 | 9 March 2022 |
| Nicholas Tulloch | 2021 | 3 | 9 October 2021 |
| Martin Boughtwood | 2022 | 2 | 1 April 2022 |
| Peter Tierney | 2022 | 1 | 11 December 2023 |
| Trevor Gabriel | 2022 | 2 | 15 October 2021 |
| Peter Bardenfleth-Hansen | 2023 | 0 | 11 December 2023 |
| Jochen Rudat | 2023 | 0 | 11 December 2023 |
| Christian Eidem | 2023 | 0 | 11 December 2023 |

**Consideration of shareholder views**
The Remuneration Committee will consider shareholder feedback received and guidance from shareholder bodies. This feedback, plus any additional feedback received from time to time, is considered as part of the Group's policy on remuneration.

**Policy for new appointments**
Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g., two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Committee may agree that the Group will meet certain relocation and/or incidental expenses as appropriate.

**Directors' emoluments, compensation and options**

Details of Directors remuneration during 2023 were as per the following table. This information has been audited.

| | Fees & other remuneration | Taxable benefits | Pension contribution | Share option charge | Transfer of assets | 2023 Total | 2022 Total |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Christopher Theis | - | - | - | - | - | - | 180,318 |
| Brent Fitzpatrick | - | - | - | - | - | - | 26,667 |
| Jack Allardyce | 135,000 | 2,235 | 15,000 | 118,617 | - | 270,852 | 329,605 |
| Nicholas Tulloch | 31,667 | - | - | - | - | 31,667 | 40,000 |
| Patrick Symonds | 45,923 | - | - | - | - | 45,923 | 29,129 |
| Stephen Dalton | 2,462 | - | - | - | - | 2,462 | 29,129 |
| Andrew Boughtwood | 2,462 | - | - | - | - | 2,462 | 29,129 |
| Trevor Gabriel | 30,833 | - | - | - | - | 30,833 | 29,129 |
| Peter Tierney | 192,105 | 7,300 | | 670,821 | - | 870,226 | 289,241 |
| Martin Boughtwood | 155,004 | 13,728 | 53,058 | 143,378 | - | 365,168 | 373,213 |
| Peter Bardenfleth-Hansen | 17,301 | - | 1,730 | 52,627 | - | 71,658 | - |
| Jochen Rudat | 5,769 | - | 577 | 52,627 | - | 58,973 | - |
| Christian Eidem | 17,301 | - | 1,730 | 70,169 | - | 89,200 | - |
| | **635,827** | **23,263** | **72,095** | **1,108,239** | **-** | **1,839,424** | **1,355,560** |

During 2023, Directors' gross salaries amounted to £635,827 (2022: £743,519). The directors had deferred salaries to assist the Group's cash flow over the preceding period from July 2022 to November 2023. In December 2023 existing directors remaining on the board agreed to waive their unpaid salaries in the amounts below.

| Director | Salary Waived |
|---|---|
| Jack Allardyce | £33,750 |
| Nicholas Tulloch | £14,167 |
| Martin Boughtwood | £90,208 |
| Peter Tierney | £90,208 |
| Trevor Gabriel | £14,167 |
| **Total** | **£242,500** |

During 2021 and 2022, bonuses had been incorrectly awarded to certain Directors and were deemed to be held in trust. These amounts are repayable to the Group. Other debtors include amounts due from a former director of £87,369 (2022: £137,369). All other amounts have been repaid back to the company at the date of this report.

Compensation payments to a former director who resigned in 2020, totalling £84,000 were payable. During the year £27,000 (2022: £57,000) was paid and the balance due at the year-end was nil (2022: £27,000).

**Future Policy Table**

| How the element supports our strategic objectives | Operation of the element | Maximum potential payout and payment at threshold | Performance measures used, weighting and time period applicable |
|---|---|---|---|
| | | | |
| **Base Pay** | | | |
| Recognises the role and the responsibility for the delivery of strategy and results | Paid in 12 monthly instalments | Contractual sum | None |
| | | | |
| **Pensions** | | | |
| 10% of Executive Directors' gross salary | Paid in 12 monthly instalments | Contractual sum | None |
| | | | |
| **Short term incentives** | | | |
| Share options (see note 27) | Vested on 30 March 2017 and 18 March 2021 | 100% exercisable at reaching targets | Share price |

The Directors hold the following options:

| Option holder | Number of Ordinary Shares subject to option | Exercise Price (per option share) | Expiry date |
|---|---|---|---|
| Jack Allardyce | 62,500,000 | 0.1p | 10 years from 18 March 2021 |
| | 156,105,002 | 0.1p | 10 years from 8 April 2022 |
| Martin Boughtwood | 1,000,000,000 | 0.03p | 10 years from 11 December 2023 |
| | 1,000,000,000 | 0.06p | 10 years from 11 December 2023 |
| Peter Tierney | 264,803,145 | 0.1p | 10 years from 12 October 2022 |
| Christian Eidem | 2,000,000,000 | 0.03p | 10 years from 11 December 2023 |
| PBH Invest ApS* | 1,500,000,000 | 0.03p | 10 years from 11 December 2023 |
| Jochen Rudat | 1,500,000,000 | 0.03p | 10 years from 11 December 2023 |

*holder of executive share options granted to Peter Bardenfleth-Hansen.

**Other matters**

During the year ended 31 December 2023 the Group:

- has not paid out any excess retirement benefits to any Directors or past Directors.
- has paid compensation to past Directors, details are noted on page 30.

**Peter Tierney
Chairman of the Remuneration Committee
19 April 2024**

## AUDIT & RISK COMMITTEE REPORT

**The Audit & Risk Committee**
The Group's Audit & Risk Committee was formed on completion of the acquisition of DHL, and it operates within the terms of reference approved by the Board. During the period, the Audit & Risk Committee comprised the Group's Non-Executive Directors Andrew Boughtwood (Chairman, resigned 23 January 2023), Trevor Gabriel, Sir Stephen Dalton (resigned 23 January 2023) and Nicholas Tulloch (Chairman from 23 January 2023).

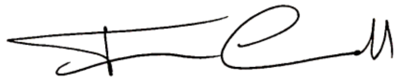
The Audit & Risk Committee oversees the Group's financial reporting and internal controls and provides a formal reporting link with the external auditors. The Committee also considered the impact of existing standards on the Annual Report of the Group, as well as the risk assessment and management processes within the business. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half-yearly reports will remain with the Board.

**Meetings**
The Audit & Risk Committee met three times during the year to 31 December 2023. During these meetings consideration was given to the Annual Report, financial disclosures and other relevant accounting matters for the Group for the year ended 31 December 2022, the interim financial statements for the half year to 30 June 2023 and the audit strategy for the Group's coming audit for the year to 31 December 2023.

The Board met on 19 April 2024 to consider the audit for the year ended 31 December 2023.

**External auditor**
The external auditors, PKF Littlejohn LLP, have unrestricted access to the Audit & Risk Committee and CFO. The Board is satisfied that PKF Littlejohn LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained. The external auditors report to the Audit & Risk Committee annually on their independence from the Group.

The current auditors, PKF Littlejohn LLP, were first appointed by the Group on 14 February 2024. Having assessed the performance objectivity and independence of the Auditors, the Board will be recommending the reappointment of PKF Littlejohn LLP as auditors to the Group at the 2024 Annual General Meeting.



**Trevor Gabriel**
**Chairman of the Audit & Risk Committee**
**19 April 2024**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DG INNOVATE PLC

**Opinion**
We have audited the financial statements of DG Innovate plc (the 'Company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company'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;
- the company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**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 are independent of the group and company 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**
We draw attention to note 1.2 in the financial statements, which indicates that the group and company is in a pre-revenue phase, and its continuation as a going concern is dependent on the Group's ability to successfully raise funds, as it continues to move through the development phase, within twelve months from the date of approval of the financial statements in order to fund its ongoing working capital requirements. As stated in note 1.2, these events or conditions, along with the other matters as set forth in note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's 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 and company's ability to continue to adopt the going concern basis of accounting included the following:

- We obtained an understanding of the process undertaken by management to perform the going concern assessment, including the group's access to available sources of liquidity;
- We obtained management's going concern assessment, including the cash flow forecast for the going concern lookout period until 30 April 2025 and assessed whether the period applied is appropriate, also considering the existence of any significant events or conditions beyond this period based on management's forecasting and knowledge arising from the audit;
- We have tested the mathematical accuracy of the forecast models;
- We assessed the reasonableness of all key assumptions, with a particular focus on when additional funding will be required. This had been performed by:

  - checking the consistency of the forecast with other areas of the audit including the intangible asset impairment assessment; and
  - assessing whether the assumptions made were reasonable through our own independent assessment of the impact of the current macroeconomic environment; comparing the forecast to the current year performance and challenging management's severe but plausible downside scenarios which results in additional downside being added to the forecast.
- We reviewed the adequacy of the disclosures in respect of going concern including the uncertainties over the ability to raise additional funds.

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

**Our application of materiality**

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures.

The overall materiality applied to the group financial statements was set at £141,000 based on 2% of the group's gross assets. The overall materiality applied to the company financial statements was set at £49,000, based on 2% of the company's expenses for the year, capped to its allocated component materiality. In determining the group and parent overall materiality we used our professional judgement. We determined gross assets to be the principal benchmark within the consolidated financial statements as the group is still in the development phase and the key metric to stakeholders will be the value of the assets. Considering the company's principal benchmark, we determined that expenditure incurred to be the main focus for stakeholders as readers of the financial statements will be focussed on the level of expenditure incurred.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures. The performance materiality for the group was set at £91,650 and £26,585 for the company, being 65% of overall materiality for the financial statements as a whole.

In determining performance materiality, we considered the following factors: the level of misstatements in the prior periods, the level of judgment required in respect of the key accounting estimates, the control environment and our overall risk assessment.

Other than the Company, which we audited to the materiality levels set out above for consolidated purposes, we identified one other significant component of the group which we audited to an overall materiality of £86,750 and with performance materiality set at £56,388.

We agreed with the audit committee that we would report all audit differences identified during the course of our audit in excess of £7,050 for the group and £2,045 for the company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We applied the concept of materiality in planning and performing our audit and in evaluating the effect of misstatement. No significant changes have come to light during the audit which required a revision of our materiality for the financial statements as a whole.

**Our approach to the audit**

Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

As part of designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we focussed on areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. These areas of estimate and judgement included:

- the recoverability of intellectual property, loans to subsidiaries and investments in subsidiary undertakings, as the group is still in the development phase, resulting in the estimates to be inherently uncertain;
- the valuation of warrants and share based payments issued in the year which were assessed as an area which involved significant estimation by management;
- classification of newly issued convertible loan notes as these arrangements are complex in nature; and
- capitalisation of development costs as there is a degree of judgement and subjectivity involved in assessing whether the internally generated intangible assets qualify for capitalisation in accordance with IAS38.

We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The scope of our audit was based on the significance of each component's operations and materiality. Each component was assessed as to whether it was significant or not to the group by either their size or risk.

Included in the group are four companies that, are not dormant, and are consolidated within these financial statements. We identified two significant components, being the Company and Deregallera Holdings Ltd, which were subject to a full scope audit by a team with relevant sector experience from the PKF Littlejohn London office. No component auditors were engaged.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, 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) 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 our scope addressed this matter |
|---|---|
| **Recoverability of intellectual property (Group) (note 13)** | |
| **The group holds intellectual property, classified as intangible assets, to the value of £4,419,286 at 31 December 2023. The directors are required to make an assessment to determine whether there are impairment indicators relating to the intangible assets and to carry out a formal impairment review should such indicators exist.**<br><br>**There is a significant degree of judgement and subjectivity involved in assessing the recoverability of intangible assets, therefore there is a material risk of misstatement.** | **Our work in this area included:**<br><br>• Consideration of evidence to support the continuing existence of intangible assets at the period end;<br>• Obtaining and challenging management's impairment review, together with review of external reports, where applicable, and management estimates;<br>• Performing an independent assessment for indicators of impairment in accordance with the requirements of IAS 36;<br>• Critically assessing the key assumptions used in the impairment workings and performing sensitivity analysis through changing the assumptions and re-running the cash flow forecast;<br>• Evaluating the accounting policy and detailed disclosures to determine whether the information provided in the financial statements |

| | |
|---|---|
| | is compliant with the requirements of IAS 36 and consistent with the results of the impairment review.<br><br>We consider Management's assessment of impairment is reasonable in concluding no impairment is required to be recognised at period-end. |
| **Recoverability of Investment in subsidiaries (Company only) (note 12)** | |
| **The company holds investments in its subsidiaries to the value of £32,490,188 at 31 December 2023.**<br><br>**There is a significant degree of judgement and subjectivity involved in assessing the recoverability of the investment in the subsidiaries, therefore there is a material risk of misstatement.** | **Our work in this area included:**<br><br>• Obtaining management's impairment assessment and assessing the key inputs and assumptions used;<br>• Obtaining and reviewing minutes of Board meetings to understand the strategy for the subsidiaries and expectations going forward;<br>• Obtaining and challenging management's impairment review, together with review of external reports, where applicable, and management estimates;<br>• Performing an independent assessment for indicators of impairment in accordance with the requirements of IAS 36;<br>• Critically assessing the key assumptions used in the impairment workings and performing sensitivity analysis through changing the assumptions and re-running the cash flow forecast.<br>• Evaluating the accounting policy and detailed disclosures to determine whether the information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review.<br><br>We consider Management's assessment of recoverability of investments in subsidiaries is reasonable in concluding no impairment is required to be recognised at period-end. |
| **Recoverability of intergroup receivables in subsidiaries (Company only) (note 14)** | |
| **The company holds receivables balances due from its subsidiaries to the value of £4,985,349, before impairment, at 31 December 2023.**<br><br>**There is a risk of material misstatement regarding the recoverability of intercompany receivables. There is also a risk that management have not applied the IFRS 9 expected credit loss model** | **Our work in this area included:**<br><br>• Reviewing recoverability of intercompany receivables using management forecasts and considering whether there are indicators of impairment; |

<table>
<tr><td>appropriately and therefore the balance may be materially misstated.</td><td><ul><li>Assessing and concluding on the appropriateness of the underlying assumptions within the forecast in order to ensure the appropriate valuation of intercompany receivables; and</li><li>Considering whether any other indicators of impairment are present.</li></ul>We considered management’s assessment of recoverability of intergroup and noted that receivables with two of the component entities are not recoverable as the entities have negative net assets. The total value of the impairment is £883,579, impacting the parent’s profit and loss only, and management correctly adjusted for the error in the financial statements.</td></tr>
<tr><td>Share based payments and warrants (note 27)</td><td></td></tr>
<tr><td>The recognition of share-based payments requires estimates to be made regarding the fair value of the share options and warrants granted. These are dependent on the assumptions made in respect of the inputs into the relevant options pricing model.<br><br>The use of the model and the assumptions made by management thus involve a number of judgements to establish the appropriate inputs into the model, and given the magnitude of the charge this was determined to be a key audit matter.</td><td>Our work in this area included:<ul><li>Obtaining an understanding of the share based payment and warrant schemes by reviewing and assessing the relevant agreements;</li><li>Ensuring that equity settled share-based payments are appropriately accounted for in accordance with the applicable financial reporting framework.</li><li>Validating a sample of share based payment grants and warrants to supporting agreements;</li><li>Where share based payments involve material accounting estimates, performing the required work under ISA (UK) 540; and</li><li>Obtaining a copy of the share based payment valuation and assessing the reasonableness of the assumptions, source data and methods used through discussion with management and the valuer, market research, comparison with other data;</li></ul>Our procedures identified that all the share based payment schemes vest on a pro rata basis, over the vesting period, as employees are entitled to pro rata shares when they cease employment. IFRS 2 para IG 11 requires these shares to be treated as separate awards, resulting in a frontload of the share based expense. Management has previously recognised the expense on a straight line basis over the vesting period and the correction resulted in a prior year restatement of the 2022 expense (increase of £360,521) as set out in note 32 to the financial statements.<br><br>In addition to the matter above, we also noted that management did not correctly account for a share</td></tr>
</table>

| | |
|---|---|
| | scheme cancellation, modification and forfeiture which resulted in the current year share based payment expense, as per the Consolidated Statement of Comprehensive Income, and share based payment reserve being understated by £1,745,177.<br><br>As a result of these adjustments, we agree that the resultant charge and reserves balance are fairly stated within the financial statements. |
| **Classification of convertible loan notes (Group and Company) (notes 16 and 21)** | |
| **During the period the group and company issues convertible loan notes to the value of £2,431,000 and classified the loan notes as equity.**<br><br>**Due to the sometimes complex nature of convertible loan notes, there is a risk that the classification of loan notes may be incorrect.** | **Our work in this area included:**<br><br>• Reviewed the new agreements for each convertible loan note and ensuring that the bond liability has been accounted for correctly and is supported by sufficient and appropriate audit evidence;<br>• Obtained and challenged management's assessment of the classification of the convertible loan notes and critically evaluated the classification of the loan notes; and<br>• Considered whether each transaction has been disclosed correctly within the financial statements.<br><br>Our procedures identified that the convertible loan notes were originally incorrectly classified as equity, as management's assessment did not consider the fact that under IAS32 the company and group did not have an unconditional right not to pay cash as the holders can decide not to convert the loan note to equity.<br><br>We subsequently obtained management's revised workings, which included a liability and equity component. We evaluated the revised workings against the requirements of IAS32 and concluded that management correctly split the convertible loans between equity (£490,793) and liabilities (£1,837,314) after taking into account an arrangement fee (£102,892) paid on the issue of the notes, which was previously expensed to the statement of comprehensive income.<br><br>We concluded that management has correctly adjusted for the error in the financial statements and therefore the convertible loan notes have been correctly classified in the financial statements. |

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and company 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.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and company 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 group and company financial statements, the directors are responsible for assessing the group's and 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 group or 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.

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:

- We obtained an understanding of the group and company and the sector in which they operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and industry research.

- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the:
    - Anti-Money Laundering regulations
    - Anti-Bribery regulations
    - GDPR
    - UK tax laws
    - Health & Safety regulations
    - Environmental protection
    - UK Sanctions
    - UK-adopted IAS
    - Companies Act 2006
    - QCA code

- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and company with those laws and regulations. These procedures included, but were not limited to:
    - reviewing of legal expenses
    - conducting enquiries of management
    - reviewing board minutes and other correspondence from management
    - reviewing RNS publications

- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, whether key management judgements could include management bias. The potential for bias was identified in relation to valuation and classification of intangible assets, the recoverability of intercompany receivables and investments (company only), the valuation of warrants and share based payments and the classification of convertible loan notes that were issued during the current year . We addressed these items as outlined in the Key Audit Matters section.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

- Compliance with laws and regulations at the subsidiary level was ensured through enquiry of management, communication with the component auditor and reviewing correspondence for any instances of non-compliance.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

**Other matters which we are required to address**

We were appointed by Audit Committee on 14 February 2024 to audit the financial statements for the period ending 31 December 2023 and subsequent financial periods. Our total uninterrupted period of engagement is one year, covering the period ending 31|December 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

**Use of our report**

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

**Hannes Verwey (Senior Statutory Auditor)**
**For and on behalf of PKF Littlejohn LLP**
**Statutory Auditor**

15 Westferry Circus
Canary Wharf
London E14 4HD

20 April 2024

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December 2023 £ | Year ended 31 December 2022 Restated* £ |
|---|---|---|---|
| **Revenue** | | | |
| Turnover | | 30,240 | 4,280 |
| Cost of sales | | (19,729) | (2,000) |
| **Gross Profit** | | 10,511 | 2,280 |
| Grant income | | 618,021 | 433,989 |
| Other income | | 2,993 | 2,618 |
| Administrative expenses | | (3,092,186) | (2,715,557) |
| Share based payments | 27 | (1,324,443) | (699,385) |
| **Operating loss** | 4 | (3,785,104) | (2,976,055) |
| Reverse acquisition expenses | 29 | - | (5,094,074) |
| Finance income | 8 | 66 | - |
| Finance cost | 8 | (45,078) | (67,873) |
| Other gains and losses | | (77,272) | (90,895) |
| **Loss on ordinary activities before taxation** | | (3,907,388) | (8,228,897) |
| Income tax | 9 | 131,443 | 188,864 |
| **Loss for the year and total comprehensive loss attributable to the equity holders after taxation** | | (3,775,945) | (8,040,033) |
| **Earnings per share** | | | |
| - Basic and diluted earnings attributable to the equity holders from continuing and total operations - restated | 10 | (0.04) | (0.09) |

All operating income and operating gains and losses relate to continuing activities.

There was no other comprehensive income for the year (2022: £Nil).

The notes form an integral part of the financial statements.

*The comparative figures have been restated, refer to note 32 for further details.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital | Share Premium | Capital Redemption Reserve | Reverse Acquisition Reserve | Merger Reserve | Share Option Reserve | CLNs Equity Reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | (Restated*) | | (Restated*) | | (Restated*) | | (Restated*) | |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| **As at 1 January 2022** | **2,029,464** | **27,723,274** | **8,783,824** | **(36,439,255)** | **-** | **-** | **-** | **724,693** | **2,822,000** |
| **Comprehensive income** | | | | | | | | | |
| Loss for the period (restated) | - | - | | - | - | - | - | (8,040,033) | (8,040,033) |
| Share based payments (restated) | - | - | - | - | - | 699,385 | - | - | 699,385 |
| **Total Comprehensive loss** | **-** | **-** | **-** | **-** | **-** | **699,385** | **-** | **(8,040,033)** | **(7,340,648)** |
| **Total contributions by and distributions to owners of the Group** | | | | | | | | | |
| Reverse acquisition (restated) | - | - | - | (27,685,630) | | - | - | - | (27,685,630) |
| Issue of share capital net of issue costs (restated) | 6,813,251 | 3,794,860 | - | - | 26,987,257 | - | - | - | 37,595,368 |
| **As at 31 December 2022 (restated)** | **8,842,715** | **31,518,134** | **8,783,824** | **(64,124,885)** | **26,987,257** | **699,385** | **-** | **(7,315,340)** | **5,391,090** |
| **Balance at 1 January 2023 (as previously presented)** | **8,842,715** | **33,604,986** | **8,783,824** | **(66,211,737)** | **26,987,257** | **338,864** | **-** | **(6,954,819)** | **5,391,090** |
| **Prior year adjustment (note 32)** | **-** | **(2,086,852)** | **-** | **2,086,852** | **-** | **360,521** | **-** | **(360,521)** | **-** |
| **Balance at 1 January 2023 (as restated)** | **8,842,715** | **31,518,134** | **8,783,824** | **(64,124,885)** | **26,987,257** | **699,385** | **-** | **(7,315,340)** | **5,391,090** |
| **Comprehensive income** | | | | | | | | | |
| Loss for the period | - | - | | - | - | - | - | (3,775,945) | (3,775,945) |
| Share based payments | - | - | - | - | - | 1,324,442 | - | - | 1,324,442 |
| **Total Comprehensive loss** | **-** | **-** | **-** | **-** | **-** | **1,324,442** | **-** | **(3,775,945)** | **(2,451,503)** |
| **Total contributions by and distributions to owners of the Group** | | | | | | | | | |
| Issue of share capital net of issue costs | 469,233 | 480,029 | - | - | - | - | - | - | 949,262 |
| Issue of convertible loan notes | - | - | - | - | - | - | 490,794 | - | 490,794 |
| Reclassification of lapsed or cancelled share based payments | - | - | - | - | - | (824,972) | - | (824,972) | - |
| **As at 31 December 2023** | **9,311,948** | **31,998,163** | **8,783,824** | **(64,124,885)** | **26,987,257** | **1,198,855** | **490,794** | **(10,266,313)** | **4,379,643** |

*The comparative figures have been restated, refer to note 32 for further details.

The Share Capital represents the nominal value of the equity shares.

The Share Premium represents the amount subscribed for share capital, in excess of the nominal amount, less costs directly relating to the issue of shares.

The Capital Redemption reserve represents the nominal value of cancelled deferred shares.

The reverse acquisition reserve was recognised on the reverse acquisition of DHL, which while being the legal acquiree, was considered to be the accounting acquirer under the rules of IFRS 3. As the accounting acquiree was not a business under IFRS 3, a part of the transaction was outside the scope of IFRS 3. This resulted in the recognition of a 'reverse acquisition reserve' on consolidation. Please see note 29 for further detail.

The Share option reserve represents share-based payments which represents the cumulative fair value of options and warrants granted.

The merger reserve represents the share premium on the acquisition shares.

The CLN equity reserve represents the equity component of the convertible loan notes issued in December 2023.

The Retained Earnings reserve represents the cumulative net gains and losses less distributions made.

The notes form an integral part of the financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

| | Share Capital | Share Premium | Capital Redemption Reserve | Share Option Reserve (Restated*) | Merger Reserve | CLNs Equity Reserve | Retained earnings (Restated*) | Total |
|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| **As at 1 January 2022** | **2,029,464** | **27,723,274** | **8,783,824** | **2,977,005** | **-** | **-** | **(40,579,132)** | **934,435** |
| **Comprehensive income** | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | (1,909,548) | (1,909,548) |
| Warrants exercised | - | 758,055 | - | (758,055) | - | - | - | - |
| Share based payments (restated) | - | - | - | 699,385 | - | - | | 699,385 |
| **Total Comprehensive loss** | **-** | **758,055** | **-** | **(58,670)** | **-** | **-** | **(1,909,548)** | **(1,210,163)** |
| **Total contributions by and distributions to owners of the Company** | - | - | - | - | - | - | - | - |
| Issued share capital net of issue cost | 6,813,251 | 3,036,805 | - | - | 26,987,257 | - | - | 36,837,313 |
| **As at 31 December 2022** | **8,842,715** | **31,518,134** | **8,783,824** | **2,918,335** | **26,987,257** | **-** | **(42,488,680)** | **36,561,585** |
| **Balance at 1 January 2023 (as previously presented)** | **8,842,715** | **31,518,134** | **8,783,824** | **2,557,814** | **26,987,257** | **-** | **(42,128,159)** | **36,561,585** |
| **Prior year adjustment (note 32)** | **-** | **-** | | 360,521 | **-** | **-** | (360,521) | **-** |
| **As at 1 January 2023** | **8,842,715** | **31,518,134** | **8,783,824** | **2,918,335** | **26,987,257** | **-** | **(42,488,680)** | **36,561,585** |
| Loss for the period | - | - | - | - | - | - | (2,838,498) | **(2,838,498)** |
| Warrants exercised | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | 1,324,442 | - | - | - | **1,324,442** |
| **Total Comprehensive loss** | **-** | **-** | **-** | 1,324,442 | **-** | **-** | **(2,838,498)** | **(1,514,056)** |
| **Total contributions by and distributions to owners of the Company** | | | | | | | | |
| Issue of share capital net of issue cost | 469,233 | 480,029 | - | - | - | - | - | 949,262 |
| Issue of convertible loan notes | - | - | - | | | 490,794 | | 490,794 |
| Reclassification of lapsed or cancelled share based payments | - | - | - | (1,930,413) | - | - | 1,930,413 | - |
| **As at 31 December 2023** | **9,311,948** | **31,998,163** | **8,783,824** | **2,312,364** | **26,987,257** | **490,794** | **(43,396,765)** | **36,487,585** |

*The comparative figures have been restated, refer to note 32 for further details.

The Share Capital represents the nominal value of the equity shares.

The Share Premium represents the amount subscribed for share capital, in excess of the nominal amount, less costs directly relating to the issue of shares.

The Capital Redemption reserve represents the nominal value of cancelled deferred shares.

The Share option reserve represents share-based payments which represents the cumulative fair value of options and warrants granted.
The merger reserve represents the share premium on the acquisition shares.

The CLN equity reserve represents the equity component of the convertible loan notes issued in December 2023.

The Retained Earnings reserve represents the cumulative net gains and losses less distributions made.

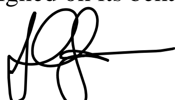
The notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 December 2023 | As at 31 December 2022 Restated* |
|---|---|---|---|
| | | £ | £ |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 536,229 | 725,091 |
| Intangible assets | 13 | 4,419,286 | 4,573,592 |
| | | 4,955,515 | 5,298,683 |
| **Current assets** | | | |
| Trade and other receivables | 14 | 404,736 | 1,023,552 |
| Cash and cash equivalents | 25 | 1,879,701 | 234,990 |
| | | 2,284,437 | 1,258,542 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | (564,864) | (640,229) |
| **Net Current Assets** | | 1,719,573 | 618,313 |
| **Non-current liabilities** | 16 | (2,262,273) | (495,860) |
| **Provision for liabilities** | 17 | (33,172) | (30,046) |
| **Net Assets** | | 4,379,643 | 5,391,090 |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 22 | 9,311,948 | 8,842,715 |
| Capital redemption reserve | | 8,783,824 | 8,783,824 |
| Share premium account | | 31,998,163 | 31,518,134 |
| Share option reserve | | 1,198,855 | 699385 |
| Merger reserve | | 26,987,257 | 26,987,257 |
| Reverse acquisition reserve | | (64,124,885) | (64,124,885) |
| CLN equity reserve | | 490,794 | - |
| Retained earnings | | (10,266,313) | (7,315,340) |
| **TOTAL EQUITY** | | 4,379,643 | 5,391,090 |

*The comparative figures have been restated, refer to note 32 for further details.

The financial statements were approved and authorised for issue by the Board of Directors on 19 April 2024 and were signed on its behalf by:



**Jack Allardyce**
**Chief Financial Officer**
The attached notes form part of these financial statements.

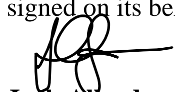
## COMPANY STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 December 2023 £ | As at 31 December 2022 Restated* £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 2,615 | 2,240 |
| Investment in subsidiaries | 12 | 32,490,188 | 32,490,188 |
| | | 32,492,803 | 32,492,428 |
| **Current assets** | | | |
| Trade and other receivables | 14 | 4,316,210 | 4,240,661 |
| Cash and cash equivalents | 25 | 1,783,235 | 156,193 |
| | | 6,099,445 | 4,396,854 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | (256,569) | (327,697) |
| **Net current assets** | | 5,842,876 | 4,069,157 |
| **Non-current liabilities** | 16 | (1,848,094) | - |
| **Net assets** | | 36,487,585 | 36,561,585 |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 22 | 9,311,948 | 8,842,715 |
| Capital redemption reserve | | 8,783,824 | 8,783,824 |
| Share premium account | | 31,998,163 | 31,518,134 |
| Merger reserve | | 26,987,257 | 26,987,257 |
| Share option reserve | | 2,312,364 | 2,918,335 |
| CLN equity reserve | | 490,794 | - |
| Retained earnings | | (43,396,765) | (42,488,680) |
| **Total equity** | | 36,487,585 | 36,561,585 |

*The comparative figures have been restated, refer to note 32 for further details.

The Company has taken advantage of the exemption contained in S408 Companies Act 2006 and has not presented a separate income statement for the Company. The Company recorded a loss after tax of £2,838,498 for the year ended 31 December 2023 (2022: £1,909,548 restated).

The financial statements were approved and authorised for issue by the Board of Directors on 19 April 2024 and were signed on its behalf by:



**Jack Allardyce**
**Chief Financial Officer**
Company Registration No. 04006413 (England and Wales)
The attached notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 December 2023 | Year ended 31 December 2022 |
|---|---|---|---|
| | | £ | £ |
| **Cash flows from operating activities** | | | |
| Cash expended from operations | 23 | (1,469,964) | (2,477,933) |
| Tax refunded | | 165,213 | 85,270 |
| Net cash (outflow) from operating activities | | (1,304,751) | (2,392,663) |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | 76,203 | 50,832 |
| Purchase of property, plant and equipment | 11 | (11,766) | (76,563) |
| Purchase of intangible assets | 13 | (149,541) | (848,443) |
| Finance cost | | - | (50,241) |
| Cash payment on acquisition | | - | (86,062) |
| Net cash used in investing activities | | (85,104) | (1,010,477) |
| **Cash flows from financing activities** | | | |
| Finance cost | | (34,296) | - |
| Repayment of borrowings | | (135,729) | (735,876) |
| Issue of convertible loan notes | 21 | 2,431,000 | - |
| Issue costs on convertible loan notes | | (102,892) | - |
| Proceeds from issue of shares net of issue cost | | 828,237 | 4,347,125 |
| Repayment of lease liabilities | | (44,686) | (71,661) |
| Proceeds from borrowings | | 92,932 | - |
| Net cash generated from investing activities | | 3,034,566 | 3,539,588 |
| **Net increase in cash and cash equivalents** | | 1,644,711 | 136,448 |
| Cash and cash equivalents at the beginning of year | | 234,990 | 57,454 |
| Cash balance on acquisition | | - | 41,088 |
| **Cash and cash equivalents at end of year** | 25 | 1,879,701 | 234,990 |

The notes form an integral part of the financial statements.

Significant non-cash transactions activities, not included above, are as follows:

- Financing activities – Share issued in lieu of listing costs and settlement of payables, totalling £121,026 (2022: £nil).

## COMPANY STATEMENT OF CASH FLOWS

| | Note | Year ended 31 December 2023 | Year ended 31 December 2022 |
|---|---|---|---|
| | | £ | £ |
| **Cash flows from operating activities** | | | |
| Cash expended from operations | 23 | (862,693) | (2,695,297) |
| Net cash outflow from operating activities | | (862,693) | (2,695,297) |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 11 | (1,275) | (3,068) |
| Advance loans to subsidiaries | | (701,467) | (2,177,034) |
| Finance costs | | - | (1,933) |
| Net cash used in investing activities | | (702,742) | (2,182,035) |
| **Cash flows from financing activities** | | | |
| Finance costs | | (4,421) | - |
| Issue of share capital net of issue cost | | 828,237 | 4,347,125 |
| Issue of convertible loan notes | | 2,431,000 | - |
| Issue costs on convertible loan notes | | (102,892) | - |
| Proceeds from borrowings | | 92,932 | - |
| Repayment of borrowings | | (52,379) | - |
| Net cash generated from investing activities | | 3,192,477 | 4,347,125 |
| **Net (decrease)/increase in cash and cash equivalents** | | 1,627,042 | (530,207) |
| Cash and cash equivalents at the beginning of year | | 156,193 | 686,400 |
| **Cash and cash equivalents at end of year** | 25 | 1,783,235 | 156,193 |

Significant non-cash transactions activities, not included above, are as follows:

- Investing activities – Equity consideration for the reverse acquisition of DHL in the year totalled nil. (2022: £32,490,188);
- Financing activities – Share issued in lieu of listing costs and settlement of payables, totalling £121,026 (2022: £nil).

The notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation

DG Innovate Plc is a public limited company incorporated and domiciled in the England and Wales, registered under company number 04006413. The address of the registered office is 15 Victoria Mews, Cottingley Business Park, Bingley, BD16 1PY, England. DG Innovate Plc is a public company incorporated under the Companies Act 1985 and domiciled in the United Kingdom. On 8 April 2022 the Company completed the acquisition of DHL, becoming an advanced research and development company pioneering sustainable and environmentally considerate improvements to electric mobility and storage.

The consolidated financial statements comprise the financial statements of DG Innovate Plc and its subsidiaries ('the Group'). They have been prepared and approved by the Directors in accordance with UK-Adopted International Accounting Standards ('IASs') and with those parts of the Companies Act 2006 applicable to companies reporting under IAS.

For the year ended 31 December 2023, the subsidiary companies were entitled to exemption from audit under section 479 of the Companies Act 2006 relating to subsidiary companies. DGI Innovate Plc, the parent company, guarantees all outstanding liabilities that the subsidiary companies are subject to at the end of the financial year.

The financial statements are presented in UK pounds Sterling which is the Group's functional and presentational currency, and all values are rounded to the nearest pound except where indicated otherwise.

The financial statements have been prepared under the historical cost convention or fair value where appropriate. The significant accounting policies adopted are described below.

The preparation of the financial statements in conformity with UK-adopted IFRS and IAS requires the use of certain critical accounting estimates, it also requires the board to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.14. Under reverse acquisition accounting the comparatives comprise details of the group prior to the reverse takeover.

### 1.2 Going concern

The financial statements have been prepared on the assumption that the Group will continue as a going concern. Under this assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, the Directors take into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements.

The Directors consider the use of the going concern assumption to be appropriate. At the latest reported date of 31 December 2023, the Group had cash and cash equivalents totalling £1,879,701 and net current assets of £1,719,573.

In January 2023, the Group raised £418,000 through a subscription and broker option. A further £517,000 was then raised via a placing in June 2023, conditional on a proposed capital reorganisation which was duly approved by shareholders at the Group's AGM the following month. These funds were raised to fund the ongoing development of the Group's technologies towards commercialisation, against a very challenging economic and market environment. In December, the Group welcomed Peter Bardenfleth-Hansen, Christian Eidem and Jochen Rudat to its Board, with the new Directors joining to accelerate the Group's commercialisation strategy through their extensive electric mobility sector experience and networks. At the

same time, the Group raised £2.4m through the issue of convertible loan notes, to allow the required investment in DGI's product development and strengthen the technical team.

Despite difficult market conditions and reduced availability of capital during the year, with testing and further optimisation of the Group's Pareta® drive, which has been designed in collaboration with major Tier 1 axle supplier Cummins-Meritor. In February 2023, DGI signed a Collaboration Framework Agreement with Tier 1 axle suppliers BRIST and BASE, representing the Group's first commercial partnership. Under the agreement the parties are working together to develop and integrate Pareta® into BRIST and BASE's range of axles, to provide a turnkey offering for commercial and military vehicles globally.

The Group also continues its work with the UK Ministry of Defence, and completed three grant-funded projects during the period. The first phase of a project to develop Pareta® for marine applications received "Approval in Principle" from Lloyd's Register, with a second phase now underway and expected to lead to a full 3MW demonstration vessel project. Post the year-end, in January 2024 the Group signed a Joint Development Agreement with a tier one commercial vehicle components company, to jointly develop systems for heavy goods vehicles applications utilising Pareta®. This is expected to see prototypes produced during H1 2024, with on vehicle trials in H2 2024. In February 2024, the Group's improved funding position enabled it to purchase new equipment for both its electric drive and energy storage divisions, to enhance its in-house capabilities in both areas.

In line with all pre-revenue companies, further funding will be required as the Group continues to move through the development phase. The Board have considered a number of detailed cashflow scenarios and have identified a further funding requirement from mid-2024. As this falls within 12 months of the date of this report, a material uncertainty exists in relation to the ability of the Group to continue as a going concern.

The Directors would note that while the fundraises undertaken during January and June 2023 were made up of a small group of supportive existing investors, the larger fundraise completed during December 2023 included significant new investors introduced by the incoming investors. This and the subsequent share price appreciation give the Directors belief that further equity fundraises would be well supported. The Directors also maintain a dialogue with lenders regarding debt facilities, should it achieve material customer orders over the coming months. Taking this into account, the Directors have formed the opinion that there are adequate arrangements in place to enable the settlement of the Group's financial commitments as and when they fall due.

For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2023. While there are inherent uncertainties in relation to future events and ultimately no certainty over the outcome of matters described above, in the opinion of the board of Directors, the newly formed group will be a going concern for the next 12 months.

### 1.3 Financial instruments

***Classification and measurement***

The Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through the profit or loss (FVPL)) and those to be held at amortised cost.

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

Management determines the classification of financial assets at initial recognition. The Group's policy with regard to financial risk management is set out in note 23. Generally, the Group does not acquire financial assets for the purpose of selling in the short term.

The Group's business model is primarily that of "hold to collect" (where assets are held in order to collect contractual cash flows).

***Financial Assets held at amortised cost***
The classification applies to debt instruments which are held under a hold to collect business model and which have cash flows that meet the "Solely Payments of Principal and Interest" (SPPI) criteria.

Other financial assets are initially recognised at fair value plus related transaction costs, they are subsequently measured at amortised costs using the effective interest method. Any gain or loss on derecognition or modification of a financial asset held at amortised cost is recognised in the income statement.

***Financial Assets held at fair value through other comprehensive income (FVOCI)***
The classification applies to the following financial assets:

- Equity investments where the Group has irrevocably elected to present fair value gains and losses on revaluation of such equity investments, including any foreign exchange component, are recognised in other comprehensive income. When an equity investment is derecognised, there is no reclassification of fair value gains or losses previously recognised in other comprehensive income to the income statement. Dividends are recognised in the income statement when the right to receive payment is established.

***Financial Assets held at fair value through profit or loss (FVPL)***
The classification applies to the following financial assets. In all cases, transaction costs are immediately expensed to the income statement.

- Debt instruments that do not meet the criteria of amortised costs or fair value through other comprehensive income. The Group has a significant proportion of trade receivables with embedded derivatives for professional pricing. These receivables are generally held to collect but do not meet the SPPI criteria and as a result must be held at FVPL. Subsequent fair value gains or losses are taken to the income statement.
- Equity investments which are held for trading or where the FVOCI election has not been applied. All fair value gains or losses and related dividend income are recognised in the income statement.

***Leases***
Lease agreements under which the Group is lessee give rise to both a right of use asset and a lease liability.

The lease liability is recognised at the present value of future lease payments under the lease, including any rental incentives, and discounted at the incremental rate of borrowing of the lessee, which is determined based on the risk-free rate and margin payable on borrowing over a term equivalent to the lease. Right of use assets are initially recognised at the value of the lease liability.

Lease liabilities are subsequently measured by adjusting the carrying amount to reflect the interest charge, the lease payments made and any reassessment or lease modifications. Leases with a remaining term less than 12 months at the reporting date are assessed for a period of expected renewal, and where renewal is expected, the lease liability is remeasured to include the terms of the expected renewal.

Right of use assets are subsequently depreciated on a straight-line basis over the shorter of the expected life of the asset and the lease term, adjusted for any remeasurements of the lease liability and amendments to associated provisions for dilapidation on property leases. Right of use assets are derecognised on handing the leased asset back to the lessor of the asset.

Lease agreements under which the Group is lessor are assessed to determine if they represent operating or finance leases. The Group has one lease agreement under which the Group is lessor, which is classified as a finance lease, in respect of part of a property for which the Group is also lessor.

Finance leases of leased assets under which the Group is lessor give rise to both a finance lease receivable and the partial de-recognition of the right of use asset in respect of the head lease of the leased asset. De-recognition

of right of use assets are measured at an amount equal to the lease receivable. Finance lease receivables are subsequently measured by adjusting the carrying amount to reflect the interest income, the lease payments received and any reassessment or lease modifications.

Where a lease has a term of less than 12 months or is of low value, the Group applies the exemption not to recognise right of use assets and liabilities for these leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

***Financial liabilities***
Borrowings and other financial liabilities (including trade payables but excluding derivative liabilities) are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised costs.

***Impairment of financial assets***
A forward-looking expected credit loss (ECL) review is required for: debt instruments measured at amortised costs.

As permitted by IFRS 9, the Group applies the "simplified approach" to trade receivable balances and the "general approach" to all other financial assets. The general approach incorporates a review for any significant increase in counter party credit risk since inception. The ECL reviews including assumptions about the risk of default and expected loss rates. For trade receivables, the assessment takes into account the use of credit enhancements, for example, letters of credit.

**1.4 Revenue Recognition**
Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group and the Company recognise revenue when it transfers control of a product or service to a customer.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

**1.5 Government grants**
Government grants are not recognised at their fair value until there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received. The Group has applied for grant funding to support its research and development projects focusing on the electric motor and drive and energy storage technologies. Project costs comprise both capital purchases for equipment and operational expenditure for labour and project related supplies.

The Group agree the project costs with the funding body at the commence of each project and a level of grant income which is allocated for payment defrayed against the project expenditure incurred. The Group continue seeking grant funding to finance ongoing and future research and development activities.

The Group recognises the costs of a project in the period in which they are incurred when related to qualifying expenditure. The grant income that is provided against the relevant expenditure is recognised as income when it is probable that grant income will be received from the funding body, and at the time when cash payments have been received in Group's bank accounts. Recognition occurs at this point as the grant income release is subject to the funding body's review and approval for grant income payment. The grant in relation to capital assets is deferred and recognised as income in the period in which the grant-related asset is in use and being depreciated. Assets acquired for use in projects are depreciated following the company/group's depreciation policy.

**1.6 Intangible assets other than goodwill**
The Group recognises with the statement of financial position, costs associated with the acquisition of patents, licences and development costs.

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at the cost less accumulated impairment losses.

(ii) Internally generated intangible assets (Patents and licences and development expenditure)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefit;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributed to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in the statement of profit and loss in the period in which it incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided at the following annual rates:

- Intellectual property - Straight line 5 - 10 years
- Patent applications are capitalised once they have been successful and are amortised over the useful economic life of 10 years.

Subsequent development expenditure which meets the criteria for capitalisation as an intangible asset is capitalised in the specific asset to which it relates. All other expenditure is recognised in profit or loss.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no further economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(iv) Impairment of intangible assets

At the end of each reporting period the group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful economic lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The recoverable amount is considered to be the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

**1.7 Property, plant and equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

- Improvements to leasehold property - Straight line between over 5 years
- Plant and equipment - Straight line between 3 and 15 years
- Right of use asset - Straight line over the lease term of 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

**1.8 Investments in subsidiaries**

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

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

**1.9 Impairment of non-current, tangible and intangible assets**

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

**1.10 Provision of dilapidations**

The Group recognises a provision for dilapidations which exist at the reporting date. Estimates applied in determining provisions include assessment of the likelihood of a claim being successful and the actual amount and timing of future cash flows, which are dependent on future events. Management reviews these provisions at each reporting date to ensure they are measured at the current best estimate of the expenditure required to settle the obligation and discounted over the period. Any difference between the amounts previously recognised and the current estimate is recognised immediately in the statement of comprehensive income.

**1.11 Consolidation**

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the day that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses resulting from intra-group transactions are eliminated in full.

The following wholly owned entities are included in the consolidated financial statements, the registered office of all entities is that of the parent company.

- Deregallera Holdings Ltd
- Deregallera Ltd
- Leading Technology Developments Ltd

**1.12 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits. They are stated at carrying value which is deemed to be fair value.

### 1.13 New Standards and Interpretations

The IASB and IFRIC have issued the following standards and interpretations which are in issue but not in force at 31 December 2023:

| Description | Effective date |
|---|---|
| IFRS 16 – Leases – amendments regarding the classification of liabilities | 1 January 2024 |
| IAS 1 – Presentation of Financial Statements – amendments regarding classification of liabilities as current or non-current | 1 January 2024 |
| IAS 7 and IFRS 7 – Supplier Finance Arrangements | 1 January 2024 |
| IFRS S1 – General requirement for disclosure of sustainability-related financial information | 1 January 2024 |
| IFRS S2 – Climate-related disclosures | 1 January 2024 |
| | 1 January 2024 |

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements other than in terms of presentation.

### 1.14 Share-based payments

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees or suppliers as consideration for equity instruments (options) of the Group. The fair value of the employee or supplier services received in exchange for the grant of 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 performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement of employees to save).

Non-market vesting conditions are included in assumptions about 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 of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss statement, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The Company has issued warrants giving the holder the right to acquire shares in the Group at a fixed price in the future, should the holders decide to exercise them. At the date of issue the warrants are recognised at fair value, which has been calculated using an appropriate pricing model.

Should the terms of options or warrants be modified then the incremental fair value adjustment, calculated at the point of variation, is recognised as an expense.

### 1.15 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the Group's assets and liabilities and their tax base.

Deferred tax liabilities are offset against deferred tax assets. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

### 1.16 Sources of estimation uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reporting amount of income and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

**Share based payments**
The share-based payment charge is calculated using the Black-Scholes model which requires the estimation of share price volatility, expected life and the bid price discount. Please see note 27 for further detail.

**Convertible loan notes**
The Company issued convertible loan notes in December 2023 and accounts for these as a compound financial instrument including both debt and equity components. The debt component is based on an assumed loan repayment period of 24 months from the date of issue, in line with the redemption date of the instrument. The fair value of the liability component is determined and discounted at the rate of interest that would apply to an identical financial instrument without the conversion option, which has been assumed to be 12.6% (effective interest rate of 14.1%). The equity component has been assigned as the residual amount, by deducting the amount calculated for the liability component from the fair value of the instrument as a whole.

The CLNs have been treated as a compound financial instrument including both debt and equity components. The debt component is included in within 'Loans and other borrowings' under non-current liabilities in accordance with the loan repayment period of 24 months from the date of issue. The fair value of the liability component is determined and discounted at the rate of interest that would apply to an identical financial instrument without the conversion option.

The equity component has been assigned as the residual amount, by deducting the amount calculated for the liability component from the fair value of the instrument as a whole. This equity component has been treated a separate reserve within equity.

**Impairment of intangible assets**
The Group reviews whether intangible assets are impaired on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This comprises an estimation of the fair value less cost to sell and the value in use of the assets. Please see note 13 for further detail.

**Impairment of investments in subsidiaries**
The Group reviews whether investments in subsidiaries are impaired on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This comprises an estimation of the value in use of the assets. Please see note 12 for further detail.

**Impairment of intercompany loan receivables**
The Group reviews whether loan balances between the Company and its subsidiaries are impaired on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This review is undertaken based on the "expected loss" model within IFRS 9.

## 2. SEGMENTAL REPORTING

The Group has two distinct areas of focus (Enhanced Drive Technology and Enhanced Battery Technology), and management have identified the Group's series of Pareta® electric drives and hard carbon anode materials as its two cash generating units (CGUs). However, as the Group is currently in the development phase and effectively operates as one operating unit under IFRS 8, segmental information is not available or presented within these accounts.

## 3. REVERSE ACQUISITION

On 8 April 2022, the Company acquired DHL via a reverse takeover which resulted in the Company becoming the ultimate holding company of the Group. The transaction was accounted for in accordance with the principles of reverse acquisition accounting, since it did not meet the definition of a business combination under IFRS 3. In accordance with IFRS 2, a share-based payment expense equal to the deemed cost of the acquisition less the fair value of the net assets of the Company at acquisition was recognised. The comparatives within the consolidated statement of financial position, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cashflow statement represent that of the legal subsidiary and accounting acquirer, DHL. In the consolidated statement of financial position, the share capital and premium as at 31 December 2021 is that of the Company (DG Innovate Plc) with the reverse acquisition reserve representing the difference between the deemed cost of the acquisition and the net assets of the Company as at 7 April 2022. The consolidated statement of comprehensive income for the period represents the results of both DG Innovate Plc and DHL. For more details on the key terms of the reverse takeover, see note 29.

## 4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

| | 2023 | 2022 |
|---|---|---|
| | £ | £ |
| Research and development costs | 850,694 | 240,175 |
| Government grants | (618,021) | (433,989) |
| Depreciation | 125,677 | 149,942 |
| Amortisation | 303,847 | 414,656 |

## 5. EMPLOYEES

**Number of employees**
The average monthly number of employees (including Directors) during the period was:

| | 2023 Number | 2022 Number |
|---|---|---|
| Administration | 3 | 3 |
| Directors | 6 | 8 |
| Engineering | 13 | 14 |
| | **22** | **25** |

| | 2023 £ | 2022 Restated £ |
|---|---|---|
| **Employment costs** | | |
| Wages and salaries (including benefits in kind) | 1,394,446 | 990,382 |
| Social security costs | 167,416 | 94,490 |
| Pension costs | 97,542 | 107,550 |
| Share based payment (*) | 1,213,418 | 699,385 |
| | 2,872,821 | 1,891,807 |

Included in employment costs above are Directors' accrued salaries and pension amounting to £25,385 (2022: £96,249).

Included in the total employees costs above, £149,541 (2022: £593,153) was capitalised in relation to internally generated development costs.

*The comparative figure has been restated, refer to note 32 for further details.

## 6. AUDITOR'S REMUNERATION

| | 2023 £ | 2022 £ |
|---|---|---|
| Audit services – group | 75,000 | 68,000 |
| Audit services – group from prior year | 50,000 | - |
| Audit services – company | - | 5,400 |
| Total fees | 125,000 | 73,400 |

## 7. DIRECTORS' REMUNERATION

| | 2023<br>£ | 2022<br>Restated*<br>£ |
|---|---|---|
| Aggregate emoluments | 659,090 | 783,921 |
| Pension costs | 72,095 | 61,460 |
| Share based payments (restated) | 1,108,239 | 510,179 |
| | 1,839,424 | 1,355,560 |

*The comparative figure has been restated, refer to note 32 for further details.

Remuneration for the highest paid director was £192,105 (2022: £170,248). The amount included within accruals as at 31 December 2023 includes remuneration accrued during 2023 but remaining unpaid as at 31 December 2023 of £44,408 (2022: £96,249).

During the period, retirement benefits are accruing to three Directors (2022: retirement benefits are accruing to two Directors).

## 8. FINANCE INCOME AND COSTS

| | 2023<br>£ | 2022<br>£ |
|---|---|---|
| Bank interest | 66 | - |
| **Total finance income** | 66 | - |
| Finance costs | (45,078) | (67,873) |
| **Net finance cost** | (45,078) | 67,873 |

## 9. TAXATION

No corporation tax charge arises in respect of the year due to the trading losses incurred. The Group has surplus management expenses available to carry forward and use against trading profits arising in future periods of approximately £10,454,000 (2022: £9,536,000). In addition, the Company has non-trading loan relationship debits to carry forward to offset against future non-trading loan relationship credits of approximately £18,917,000 (2022: £18,917,000).

| | 2023 | 2022 Restated |
|---|---|---|
| | £ | £ |
| **Current tax** | | |
| Loss on ordinary activities before taxation (restated) | (3,907,387) | (8,228,897) |
| Loss on ordinary activities before taxation multiplied by average effective rate of corporation tax of 23.5% (2022: 19%) | (918,236) | (1,563,490) |
| Effects of: | | |
| Non-deductible expenses | 105,604 | 1,032,303 |
| Short term timing differences | (240) | 13,022 |
| Other adjustments – non-taxable gains | - | - |
| Tax losses upon which no deemed tax asset is recognised (restated) | 817,473 | 489,236 |
| Research and development tax credit | (136,044) | (159,935) |
| **Current tax** | (131,443) | (188,864) |

**Group**
A deferred tax asset of approximately £2,475,255 (2022: £1,779,983) in respect of losses has not been recognised due to the timing regarding the availability of future profits against which the losses of the Group could be offset.

**Company**
A deferred tax asset of approximately £1,170,358 (2022: £792,913) in respect of losses has not been recognised due to the timing regarding the availability of future profits against which the losses of the Group could be offset.

The main rate of UK corporation tax for the financial year beginning 1 April 2023 is 25.0% (2022: 19.0%).

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the loss on ordinary activities after taxation of £3,775,945 (2022 restated: £8,040,033) and on the weighted average number of ordinary shares in issue of 9,646,619,216 (2022: 7,032,070,240) in issue. The basic loss per share is 0.04p (2022 restated: 0.09p loss per share).

In order to calculate the diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares according to IAS 33. Dilutive potential ordinary shares include convertible loan notes and share options granted to Directors and consultants where the exercise price (adjusted according to IAS 33) is less than the average market price of the Group's Ordinary Shares during the period. However, due to the Group making a loss in the year (and prior year) any dilutive potential Ordinary Shares are disregarded and diluted earnings per share is equal to basic earnings per share.

## 11. PROPERTY, PLANT AND EQUIPMENT

**GROUP**

| | Improvements to leasehold £ | Plant & equipment £ | Right of use asset £ | Total £ |
|---|---|---|---|---|
| Cost | | | | |
| At 1 January 2023 | 314,294 | 1,368,095 | 373,453 | 2,055,842 |
| Additions in the year | - | 11,766 | 78,525 | 90,291 |
| Loss on disposals | - | (349,286) | - | (349,286) |
| At 31 December 2023 | 314,294 | 1,030,575 | 451,978 | 1,796,847 |
| Depreciation | | | | |
| At 1 January 2023 | 314,294 | 974,848 | 41,609 | 1,330,751 |
| Charge in the period | - | 71,228 | 54,449 | 125,677 |
| Eliminated on disposal | - | (195,811) | - | (195,811) |
| At 31 December 2023 | 314,294 | 850,265 | 96,058 | 1,260,617 |
| Carrying value | | | | |
| At 31 December 2023 | - | 180,310 | 355,920 | 536,230 |
| At 31 December 2022 | - | 393,247 | 331,844 | 725,091 |

| | Improvements to leasehold £ | Plant & Equipment £ | Right of use asset £ | Total £ |
|---|---|---|---|---|
| Cost | | | | |
| At 1 January 2022 | 314,294 | 1,511,755 | 311,012 | 2,137,061 |
| Additions at RTO | - | 12,844 | 85,754 | 98,598 |
| Additions | - | 14,122 | 62,441 | 76,563 |
| Disposals | - | (170,626) | (85,754) | (256,380) |
| At 31 December 2022 | 314,294 | 1,368,095 | 373,453 | 2,055,842 |
| Depreciation | | | | |
| At 1 January 2022 | 312,021 | 957,614 | 7,775 | 1,277,410 |
| Charge at RTO | - | 1,900 | 16,153 | 18,053 |
| Charge in the period | 2,273 | 96,864 | 50,805 | 149,942 |
| Eliminated on disposal | - | (81,530) | (33,124) | (114,654) |
| At 31 December 2022 | 314,294 | 974,848 | 41,609 | 1,330,751 |
| Carrying value | | | | |
| At 31 December 2022 | - | 393,247 | 331,844 | 725,091 |
| At 31 December 2021 | 2,273 | 554,141 | 303,237 | 859,651 |

**COMPANY**

| | Office Equipment £ | Motor Vehicles £ | Total £ |
|---|---|---|---|
| Cost | | | |
| At 1 January 2023 | 3,578 | - | 3,578 |
| Additions | 1,275 | - | 1,275 |
| At 31 December 2023 | 4,853 | - | 4,853 |
| Depreciation | | | |
| Depreciation at 1 January 2023 | 1,338 | - | 1,338 |
| Charge in the period | 900 | - | 900 |
| Depreciation at 31 December 2023 | 2,238 | - | 2,238 |
| Carrying value | | | |
| At 31 December 2023 | 2,615 | - | 2,615 |
| At 31 December 2022 | 2,240 | - | 2,240 |

| | Office Equipment £ | Motor Vehicles £ | Total £ |
|---|---|---|---|
| Cost | | | |
| At 1 January 2022 | 12,844 | 85,754 | 98,598 |
| Additions | 3,068 | - | 3,068 |
| Disposals | (12,334) | (85,754) | (98,088) |
| At 31 December 2022 | 3,578 | - | 3,578 |
| Depreciation | | | |
| Depreciation at 1 January 2022 | 1,900 | 16,152 | 18,052 |
| Charge in the period | 4,376 | 16,972 | 21,348 |
| Eliminated on disposal | (4,938) | (33,124) | (38,062) |
| Depreciation at 31 December 2022 | 1,338 | - | 1,338 |
| Carrying value | | | |
| At 31 December 2022 | 2,240 | - | 2,240 |
| At 31 December 2021 | 10,944 | 69,602 | 80,546 |

## 12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

On 8 April 2022, the Company acquired the DHL group via a reverse takeover which resulted in the Company becoming the ultimate holding company of the Group. The DHL sub-group consists of the following wholly owned companies, which were all incorporated in England and Wales and whose registered office is 15 Victoria Mews, Cottingley Business Park, Mill Field Road, Bingley, England BD16 1PY.

- Deregallera Holdings Ltd
- Deregallera Ltd
- Leading Technology Developments Ltd

| Name | Holding | Status | Parent guarantee |
|---|---|---|---|
| Deregallera Holdings Ltd | Direct – 100% | Trading | Yes |
| Deregallera Ltd | Indirect – 100% | Trading | Yes |
| Leading Technology Developments Ltd | Indirect – 100% | Trading | Yes |

For the year ended 31 December 2023, the subsidiary companies listed above were entitled to exemption from audit under section 479 a of the Companies Act 2006 relating to subsidiary companies. DGI Innovate Plc, the parent company, guarantees all outstanding liabilities that the subsidiary companies are subject to at the end of the financial year.

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. This includes £32,490,188 for the DHL group, which is eliminated from the Group's balance sheet on consolidation. As per IAS 36 (Impairment of Assets), at the end of each reporting date the Group must assess whether the amount carried for investments in subsidiaries may be impaired based on internal and external triggers, to ensure that assets are carried at no more than their recoverable amount. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

The Directors have estimated the associated recoverable amount as equal to that of the value in use determined for the Group's intangible assets. This figure is in excess of the carrying value of the investments in subsidiaries, and the Directors therefore believe the value of these assets is not impaired at 31 December 2023. This accounting treatment resulted in an impairment loss of £Nil (2022: £Nil).

Please refer to note 13 in these accounts for further detail.

| | **Total** |
|---|---|
| | **£** |
| Cost | |
| At 1 January 2023 | 32,490,188 |
| Additions | - |
| At 31 December 2023 | 32,490,188 |

## 13. INTANGIBLE ASSETS

**GROUP**

| | Goodwill | Intellectual Property *Developed* | Intellectual Property *Under development* | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2023 | 263,156 | 3,502,109 | 3,303,489 | 7,068,754 |
| Additions | - | - | 149,541 | 149,541 |
| At 31 December 2023 | 263,156 | 3,502,109 | 3,453,030 | 7,218,295 |
| Amortisation and impairment | | | | |
| Amortisation at 1 January 2023 | 263,156 | 2,232,006 | - | 2,495,162 |
| Charge in the period | - | 303,847 | - | 303,847 |
| Depreciation at 31 December 2023 | 263,156 | 2,535,853 | - | 2,799,009 |
| Carrying value | | | | |
| At 31 December 2023 | - | 966,256 | 3,453,030 | 4,419,286 |
| At 31 December 2022 | - | 1,270,103 | 3,303,489 | 4,573,592 |

**GROUP**

| | Goodwill | Intellectual Property *Developed* | Intellectual Property *Under Development* | Total |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2022 | 263,156 | 3,502,109 | 2,455,046 | 6,220,311 |
| Additions | - | - | 848,443 | 848,443 |
| At 31 December 2022 | 263,156 | 3,502,109 | 3,303,489 | 7,068,754 |
| Amortisation and impairment | | | | |
| Amortisation at 1 January 2022 | 263,156 | 1,817,350 | - | 2,080,506 |
| Charge in the period | - | 414,656 | - | 414,656 |
| Depreciation at 31 December 2022 | 263,156 | 2,232,006 | - | 2,495,162 |
| Carrying value | | | | |
| At 31 December 2022 | - | 1,270,103 | 3,303,489 | 4,573,592 |
| At 31 December 2021 | - | 1,684,759 | 3,303,489 | 4,139,805 |

No intangible assets were held by the Parent Company.

Intangible assets, both internally generated and acquired, are recognised as per note 1.6 of these accounts. Notably, given the Group's current status as a research and development business, the internally generated intangibles assets are initially recognised as the sum of development expenditure on meeting a number of commercialisation criteria (as set out in note 1.5). While management have identified the Group's series of Pareta® electric drives and hard carbon anode materials as its two cash generating units (CGUs), given the pre-revenue status of the Group intangibles are not yet individually allocated to either.

As per IAS 36 (Impairment of Assets), at the end of each reporting date the Group must assess whether its intangible assets may be impaired based on internal and external triggers, to ensure that assets are carried at no more than their recoverable amount. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

The determination of whether the Group's intangible assets are impaired requires an assessment of their recoverable amount, being the higher of fair value less costs of disposal, and value in use. We have assessed fair value less costs to sell, based on the enterprise value of the Group at the year-end date, and determined that the value in use is higher than the enterprise value.

To assess value in use, the estimated future cash flows from each CGU are discounted to their present value using pre-tax discount rates of 12.0 – 14.5% (2022: 12.0 – 14.5%), reflecting current market assessments of the time value of money and the risks specific to these assets. The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and costs during the period covered by the calculations, based upon management's expectation.

The estimated cash flows for each segment are derived from discrete forecasts to 31 December 2029, extrapolated for a further four years assuming medium-term growth rates and assumptions of market share, and long-term growth rates of 2.5 – 3.0% (2022: 2.5 – 3.0%) which management considers appropriate.

The aggregate value in use calculated for the two identified CGUs as at 31 December 2023 was in excess of the carrying value of the intangible assets, and the Directors therefore believe the value of these assets is not impaired at 31 December 2023. This accounting treatment resulted in an impairment loss of £Nil (2022: £Nil). The carrying value of the intangible assets of the two identified CGUs as at 31 December 2023 are Enhanced Drive Technology £2,280,313 (2022: £2,292,986) and Enhanced Battery Technology £2,138,973 (2022: £2,280,606).

## 14. TRADE AND OTHER RECEIVABLES

| **GROUP** | **2023**<br>**£** | **2022**<br>**£** |
|---|---:|---:|
| Prepayments | 120,968 | 129,159 |
| Other taxes and social security | 168,695 | 706,222 |
| Other debtors | 115,073 | 188,171 |
| | 404,736 | 1,023,552 |

Included in other debtors are amounts repayable of £87,369 (2022: £188,036) by certain Directors in respect of incorrectly awarded bonuses. Further details are disclosed on page 30.

Other taxes and social security comprise the tax suffered on the bonuses noted above.

| COMPANY | 2023<br>£ | 2022<br>£ |
|---|---|---|
| Prepayments | 74,023 | 70,207 |
| Other taxes and social security | 53,048 | 394,158 |
| Other debtors | 87,369 | 188,036 |
| Amounts due from subsidiary undertakings | 4,101,770 | 3,588,260 |
| | 4,316,210 | 4,240,661 |

Amounts due from subsidiary undertakings comprise amounts loaned and interest accrued together with net payments made to suppliers on behalf of the subsidiaries, of £3,802,154 (2022: £2,904,740) by DG Innovate Plc to Deregallera Holdings Ltd and management fees outstanding at the year end (including VAT) of £299,616 (2022: £683,520). The loan repayment has been deferred and the amount outstanding includes accrued interest. Deregallera Holdings Ltd has provided a legal mortgage by way of a fixed and floating charge over all its property and assets. The loan attracts an annual 6% interest charge.

The Company has reviewed and impaired the receivable at a total of £883,579 owed by two subsidiaries at the year-end.

Other debtors are amounts repayable of £87,369 (2022: £188,036) by certain Directors in respect of incorrectly awarded bonuses. Further details are disclosed on page 30.

Other taxes and social security comprise the tax suffered on the bonuses noted above and VAT refund for the period up to 31 December 2023.

## 15. TRADE AND OTHER PAYABLES

| GROUP | 2023<br>£ | 2022<br>£ |
|---|---|---|
| Trade payables | 91,724 | 204,356 |
| Accruals and deferred income | 233,221 | 231,290 |
| Loans and other borrowings | 132,786 | 83,349 |
| Lease liabilities | 75,166 | 59,839 |
| Other creditors | 31,967 | 61,395 |
| | 564,864 | 640,229 |

| COMPANY | 2023<br>£ | 2022<br>£ |
|---|---|---|
| Trade payables | 73,077 | 159,043 |
| Accruals and deferred income | 142,939 | 168,654 |
| Loans and other borrowings | 40,553 | - |
| | 256,569 | 327,697 |

Loans and other borrowings included £350,000 advanced in 2021 under the UK Government's Coronavirus Business Interruption Loan Scheme (CBILS). The loan is for a 60-month period with annual fixed interest of between 10.10% and 10.20%. The balance of CBILS loans to be settled within the next 12 months is £92,233 as at the year-end.

The Company has arranged financing plans to settle the insurance premium payments in the year. The outstanding amount at the year-end to be settled in the next 12 months is £40,553 (2022: £nil).

## 16. NON-CURRENT LIABILITIES

| GROUP | 2023<br>£ | 2022<br>£ |
|---|---|---|
| Lease liabilities | 304,955 | 286,443 |
| Convertible loan notes (note 21) | 1,848,094 | |
| Other loans and other borrowings | 93,159 | 185,393 |
| Deferred income | 16,065 | 24,024 |
| | 2,262,273 | 495,860 |

Loans and other borrowings comprise the loan repayments under CBILS and convertible loans due after more than 12 months. There is no convertible loan notes issued in 2022.

## 17. PROVISION FOR LIABILITIES

Under the terms of the leases for the Group's premises, the Group has an obligation to return the property in a specified condition at the end of the lease term. The Group provides for the estimated fair value of the cost of any dilapidations. Management reviews these provisions at each reporting date to ensure they are measured at the current best estimate of the expenditure required to settle the obligation. Any difference between the amounts previously recognised and the current estimate is recognised immediately in the statement of comprehensive income.

| | 2023<br>£ | 2022<br>£ |
|---|---|---|
| Provision for dilapidations | 33,172 | 30,046 |

Provisions are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting dates, as follows:

| | 2023<br>£ | 2022<br>£ |
|---|---|---|
| Non-current liabilities | 33,172 | 30,046 |

## 18. LEASE LIABILITY (GROUP)

| | 2023<br>£ | 2022<br>£ |
|---|---|---|
| *Maturity analysis – contractual undiscounted cashflows:* | | |
| Within one year | 75,166 | 59,839 |
| In two to five years | 287,835 | 247,661 |
| In over five years | 17,121 | 38,782 |
| Total liabilities | 380,122 | 346,282 |

There are no leases in the parent company.

## 19. LOANS AND OTHER BORROWINGS (GROUP)

| | 2023<br>£ | 2022<br>£ |
|---|---|---|
| *Maturity analysis – contractual undiscounted cashflows:* | | |
| Within one year | 132,786 | 83,349 |
| In two to five years | 1,941,253 | 185,393 |
| In over five years | - | - |
| Total liabilities | 2,074,039 | 268,742 |

## 20. LOANS AND OTHER BORROWINGS (COMPANY)

| | 2023<br>£ | 2022<br>£ |
|---|---|---|
| *Maturity analysis – contractual undiscounted cashflows:* | | |
| Within one year | 40,553 | - |
| In two to five years | 1,848,094 | - |
| In over five years | - | - |
| Total liabilities | 1,888,647 | - |

## 21. CONVERTIBLE LOAN NOTES

On 11 December 2023, the Company authorised the issue of £2,431,000 in convertible loan notes ("CLNs"). The CLNs have no coupon and are convertible into the Company's ordinary shares of 0.01 pence at a price of 0.035 pence per share. They are convertible (i) after one year, subject to the availability of a valid exemption from the requirement to prepare a prospectus in respect of the Ordinary Shares arising from the conversion; or (ii) following admission of the Company's ordinary share capital to the AIM Market of the London Stock Exchange.

Convertible loan notes

| | **Liability element £** | **Equity element £** | **Total £** |
|---|---|---|---|
| Convertible loan notes – cash receipt | 1,918,516 | 512,484 | 2,431,000 |
| Less: issue costs | (81,202) | (21,690) | (102,892) |
| Total – net cash receipt | 1,837,314 | 490,794 | 2,328,108 |
| Inter charge in the year | 10,780 | - | 10,780 |
| | 1,848,094 | 490,794 | 2,338,888 |

## 22. SHARE CAPITAL

**Allotted, called up and fully paid**

| | *Ordinary Shares of 0.1p each* **No** | **£** |
|---|---|---|
| At 1 January 2022 | 2,029,463,802 | 2,029,464 |
| Issue of shares | 6,813,251,305 | 6,813,251 |
| **At 31 December 2022** | **8,842,715,107** | **8,842,715** |

**Allotted, called up and fully paid**

| | *Ordinary Shares of 0.1p each* **No** | **£** |
|---|---|---|
| At 1 January 2023 | 8,842,715,107 | 8,842,715 |
| Issue of shares | 365,833,333 | 365,833 |
| **At 18 July 2023** | **9,208,548,440** | **9,208,548** |

**Subdivided 0.1p each Ordinary Shares***

| | *Share Capital* | |
|---|---|---|
| | **No** | **£** |
| **At 19 July 2023** | | |
| 0.01p each Ordinary Shares | 9,208,548,440 | 920,854 |
| 0.09p each Deferred Shares** | 9,208,548,440 | 8,287,694 |
| Issue of Ordinary Shares of 0.01p each | 1,034,000,000 | 103,400 |
| **At 31 December 2023** | **19,451,096,880** | **9,311,948** |

*Resolution was passed on 19 July 2023 to subdivide one 0.1p Ordinary Share into one 0.01p Ordinary Share and one 0.09 Deferred Share.

** The deferred shares have no economic rights and therefore have been excluded from earnings per share calculation.

The Ordinary Shares shall confer upon the holders the right to receive dividends and other distributions and participate in the income or profits of the Group. In January 2023 the Group raised £418,000 through an equity subscription and broker option, and issued 365,833,333 Ordinary Shares of 0.1p each. In June 2023, the Group raised £517,000 via a placing, with the associated 1,034,000,000 Ordinary Shares admitted to trading following the passing of an Ordinary Resolution to subdivide the Group's existing Ordinary Shares into one Ordinary Share and one Deferred Share at the AGM on 17 July 2023. In December 2023, the Group issued £2.4m in convertible loan notes. The notes have no coupon and are convertible: after one year, subject to the availability of a valid exemption from the requirement to prepare a prospectus in respect of the Ordinary Shares arising from the conversion; or following admission of the Company's ordinary share capital to the AIM Market of the London Stock Exchange. Assuming all notes are converted at the 0.035p conversion price, the number of Ordinary Shares will be increased by 6,945,714,286.

## 23. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

**GROUP**

| | 2023<br>£ | 2022<br>Restated*<br>£ |
|---|---|---|
| Loss for the year after tax | (3,775,945) | (8,040,033) |
| (Increase)/decrease in debtors | 564,981 | (803,342) |
| (Decrease)/increase in creditors within one year | (6,999) | 61,024 |
| Reverse takeover expenses | - | 5,094,074 |
| Movement in provisions | 3,126 | (23,543) |
| Taxation (restated) | (131,443) | (188,864) |
| Share based payments (restated) | 1,324,443 | 699,385 |
| Finance costs | 45,076 | 67,873 |
| Amortisation | 303,847 | 414,656 |
| Depreciation | 125,678 | 149,942 |
| Losses on disposal of fixed assets | 77,272 | 90,895 |
| **Net cash outflow from operating activities** | (1,469,964) | (2,477,933) |

**COMPANY**

| | 2023<br>£ | 2022<br>Restated*<br>£ |
|---|---|---|
| Loss for the year after tax | (2,838,498) | (1,909,548) |
| (Increase)/decrease in debtors | 437,960 | (359,680) |
| (Decrease)/increase in creditors within one year (restated) | 9,344 | (409,469) |
| Depreciation | 900 | 21,348 |
| Loss on disposal of property, plant and equipment | - | 60,026 |
| Finance costs | 15,201 | 1,933 |
| Finance income (non-cashflow) (restated) | (197,462) | (115,772) |
| Share based payments (restated) | 1,324,443 | 699,385 |
| Non-cash flow: service charges to group undertakings | (498,160) | (683,520) |
| Non-cash flow: impairment loss | 883,579 | - |
| **Net cash outflow from operating activities** | (862,693) | (2,695,297) |

*The comparative figures have been restated, refer to note 32 for further details.

## 24. NET DEBT RECONCILLIATION

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

**GROUP**

| | Year ended 31 December 2023 | Year ended 31 December 2022 (Restated*) |
|---|---|---|
| | £ | £ |
| Cash and cash equivalents | 1,879,701 | 234,990 |
| Leases and borrowings | (2,454,160) | (615,024) |
| **Net debt (restated)** | **(574,459)** | **(380,034)** |

| | Leases and Borrowings | Cash and cash equivalents | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Net debt as at 1 January 2022** | (1,902,327) | 57,454 | (1,844,873) |
| Increase in cash | - | 177,536 | 177,536 |
| Repayment of lease liabilities | 71,661 | - | 71,661 |
| Repayment of borrowings | 735,876 | - | 735,876 |
| Non-cash item related to RTO | 611,934 | - | 611,934 |
| Interest | (50,241) | - | (50,241) |
| Other non-cash item | (81,927) | - | (81,927) |
| **Net debt as at 31 December 2022** | **(615,024)** | **234,990** | **(380,034)** |
| Net debt as at 1 January 2023 | (615,024) | 234,990 | (380,034) |
| Increase in cash | - | 1,644,711 | 1,644,711 |
| Repayment of lease liabilities | 44,686 | - | 44,686 |
| Repayment of borrowings | 135,729 | - | 135,729 |
| Proceeds from borrowings | (92,932) | - | (92,932) |
| Other non-cash item | (89,305) | - | (89,305) |
| Issue of convertible loan notes | (1,837,314) | - | (1,837,314) |
| **Net debt as at 31 December 2023** | **(2,454,160)** | **1,879,701** | **(574,459)** |

*The comparative figures have been restated, refer to note 32 for further details.

Loans and other borrowings, leases liabilities and convertible loan notes are set out in note 15 and 16.

**COMPANY**

| | Year ended 31 December 2023 | Year ended 31 December 2022 |
|---|---|---|
| | £ | £ |
| Cash and cash equivalents | 1,783,235 | 156,193 |
| Convertible loan notes | (1,888,647) | - |
| | **(105,412)** | **156,193** |

| | Borrowings | Cash and cash equivalents | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Net debt as at 1 January 2022** | | 686,400 | 686,400 |
| Financing cash flows | - | (530,207) | (530,207) |
| **Net debt as at 31 December 2022** | **-** | **156,193** | **156,193** |

| | Borrowings | Cash and cash equivalents | Total |
|---|---|---|---|
| | £ | £ | £ |
| **Net debt as at 1 January 2023** | - | 156,193 | 156,193 |
| Increase in cash | - | 1,627,042 | 1,627,042 |
| Issue of convertible loan notes | (1,837,314) | - | (1,837,314) |
| Other non-cash item | (10,780) | - | (10,780) |
| Increase of other borrowings | (92,932) | - | (92,932) |
| Repayment of other borrowings | 52,379 | - | 52,379 |
| **Net debt as at 31 December 2023** | **(1,888,647)** | **1,783,235** | **(105,412)** |

## 25. CASH & CASH EQUIVALENTS

**GROUP**

| | 2023<br>£ | 2022<br>£ |
|---|---|---|
| Cash at bank and in hand | 1,879,701 | 234,990 |

**COMPANY**

| | 2023<br>£ | 2022<br>£ |
|---|---|---|
| Cash at bank and in hand | 1,783,235 | 156,193 |

## 26. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and cash equivalents, trade receivables and payables and leases, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy to ensure that there is no trading in financial instruments. The main purpose of these financial instruments is to finance the Group's operations.

**Categories of Financial Instruments (Group)**

| | 2023<br>£ | 2022<br>Restated*<br>£ |
|---|---|---|
| **Financial Assets at amortised cost** | | |
| Cash and cash equivalents | 1,879,701 | 234,990 |
| Other debtors | 115,073 | 188,171 |
| | 1,994,774 | 423,161 |
| **Financial Liabilities at amortised cost** | | |
| Trade and other payables (restated) | 564,864 | 640,229 |
| Non-current liabilities | 2,262,273 | 495,860 |
| | 2,827,137 | 1,136,089 |
| **Net Financial Liabilities** | (832,363) | (712,928) |

*The comparative figures have been restated, refer to note 32 for further details.

**Categories of Financial Instruments (Company)**

| | 2023 | 2022 Restated |
|---|---|---|
| | £ | £ |
| **Financial Assets at amortised cost** | | |
| Cash and cash equivalents | 1,783,235 | 156,193 |
| Trade and other receivables (restated) | 4,189,139 | 3,776,296 |
| | 5,972,374 | 3,932,489 |
| **Financial Liabilities at amortised cost** | | |
| Trade and other payables | 256,569 | 327,697 |
| Convertible loan notes | 1,848,094 | - |
| | 2,104,663 | 327,697 |
| **Net Financial Assets** | 3,867,711 | 3,604,792 |

*The comparative figures have been restated, refer to note 32 for further details.

**Financial Assets and Liabilities**

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

**Credit Risk**

The Group trades only with third parties it recognises as being creditworthy. In addition, receivable balances are monitored on an ongoing basis.

**Financial Risk Factors**

The Group's activities expose it to liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**Foreign exchange Risk**

The Group's activities expose it to foreign exchange risk meaning it will be exposed to various currencies other than UK pound sterling. The Group seeks to reduce this risk by regularly reviewing its projects to identify where foreign exchange risk exists. The Group will seek to mitigate any identified risks of adverse currency fluctuations through the use of financial instruments where necessary to secure favourable, predetermined rates of exchange.

**Liquidity Risk**

The Group's borrowing exposes it to liquidity risk. Management's objectives are now to manage liquid assets in the short term through closely monitoring costs. The Group has borrowing facilities that require repayment and the interest is on a fixed basis limiting the risk exposure.

**Fair Values of Financial Assets and Liabilities**

The Directors consider that the fair value of the Group's financial assets and liabilities are not considered to be materially different from their book values.

## 27. SHARE OPTIONS AND WARRANTS

Movement in the number of options and warrants outstanding and their related weighted average exercise price are as follows:

| | At 31 December 2023 | | At 31 December 2022 | |
|---|---|---|---|---|
| | Number of Options & Warrants | Weighted average exercise price per share | Number of Options & Warrants | Weighted average exercise price per share |
| At 1 January | 3,937,526,910 | 0.33p | 2,983,297,500 | 0.25p |
| Granted | 7,625,747,619 | 0.04p | 1,900,233,137 | 0.26p |
| Exercised | - | - | (830,800,000) | 0.25p |
| Modified | (156,105,002) | - | - | - |
| Expired or waived | (1,108,584,565) | 0.10p | (115,203,727) | 0.10p |
| At 31 December | 10,298,584,962 | 0.08p | 3,937,526,910 | 0.33p |

The weighted average remaining contractual life of options as at 31 December 2023 was 10 years (2022: 9 years).

The following share options have been granted by the Company and are outstanding as at the year-end of 31 December 2023:

| Date of grant | Number of Ordinary Shares under option at 1 January 2023 | Granted during year | Modification during year | Lapsed/ waived during year | Number of Ordinary Shares under option at 31 December 2023 | Weighted average exercise price | Expiry date |
|---|---|---|---|---|---|---|---|
| 30/03/2017 | 4,000,000 | - | - | - | 4,000,000 | 0.1p | 29/03/2027 |
| 30/03/2017 | 5,875,000 | - | - | - | 5,875,000 | 1p | 29/03/2027 |
| 30/03/2017 | 2,937,500 | - | - | - | 2,937,500 | 2p | 29/03/2027 |
| 08/10/2020 | 60,375,000 | - | - | (60,375,000) | - | 0.1p | 07/10/2030 |
| 18/03/2021 | 1,289,310,000 | - | - | (610,344,999) | 638,965,001 | 0.1p | 18/03/2031 |
| 08/04/2022 | 488,598,296 | - | (156,105,002) | (11,876,897 | 320,616,397 | 0.1p | 13/04/2032 |
| 12/10/2022 | 690,790,814 | | | (425,987,669) | 264,803,145 | 0.1p | 11/10/2032 |
| 11/12/2023 | - | 6,000,000,000 | - | - | 6,000,000,000 | 0.03p | 10/12/2033 |
| 11/12/2023 | - | 1,000,000,000 | - | - | 1,000,000,000 | 0.06p | 10/12/2033 |
| **Total** | **2,501,886,610** | **7,000,000,000** | **(156,105,002)** | **(1,108,584,565)** | **8,237,197,043** | **0.05p** | |

All options outstanding at the year-end are exercisable at that date.

During the year one of the Directors surrendered 156,105,002 of the LTIP options granted in 2022, in exchange for 2 billion new options granted a new executive share options scheme (“ESOS”) 2023.

The following warrants have been granted by the Company:

| Date of grant | Number of warrants at 1 January 2023 | Granted during year | Exercised during year | Lapsed during year | Number of warrants at 31 December 2023 | Weighted average exercise price | Exercise date |
|---|---|---|---|---|---|---|---|
| 18/03/2021 | 790,000,000 | - | - | - | 790,000,000 | 0.25p | 07/04/2024 |
| 08/04/2022 | 645,640,300 | - | - | - | 645,640,300 | 0.25p | 07/04/2024 |
| 23/01/2023 | - | 368,333,333 | - | - | 368,333,333 | 0.18p | 30/01/2025 |
| 19/07/2023 | - | 51,700,000 | - | - | 51,700,000 | 0.05p | 21/07/2024 |
| 11/12/2023 | - | 205,714,286 | - | - | 205,714,286 | 0.035p | 10/12/2024 |
| **Total** | **1,435,640,300** | **625,747,619** | **-** | **-** | **2,061,387,919** | **0.21p** | |

Included in the table above are 1.44 billion warrants in the opening balance which were originally issued to investors in 2021 and 2022, therefore, these warrants have not been taken into consideration when assessing the share based payment in these financial statements.

In January 2023 the Group raised (before expenses) £417,000 via a subscription and broker option, and issued 368,333,333 new warrants at an exercise price of 0.18p at the same time. At the same time, the exercise prices of the existing 790,000,000 and 645,645,640,300 warrants (issued in March 2021 and April 2022, respectively) were reduced to 0.25p, from 0.5p and 1p respectively. The expiry date was also extended by one year to 7 April 2024. In July, as part of a placing to raise £517,000, the Group issued 51,700,000 warrants to brokers involved in the placing, with an exercise price of 0.05p and one year expiry. In December 2023, the Company announced the award of 6,000,000,000 and 1,000,000,000 10-year options with exercise prices of 0.03p and 0.06p as part of a new executive share options scheme ("ESOS"). The options were awarded to Peter Bardenfleth-Hansen, Christian Eidem, Martin Boughtwood and Jochen Rudat. At the same time the Group announced the lapsing of 425,987,669 options previously awarded to Peter Tierney, the surrender of 156,105,002 options previously-granted to Martin Boughtwood under the 2022 LTIP scheme, the surrender of 599,999,999 options awarded to certain ex-Directors and the award of 205,714,286 one-year warrants with an exercise price of 0.035p to an advisor.

The fair value of equity settled share options and warrants granted is estimated at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

| | Options and warrants | Options and warrants | Options and warrants | Options and warrants | Options and warrants |
|---|---|---|---|---|---|
| Date of grant | 18 Mar 2021 | 8 April 2022 | 30 Jan 2023 | 21 Jul 2023 | 11 Dec 2023 |
| Expected volatility | 70% | 70% | 70% | 70% | 70% |
| Expected life | 10 years | 10 years | 1.6 years | 10 years | 10 years |
| Risk-free interest rate | 3.40% | 3.40% | 3.40% | 4.40% | 4.00% |
| Expected dividend yield | - | - | - | - | - |
| Possibility of ceasing employment before vesting | - | - | - | - | - |
| Fair value per option/warrant | -<br>0.005p | 0.005p | 0.022p | 0.011p | 0.012p |

The expense recognised by the Group for share-based payments during the year ended 31 December 2023 was £1,324,443 (2022 restated: £699,385).

The average volatility is used in determining the share-based payment expense to be recognised in the period. This was calculated by reference to the standard deviation of the share price over the preceding 12-month period.

## 28. RELATED PARTY TRANSACTIONS (GROUP)

The following share options were held by the directors during the year:

| Director | Date of grant | Held at 1 January 2023 | Surrendered during the year | Modification during the year | Granted during the Period | Held at 31 December 2023 | Exercise price |
|---|---|---|---|---|---|---|---|
| J Allardyce | 18/03/2021 | 62,500,000 | - | - | - | 62,500,000 | £0.001 |
| | 08/04/2022 | 156,105,002 | - | - | - | 156,105,002 | £0.001 |
| M Boughtwood | 08/04/2022 | 156,105,002 | - | 156,105,002 | - | - | £0.001 |
| | 11/12/2023 | - | | - | 1,000,000,000 | 1,000,000,000 | £0.0003 |
| | 11/12/2023 | - | | - | 1,000,000,000 | 1,000,000,000 | £0.0006 |
| P Tierney | 12/10/2022 | 690,790,814 | 425,987,669 | - | - | 264,803,145 | £0.001 |
| C Eidem | 11/12/2023 | - | - | - | 2,000,000,000 | 2,000,000,000 | £0.0003 |
| P Bardenfletch-Hansen | 11/12/2023 | - | - | - | 1,500,000,000 | 1,500,000,000 | £0.0003 |
| J Rudat | 11/12/2023 | - | - | - | 1,500,000,000 | 1,500,000,000 | £0.0003 |
| **Total** | | **1,065,500,818** | **425,987,669** | **156,105,002** | **7,000,000,000** | **7,483,408,147** | |

### COMPANY

During the period Gareth Boughtwood (son of Martin Boughtwood, a director in the Group) was paid £921 (2022: £5,000) in respect of IT services.

Included in other debtors is a balance of £3,775,202 (2022 £3,193,531) due from Deregallera Holdings Ltd, a wholly owned subsidiary, in respect of monies loaned between the entities. The balance includes capital and interest charged at a rate of 6%.

**Group Key Management**

Key management personnel, representing those Executive Directors who served throughout the year, received compensation in the form of short-term employee benefits and equity compensation benefits which totalled £1,722,394 for the year ended 31 December 2023 (2022: £1,126,224). Total remuneration of key management personnel is analysed as follows:

| | 2023 £ | 2022 Restated* £ |
|---|---|---|
| Wages and salaries | 522,480 | 538,374 |
| Pensions | 72,095 | 52,710 |
| Benefits in kind | 23,263 | 38,257 |
| Share option charge (restated) | 1,108,239 | 496,883 |
| **Total** | **1,722,394** | **1,126,224** |

*The comparative figure has been restated, refer to note 32 for further details.

## 29. REVERSE ACQUISITION

On 8 April 2022 the Company announced the completion of the reverse acquisition of DHL for an initial consideration of £32.4 million satisfied by the issue to the DHL Shareholders of 5,397,451,305 Initial Consideration Shares at a deemed issue price of 0.6 pence per Ordinary Share.

Further conditional deferred consideration of up to £5.4 million, to be satisfied by the issue of up to 895,610,844 Deferred Consideration Shares on the first anniversary of completion, will become payable should DHL sign one or more supply agreements for the provision of their motor technology with certain defined customers prior to this date with a combined potential value of £5.0 million or more. The deadline for the Deferred Consideration Shares passed without the condition being met, and as such they will not be issued.

On acquisition, the assets, liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess cost of acquisition over net fair values of the identifiable assets, liabilities and contingent liabilities acquired is recognised as an expense under IFRS 2 equity settled transactions. Any deficiency of the cost of acquisition below the net fair values of the identifiable assets, liabilities and contingent liabilities acquired is credited to the Statement of Comprehensive Income in the year of acquisition.

Due to the Company being a non-operating entity which was not classified as a business under IFRS 3 Business Combinations ("IFRS 3"), the transaction does not fall under the scope of this standard and is not a business combination but an equity-settled transaction which should be accounted for in accordance with IFRS 2 Share-based Payment ("IFRS 2"). However, the IFRS 3 guidance on reverse acquisitions should still be followed, under which despite the Company being the legal acquirer of DHL, it should be considered the acquiree for accounting purposes.

1. Accordingly, the following accounting treatment has been applied in respect of the reverse acquisition: DGI was the deemed accounting acquirer.
2. The presentation of the consolidated financial statements of the legal parent (DG Innovate Plc) is a continuation of the accounting acquirer's financial statements.
3. Consolidated financial statements for the period ended 31 December 2022 for the Group present the results of DHL from 1 January 2022 to 7 April 2022 and the enlarged group thereafter. The dormant subsidiary, Deregallera Technology Ltd has been excluded in the consolidated financial statements of 2023 and 2022.
4. The equity structure appearing in the Group financial statements reflects the equity structure of the legal parent (DG Innovate Plc), including the shares issued and shares to be issued under the share for share exchange to the effect of business combination.
5. The retained earnings and other equity balances recognised in the Group financial statements reflect the retained earnings and other equity balances of the DHL business immediately before the business combination and includes that of the group after the reverse takeover on 8 April 2022.
6. The reverse acquisition reserve relates to adjustments in respect of 4 and 5 above for the reverse acquisition between DG Innovate Plc and DHL.

As the accounting acquirer (DHL) is deemed to have acquired the shares of DGI, the fair value of the shares of the Company should be used to measure the consideration paid. This is calculated as the number of DGI Plc shares multiplied by the quoted market price of DGI Plc (Path Investments Plc at the time). The consideration is then split into net assets acquired, with the difference representing the cost to DGI for obtaining a listing. This difference has been expensed within "reverse acquisition expenses" in accordance with IFRS 2.

Details of the fair value of the acquisition are as follows:

| | **Fair Value of assets acquired** |
|---|---|
| | **£** |
| Cash & Cash equivalents | 41,088 |
| Loans | 911,934 |
| Property, plant and equipment | 82,546 |
| Trade payables | (552,590) |
| Other payables | (97,500) |
| **Net assets acquired** | **385,748** |
| Listing expense | 5,094,074 |
| **Consideration** | **5,479,552** |

The Listing Expense is attributable to the difference between the net assets acquired and the fair value of the Company on the 7 April 2022.

## 30. ULTIMATE CONTROLLING PARTY

The Group considers there to be no ultimate controlling party.

## 31. SUBSEQUENT EVENTS

On the 8 January 2024 the Group announced that it had signed a Joint Development Agreement with a tier one commercial vehicle components company, to develop systems for heavy goods vehicles applications utilising the Group’s Pareta® drive technology. In February 2024, the Group issued16,200,000 new ordinary shares of 0.01 pence each, pursuant to the exercise of warrants with an exercise price of 0.05 pence issued as part of the placing announced in June 2023. On the 28 March 2024, DGI announced the signing of a Memorandum of Understanding ("MoU") with EVage Automotive Pvt. Limited ("EVage"), an Indian electric vehicle maker and automotive technology company, covering the proposed establishment of a joint venture in India to manufacture and supply a range of the Group’s Pareta® e-drives. The joint venture company, owned 60% by DG Innovate and 40% by EVage, is expected to supply both EVage and third-party customers in India and internationally from EVage’s existing site in Chandigarh, Punjab, India.

## 32. PRIOR YEAR ERROR NOTE FOR THE FINANCIAL STATEMENTS

During the course of the review of the financial statements it is noted that there are some comparative figures were materially misstated in 2022. Accordingly, prior year adjustments have been made to correct the disclosure in this note.

**Share Premium**

On 8 April 2022, the Company acquired DHL via a reverse takeover which resulted in the Company becoming the ultimate holding company of the Group. The transaction was accounted for in accordance with the principles of reverse acquisition accounting, as explained in more detail in note 29. In the course of the preparation of the 2023 financial statements, the Group identified that the share premium account of the Company and that of the Consolidated group, were not that same as would be the case for any UK company applying reverse acquisition accounting principles.

It was found that in the consolidated financial statements the accounting acquirer's share premium of £2,086,852, under reverse accounting, should have been reallocated to the Reverse Acquisition Reserve in the comparative figures which include the Issue of share capital line in the Statement of Changes in equity. Accordingly, prior year adjustments have been made to correct the classification error between share premium and the reverse acquisition reserve as set out below:

| | Amounts as previously stated | Prior period error | Restated amounts |
|---|---|---|---|
| | £ | £ | £ |
| Consolidated statement of financial position | | | |
| Share premium | 33,604,986 | (2,086,852) | 31,518,134 |
| Reverse acquisition reserve | (66,211,737) | 2,086,852 | (64,124,885) |
| Movement within the Consolidated statement of changes in equity | | | |
| Reverse acquisition reserve | (29,772,482) | 2,086,852 | (27,685,630) |
| Issue of share capital | 5,881,712 | -2,086,852 | 3,794,860 |

The error had no impact on the Company only financial statements, the Consolidated Statement of Comprehensive Income or the Consolidated Statement of Cash flows. The error also does not extend to the opening balances of the comparative period and as a result no third statement of financial position will be presented as per IAS 1.40A(b).

**Share based payment**

During the course of the review of the financial statements it is noted that the share based payment figure were materially misstated. The error had impacted the Company's and the Group Consolidated Statement of Comprehensive Income and the Statement of Cash flows. The restated share based payment figure impacted the opening balances of the current year. Accordingly, prior year adjustment has been made to correct and opening balances are set out below:

| | As Restated | Correction | Previously presented |
|---|---|---|---|
| | £ | £ | £ |
| Share based payment 2022 | (699,385) | 360,521 | (338,864) |
| Loss for the year and Profit after taxation 2022 | (8,040,033) | (360,521) | (7,679,512) |
| Opening retained earnings (as at 1 January 2023) | (7,315,340) | (360,521) | (6,954,819) |
| Opening Share option reserve (as at 1 January 2023) | 699,385 | 360,521 | 338,864 |

**Reconciliation of operating loss to net cash outflow from operating activities**

During the course of the review of the financial statements it is noted that there are some figures in note 23 of the Reconciliation of operating loss to net cash outflow from operating activities were materially misstated. The error had no impact on the Company only financial statements. The error also does not extend to the opening balances of the comparative period and as a result no third statement of financial position will be presented as per IAS 1.40A(b).

| Group | As Restated | Correction | Previously presented |
|---|---|---|---|
| | £ | £ | £ |
| (Increase)/decrease in debtors | (803,342) | 188,864 | (992,206) |
| Taxation | (188,864) | (188,864) | - |

| Company | As Restated | Correction | Previously presented |
|---|---|---|---|
| | £ | £ | £ |
| (Increase)/decrease in debtors | (359,680) | 2,976,326 | (3,336,006) |
| Finance income | (115,772) | (115,772) | - |
| Non-cash flow: service charges to group undertakings | (683,520) | (683,520) | - |
| Advance loans to subsidiaries | (2,177,034) | (2,177,034) | - |

**Net debt reconciliation**

During the course of the review of the financial statements it is noted that there was a casting error and insufficient information was disclosed in 2022. The error also does not extend to the opening balances of the comparative period and as a result no third statement of financial position will be presented as per IAS 1.40A(b). Accordingly, prior year adjustments have been made to correct the disclosure in the note as set out below:

| Company | As Restated | Correction | Previously presented |
|---|---|---|---|
| | £ | £ | £ |
| Net debt as at 1 January 2022 | (1,902,327) | (306,403) | (1,595,924) |
| Repayment of lease liabilities | 71,661 | 71,661 | - |
| Repayment of borrowings | 735,876 | 735,876 | - |
| Non-cash item related to RTO | 611,934 | 611,934 | - |
| Interest | (50,241) | (50,241) | - |
| Other non-cash item | (81,927) | (81,927) | - |
| Repayment of lease liabilities | 71,661 | 71,661 | - |

**Financial Instruments**

During the course of the review of the financial statements it is noted that the comparative figures within the Financial Instruments note (note 26) were materially misstated as the numbers were not accurately extracted from the financial information or omitted certain financial liabilities. The error had no impact on any of the primary statements. The error also does not extend to the opening balances of the comparative period and as a result no third statement of financial position will be presented as per IAS 1.40A(b). Accordingly, prior year adjustments have been made to correct the disclosure in the note as set out below:

| Categories of Financial Instruments (Group) | As Restated | Correction | Previously presented |
|---|---|---|---|
| | £ | £ | £ |
| **Financial assets** | | | |
| Financial assets measured at amortised costs | | | |
| Cash at bank and in hand | 234,990 | - | 234,990 |
| Trade and other receivables | 188,171 | - | 188,171 |
| | 423,161 | - | 423,161 |
| **Financial liabilities** | | | |
| Financial liabilities measured at amortised costs | | | |
| Trade and other payables | 640,229 | (660) | 640,889 |
| Non-current liabilities | 495,860 | 495,860 | - |
| | 1,136,089 | 495,200 | 640,889 |
| Net Financial Asset/(Liability) | (712,928) | (498,200) | (214,728) |

| Categories of Financial Instruments (Company) | As Restated | Correction | Previously presented |
|---|---|---|---|
| | £ | £ | £ |
| **Financial assets** | | | |
| Financial assets measured at amortised costs | | | |
| Cash at bank and in hand | 156,193 | - | 156,193 |
| Trade and other receivables | 3,776,296 | 283,153 | 3,493,143 |
| | 3,932,489 | 283,153 | 3,649,336 |
| **Financial liabilities** | | | |
| Financial liabilities measured at amortised costs | | | |
| Trade and other payables | 327,697 | - | 327,697 |
| | 327,697 | - | 327,697 |
| Net Financial Asset/(Liability) | 3,604,792 | 283,143 | 3,321,649 |