Invinity Energy Systems plc

(formerly redT energy plc)

Annual Report and Financial Statements
Jersey registered 92432
31 December 2019

Contents

Chairman’s report

2019 was a transformational year for the Group which saw the beginning of a new chapter in our corporate history as Invinity Energy Systems (Invinity)

The merger with Avalon Battery Corporation (Avalon) provided the main focus of work during the reporting period. In addition, the Group also completed a number of other key initiatives including:

- **Contract to supply the Energy Superhub Oxford (“ESO”)** which will see 5 MWh (162 units) of Invinity flow batteries installed as part of a pioneering urban decarbonisation project in Oxford. The project received planning permission in July 2019 and the Group, having commenced manufacturing for the project in March 2020, plans to enter the delivery phase by the end of 2020. The project will be the largest vanadium flow battery in the UK and the largest vanadium flow plus lithium-ion hybrid energy storage system globally.

- **The sale of the remaining Camco US business** which was announced in April 2019. This resulted in a net cash benefit to the Group of £0.6m and completed the divestment of legacy Camco business activities.

- **Further commercial developments during the period,** which included the delivery and commissioning of a 300kWh battery to Anglian Water as part of a wider collaboration project to optimise solar and storage at the company’s sites, and a framework agreement with Statkraft to offer a fully financed solar and storage package to the commercial and industrial sector.

The table below details the latest analysis of Invinity’s commercial prospects as at 1 July 2020. These are management estimates and they do not represent forecasts of the future financial performance of the Group.

	Closed	**Base**	**Upside**	**Pipeline**
Modules	204	138	692	3,919
Energy Capacity	6.7MWh	5.2MWh	26.0MWh	147.0MWh

Definitions of the categories used and further information on how these management estimates are derived is detailed in the footnotes.[1]

Following the launch of a strategic review in March 2019, the Group made changes to the Board, took measures to reduce the operating cost base and explored options to fund the Company. In July 2019, the Company announced that it had agreed to outline terms for a proposed merger with Avalon, another leading company in the vanadium flow battery sector.

The rationale behind the merger was clear. Both redT and Avalon were leading development-stage vanadium flow battery companies, each attempting to reach the scale and level of commercialisation required to compete in a global market currently dominated by large incumbent lithium-ion manufacturers from Asia and the United States. By combining the strengths of redT and Avalon, the scale and resources required to be the first commercially viable alternative to lithium for large-scale battery storage was achieved. Shareholder approval was granted on 1 April 2020 and the Group was re-listed under the new name, Invinity Energy Systems.

We are now a truly global Group, active in all major energy storage markets. As Invinity, we possess the necessary resources, in the form of both our product and our people, to participate effectively in the multi-billion pound opportunity these markets present.

The completion of the strategic review and the subsequent merger post year-end was a critical objective both for me personally and the business as a whole. As part of the process, and despite the most turbulent market conditions in decades owing to the impact of COVID-19, the Company was also able to secure total debt and equity funding of £14.9 million, including a US$5m convertible loan from AIM-listed primary vanadium producer Bushveld Minerals Ltd (Bushveld), advanced to Avalon and partially on-lent to the Company to fund both businesses through the reverse takeover process. Whilst the total monies raised fell short of our original target, the fact we were able to raise this amount in such challenging circumstances, whilst attracting a group of new institutional and strategic shareholders, speaks to the confidence in our story. Moreover, the funding we have in place is still sufficient for us to achieve our key development goals.

Recent measures introduced to limit the impact of COVID-19, including work-from-home regulations, have affected Invinity's operations in the UK, Canada, the US and its outsourced manufacturing in China. The Group was pleased to report in its June 2020 Trading Update that manufacturing operations in China had returned to normal capacity and the manufacturing facilities in Vancouver and the UK have restarted operations. Invinity's staff have continued to work remotely since the outbreak of the pandemic and are now returning to the facilities in the UK and Canada as required whilst adhering to local regulations and following best practices as advised by regional and national health authorities. Supply of components and assembly of flow battery modules for the fulfilment of orders is underway and the Group expects to resume deliveries in the second half of 2020.

With the execution of the strategic review and subsequent completion of the merger, I returned to my role as Non-Executive Chairman on 2 April 2020. I would like to take this opportunity to thank our dedicated and hard-working staff, who have discharged their duties with the highest degree of professionalism during an uncertain time for the business. The redT and Avalon teams have met every challenge presented to them over the last 12 months and together, we are now well placed to build on the market opportunities open to us as Invinity.

I would like to offer my thanks and best wishes to Scott McGregor and Jeff Kenna, former CEO and Chairman respectively, who left the business during the period. They were instrumental in creating the redT story and saw the potential of vanadium flow batteries from the start. I welcome Larry Zulch as Chief Executive Officer and Matt Harper as Chief Commercial Officer to the Board of Invinity, as well as Rajat Kohli, who recently joined as a Non-Executive Director. Finally, I welcome all our new North American colleagues based out of Canada and the USA. I look forward to working closely with all of you over the years to come.

Outlook

It has been an eventful year culminating in the formation of Invinity post the year end. The merger integration is progressing smoothly and the business continues to operate effectively to reach our key strategic goals and milestones.

In terms of the wider market opportunity, I am pleased to note that the global market for energy storage remains strong with Bloomberg New Energy Finance predicting the sector will receive approximately US$620 billion in new investment by 2040. Although the energy storage market has, like most others, suffered a short-term shock due to COVID-19, I remain optimistic that vanadium flow batteries will play a key role in delivering the world's future energy needs.

Against this background and as evidenced in our latest trading update, I am pleased to report that our commercial team is continuing to close near-term sales from a strong pipeline of opportunities, whilst our technology and engineering divisions ramp up production to meet the needs of our customers.

Notwithstanding the above, and as stated in the Admission Document published by the Company on 13 March 2020, should the expected sales orders not be forthcoming and the Group maintains its current operational capacity, it will be necessary to raise further equity or debt funding by the end of February 2021 to continue trading and deliver on its strategic objectives.

On behalf of the Board, I would like to thank our colleagues, partners and shareholders for their continued commitment and support.

Neil O'Brien
Chairman
16 July 2020

[1] Management analysis and estimates of Invinity's commercial performance is based on data extracted from the Group's Customer Relationship Management (CRM) platform. A 'module' is defined as a single Invinity manufactured battery module, and capacity is given in Megawatt Hours (MWh). For the purpose of reporting, the Group uses the following terms to categorise its commercial opportunities which are defined below.

CLOSED – contracted orders. Projects move out of this category when they are delivered and the corresponding revenue recognised.

BASE – projects which are in the final stages of contract negotiation or considered highly likely to close and for which, manufacturing is expected to start within the next 12 months.

UPSIDE – enquiries that are not as advanced as those in the "Base" category but are still considered likely to result in an order in the near term. Detailed analysis of the customers' requirements will be underway and initial discussion on contract terms started. Projects in this category have the potential to add to projects in the "Base" category or compensate for "Base" projects that are lost or delayed.

PIPELINE – these are enquiries which are at an earlier stage. They will have had an initial analysis conducted to ensure they are an appropriate application for vanadium flow batteries, fit with Invinity's strategy and are being actively pursued.

Financial review

Overall Group result

On 5 April 2019 the Camco US business was sold completing the exit from the legacy Camco activities. This transaction resulted in a gain on sale and net cash inflow of £0.6m. The results from Camco US up to the date of sale (£0.04m loss), are reported in the results from discontinued operations in these financial statements.

	2019 £m	2018 £m	Variance £m	 %
Continuing operations:				
Revenue	**0.7**	**2.5**	**(1.8)**	**(74)**
Cost of sales	(0.3)	(2.1)	1.8	90
Gross profit	**0.4**	**0.4**	**–**	**26**
Administrative expenses (excl. SBP)	(7.3)	(12.1)	4.8	39
Trading loss	**(6.9)**	**(11.7)**	**4.8**	**41**
Merger transaction costs	(0.5)	–	(0.5)	n/a
Share-based payments (SBP)	–	(0.6)	0.6	98
Operating loss	**(7.4)**	**(12.3)**	**4.9**	**43**

All amounts rounded to nearest £0.1m

Group revenue from continuing activities of £0.7m (2018: £2.5m) was attributable to the sale of its first Gen 3 machine (£0.2m) and grant income (£0.4m). The gross profit of £0.4m is attributable to the grant income; as expected the first Gen 3 machine sale did not generate a positive margin.

Group operating loss from continuing activities for the year of £7.4m (2018: £12.3m loss) was after significant adviser costs incurred in the year associated with the merger with Avalon. Excluding these costs and non-cash, share-based payments, gives an underlying trading loss of £6.9m (2018: £11.7m loss). The main contributor to the £4.8m reduction compared to 2018 was a £3.5m reduction in product development costs. In 2018 the group installed 2.3 MWh of its Gen 2 machines to establish the technology and product in the marketplace. These sales were always expected to be loss making with the losses charged to product development. In 2019 the Group launched its Gen 3, 60kW/300kWh machine, installing the first machine at Anglian Water during the year. The product development costs associate with this 0.3MWh deployment were considerably less than those related to the 2.3MWh of machines deployed in 2018. Another contributor to the reduction was the cost cutting exercise implemented in March 2019 at the time the Strategic Review was announced. The objective was to reduce operating costs to a minimum whilst ensuring that the long-term value of the business was maintained during the Strategic Review process. This contributed approximately £0.9m of year on year savings.

Share-based payments reduced to £Nil (2018: £0.6m). This non-cash charge estimates the value of share-options given to employees by forecasting the probability weighted, potential increases in value of the share options based on historical volatility of the share price. This estimated increase in value is charged over the vesting period of the options. The reduction in the charge from 2018 to 2019 was due to the reversal of prior year charges as options were forfeit when staff left the business.

Cash and cash equivalents

At 31 December 2019, the Group had cash of £1.2m (2018: £3.3m) and borrowings of £1.1m (2018: £Nil). The borrowings relate to drawings on a loan of up to US$2.5m (£1.9m) agreed with Avalon on 1 November 2019. This loan was funded from a US$5.0m loan from Bushveld to Avalon to fund ongoing working capital requirements and merger expenses of both the Avalon and the Group through the merger process.

The key movements in net debt during 2019 were: cash outflow from operating activities of £6.6m (2018: £11.5m), net proceeds from issue of share capital of £2.9m (2018: £8.5m) and net cash received from sale of discontinued operations of £0.6m.

Merger and Fundraise Post the Balance Sheet Date

On 1 April 2020 the Company completed the following transactions:

- merged with Avalon Battery Corporation (Avalon) by acquiring of the entire share capital of Avalon in exchange for 1,735,397,545 new €0.01 ordinary shares in the Company. Outstanding options to acquire Avalon shares were also rolled over into options to acquire 61,009,238 and 52,789,430 €0.01 ordinary shares in the Company at exercise prices of 0.087p and 0.137p, respectively;
- raised £8.1m (before expenses) via a placing and open offer of 488,771,236 new ordinary €0.01 shares;
- discharged a US$5m loan (plus accrued interest and fees) from Bushveld to Avalon by issuing 302,978,063 new €0.01 new ordinary shares in the Company to Bushveld;
- entered into a two-year £3m convertible loan facility with RiverFort Global Opportunities PCC Limited and YA II PN, Ltd (the "RiverFort Facility");
- consolidated every fifty €0.01 ordinary shares in the capital of the Company, including the new shares mentioned above, into one consolidated €0.50 ordinary share.

Going concern and COVID-19

On 1 April 2020 the Company secured an investment of £8.1m (before expenses), which was supplemented with an additional £3m funding from the RiverFort Facility. This was despite the most turbulent equity market conditions in decades caused by the COVID-19 pandemic. The Group recognises that the amount raised was less than the funds needed to pursue the original business plan prepared at the start of the fundraise process and accordingly has amended its plans. This includes keeping costs to a level that enables the Group to deliver the existing contracts whilst continuing to develop market opportunities for its products, albeit on a more limited basis than had been planned originally. The updated business plan envisages a ramp up in closed sales orders, paying deposits, in the final quarter of 2020. These orders will be satisfied from production capacity that will increase during the second half of 2020, the initial output of which will be deployed onto the Energy Superhub Oxford project in late 2020 early 2021. Whilst the latest available information regarding the impact of COVID-19 pandemic has been incorporated into the updated business plan, there still remains some uncertainty as to what the full impact might be on future sales orders and production.

The cash and borrowings balances at the time of writing this review, were £5.1m and £1.0m respectively. The Group's latest cash flow forecasts indicate that, provided sales orders close as forecast, this cash combined with the remaining capacity on the RiverFort Facility will be sufficient to fund the business for at least the next 18 months. Based on encouraging ongoing discussions with potential customers, the Group is confident of meeting, if not exceeding its sales order forecast.

Should the closing of sales orders be delayed by two months or the level of deposits be more than 50% less than forecast, assuming the Group maintains its current operational capacity it will be necessary to raise further equity or debt funding before the end of February 2021 to continue trading and deliver on its strategic objectives. Discussions with potential investors and debt providers are ongoing.

Based on the ongoing discussions with potential customers, investors and debt providers, the Board is optimistic that the necessary sales orders or, if delayed, additional funding will be secured in the appropriate time scale. It therefore considers it appropriate to present these financials on a going concern basis. However, the Group's need to secure sales orders or raise additional funding, creates a material uncertainty that casts significant doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that would be necessary if the group was unable to continue as a going concern.

Fraser Welham
Chief Financial Officer
16 July 2020

Directors' report

The Directors present their Directors' report and consolidated financial statements for the year ended 31 December 2019 (the "year").

Company incorporation

Invinity Energy Systems plc (the "Company"), is a public company admitted to AIM, a market operated by London Stock Exchange plc ("AIM"). The Company changed its name to Invinity Energy Systems plc from redT energy plc on 1 April, 2020. The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 as a registered public company and regulated by the Jersey Financial Services Commission ("JFSC"). The Company is registered in Jersey, Channel Islands and is taxed at the Company standard rate of 0%.

Principal activities

The principal activity of the Company and its subsidiaries (together the "Group") is to develop and supply durable and robust energy storage systems based on proprietary vanadium redox flow technology for on and off-grid applications.

Business review and principal risks

The Business review of the Group can be found in the Executive Chairman's Report on pages 3 to 5 and the Financial Review on pages 6 to 7 of this Annual Report and are incorporated in this Directors' Report by reference.

Below are what the Directors consider to be the principal risks facing the Group's business. These do not comprise all the risks faced by the Group and are not intended to be presented in any assumed order of priority.

Going concern

A major risk facing the Group at present relates to the need to secure sales order deposits or additional long-term funding. This is covered in detail in the Financial Review and elsewhere in this Annual Report.

Market adoption

The Group relies on its disruptive technology and business model to procure new customers. Whilst the Directors believe that the Group offers a number of attractive solutions to the problems faced by its target markets and there are high levels of interest in the product without proactive marketing to date, the business model relies on the education of customers regarding the relative advantages and unique characteristics of its vanadium flow technology over providers of other energy storage technologies. The speed at which customers adopt the Group's technology will have a material impact on the Group's growth prospects.

Government energy market policy

The energy markets in many countries rely, to a large degree, on national and international regulatory policy. While the EU, the UK and the USA have, in recent years, adopted policies and mechanisms actively supporting renewable energy, it is possible that this approach could be modified or changed in the future, including as a result of a change in Government or a change in Government policy, relating to renewable energy directly or to energy policy more generally. These changes could, in some circumstances, materially affect the Group's business and growth plans.

Manufacturing and production costs

The Directors believe that the manufacturing costs for its energy storage machines will decrease over time as designs and production process are refined and volumes increase. A significant rise in the price of raw materials (such as vanadium) and/or an inability of the Group to generate sufficient sales may have a negative impact on projected production costs. An increase in production costs, or a lower than anticipated rate of cost reduction could impact upon the pricing and/or the profitability of the Group's products. If higher costs have to be passed on to the Group's customers, this may reduce market appetite for its products, which would have a material adverse impact on the Group's future growth prospects.

Product research and development

The Group's future growth will be dependent on its ability to develop and evolve its products and services, including cost reduction in the core components. There can be no guarantees that such enhanced or new products and services will be successfully developed or, if developed, successfully sold to customers. This could affect the growth of the Group's future revenues and profits.

The Group faces competitive and strategic risks that are inherent in a rapidly growing market. The Group's technology, despite testing, may contain undetected defects; problems may also be discovered from time to time in existing, new or enhanced products and services. Undetected defects could increase the Group's costs or reduce revenues; they may also divert resources from other purposes and potentially diminish the Group brand.

The technology market is subject to rapid, and often unpredictable, change. As a result of such changes, the Group's products and services might become unattractive to its customer base and, accordingly, have a material and adverse impact on the Group's revenues. The Group plans to continue to develop innovative solutions for its customers but there can be no assurance that the Group will be able to successfully develop new products and expand its business as planned or that these new products will be successful or profitable. The Group's success will depend, in part, on its ability to develop and adapt to these technological changes and industry trends.

Emergence of competitive technologies

The size of the global energy storage market has and will continue to stimulate the development of new energy storage technologies. Some new technologies may develop into commercial offerings that may present advantages over the Group's products for some or many applications. The Group regularly surveys new technologies, but only after a new technology is incorporated in a product actually sold in a commercial transaction and the resulting system is operational does the Group consider a new technology to be a potential competitor.

Intellectual property and know-how

The Group has sought to protect its proprietary software, know-how and other intellectual property by the filing of patent applications, entering into non-disclosure agreements with employees, independent contractors and third parties in the ordinary course of its business; implementing and maintaining internal and external controls and processes restricting access to the software's underlying source code and using the laws of copyright, trade secret and confidentiality.

Any intellectual property, whether or not registered owned and/or used by the Group in the course of its business or in respect of which the Group believes it has rights, may be prejudiced and/or open to challenge by third parties (including where such third parties have or claim to have pre-existing rights in such intellectual property). In any such case, the Group may be prevented from using such intellectual property or it may require the Group to become involved in litigation to protect its intellectual property rights, each of which may have a material adverse effect on the operating results, business, financial condition and prospects of the Group. Conversely, while the Group believes that it has taken appropriate precautions, it cannot guarantee that any action or inaction by the Group will not inadvertently infringe the intellectual property rights of others. Any infringement by the Group of the intellectual property rights of others could have a material adverse effect on the operating results, business, financial condition and prospects of the Group. Despite precautions which may be taken by the Group to protect its software, unauthorised parties may attempt to copy, or obtain and use, its proprietary software and the technology embedded in its products. This could cause the Group to have to incur significant unbudgeted costs in defending its software and technology.

Recruitment and continued contribution of executive officers and employees

The Group had significantly strengthened its various functions by the recent merger with Avalon Battery Corporation however there remains several posts to be created and filled to bring the teams up to full strength to grow the business to its full potential. This team will implement the production scale up and the development roadmap for future product generations, as well as driving robust and sustainable processes to support customers before, during and after system delivery.

The Group considers that attracting, developing, recognising and retaining high potential employees is critical to ensuring it achieves its objectives. Accordingly, the Group reviews its people policies on a regular basis and invest considerable resources in the development of its teams. Nevertheless, there can be no guarantee that it will be able to attract, develop and retain suitable individuals at an appropriate cost and ensure that the capabilities of the Group's employees meet its business needs. Any failure in this area may impact on the performance of the Group. There is a risk that certain senior personnel critical to the running of the Group's activities could leave. This could have a negative impact on the Group's ability to maintain relationships with customers, employees, suppliers and others with whom it has business dealings, with negative consequences for its continued performance and growth.

Product liability or other claims

Whilst the Group has instituted measures to manufacture its products in accordance with appropriate quality-control standards, there can be no assurance that each of the Group's products is free from defects or that they will not be involved in a product recall or product liability or other claims relating to product quality. Product liability or other claims in relation to the Group's products and services could result in reduced sales, recalls, injury or consequential damages to customers or third parties, or harm to the Group's reputation. Actual or perceived quality defects could adversely affect sales and require recalls. Further, express or implied warranties and strict product liability laws in certain jurisdictions could lead to significant damage claims which the Group may be forced to settle, regardless of fault. Such events could materially adversely affect the Group's business, results of operations or financial condition. The Group maintains appropriate insurance to mitigate against these risks where possible.

Expansion in existing/new markets

The Group's future growth will be dependent on its ability to generate business in diverse geographical markets. Whilst the Directors believe that geographical diversification is key to building a robust business, there is no guarantee that the Group will be able to generate the required level of sales or profitability if the costs of operating in these geographical areas prove to be higher than expected. Other factors that could impact business in these geographies include language and the changeable legal, political and regulatory regimes of the jurisdiction concerned. There is also no guarantee that expansion into additional geographical markets will not cause disruption and harm to the Group's existing business.

As a function of the Group's growth, the Group has operations in a number of countries. Some of these include territories that may have increased money laundering risks, other legal risks and/or sanctions. The Group will monitor activities in these territories closely and flag any suspicious trends.

Reputational risk

The Group's reputation is central to its future success, in terms of the services and products it provides, the way in which it conducts its business and the financial results which it achieves. Failure to meet the expectations of its clients, suppliers, employees, shareholders and other business partners may have a material adverse effect on the Group's reputation and future revenue.

Legal and regulatory change

The Group's businesses are at risk from significant and rapid change in the legal, regulatory and related frameworks in the countries in which it and/or its suppliers operate. Such changes may impact a wide range of areas including: supplier pricing; infrastructure investment; product liability; distribution and sale of products to customers; property rights and planning laws; the ability to transfer funds and assets externally; employment practices; data protection; environment; health and safety issues; and accounting, taxation and stock exchange regulation. Accordingly, changes to, compliance with or inadvertent violation of, these systems, controls or practices could increase the Group's administrative or regulatory compliance costs, restrict its operations, require other sanctions and have material and adverse impacts on the operating results, business, financial condition and prospects of the Group. There can be no assurance that the Group's businesses will be able to comply with any new regulations or law to which they might become subject. The Group may decide to appeal and/or challenge any changes to laws or regulations that may be material to its businesses and this may increase costs and/or distract management time from day-to-day business matters.

Health and safety risks

The Group is subject to various statutory compliance and litigation risks under health, safety and employment laws. There can be no guarantee that there will be no accidents or incidents suffered by the Group's employees, its contractors or other third parties at the Group's facilities. If any of these incidents occur, the Group could be subject to prosecutions and litigation, which may lead to fines, penalties and other damages being imposed and cause damage to the Group's reputation. Such events could have a material adverse effect on the Group's business operations, prospects, financial condition and operational results.

Economic environment

The Group is exposed to the general economic environment which is impacted by events such as the COVID-19 pandemic and more regionally, Brexit. Following the merger, the Group's increased geographical footprint gives it greater scope to adapt its operations to mitigate against or take advantage of economic fluctuations in different regions. Also, due its relatively small size, it still has the ability to adapt reasonably quickly.

A description of the principal financial risks facing the Group as well as the risk management objectives and policies that are in place to assist in mitigating the potential impact of these can be found in Note 21 to these financial statements.

This Annual Report of the Company for the year to 31 December 2019 is prepared in accordance with the Companies (Jersey) Law 1991 and the AIM Rules of the London Stock Exchange.

Directors' report (continued)

Results and dividends

The Group loss for the year after taxation was £6.8m (2018: loss £12.5m). The Board does not recommend the payment of a dividend for the year.

The Directors

Details of the Directors who served during the year and present at date of signing are as follows:

Neil O'Brien	Non-Executive Chairman since 2 April 2020 (formerly Executive Chairman from 14 March 2019 to 1 April 2020 and Non-executive before that)
Fraser Welham	Chief Financial Officer
Jeffrey Kenna	Non-executive (resigned on 31 December 2019, formerly Non-executive Chairman till 14 March 2019)
Michael Farrow	Non-executive
Jonathan Marren	Non-executive
Scott McGregor	Chief Executive Officer till 14 November 2019. Stepped down as Director on 14 March 2019.
David Stewart	Non-executive (resigned on 7 January 2019)
Lawrence Zulch	Chief Executive Officer (appointed on 1 April 2020)
Matt Harper	Chief Commercial Officer (appointed on 1 April 2020)
Rajat Kohli	Non-executive (appointed on 22 June 2020)

Directors' liability insurance and indemnities

The Company maintains liability insurance for the Directors and officers of all Group companies. The policy does not provide cover in the event that a Director or officer is proved to have acted fraudulently or dishonestly. The Company has agreed to indemnities, in force at 31 December 2019 and at the date of signing these financial statements, which indemnify the Directors to the extent permitted by applicable law and the Company's articles of association in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries.

Directors' interests

Details of Directors' interests in the Company's shares are shown in Note 23 – Related parties.

Share capital

The issued share capital of the Company at 1 January 2019 was €7,912,191 comprised of 791,219,132 ordinary shares of €0.01. There were no shares held in treasury.

On 8 April 2019 the Company issued 160,031,504 new ordinary shares.

The issued share capital of the Company at 31 December 2019 was €9,512,305 comprised of 951,230,456 ordinary shares of €0.01. There were no shares held in treasury.

See Note 24 – Post balance sheet events for changes to share capital after 31 December 2019.

Substantial shareholdings

As at 1 July 2020, the following shareholders own more than 3% of the issued share capital of the Company:

	Number of shares	% of issued share capital
Schroders	9,137,406	12.88%
GSR Ventures IV LP	8,266,129	11.65%
Brantingham & Carroll International Ltd	7,093,026	10.00%
Johnson Chiang	6,420,074	9.05%
Bushveld Minerals	6,059,561	8.54%
Hong Kong Hao Yuan Shen Trading	3,579,276	5.04%
Lawrence Zulch	2,231,948	3.15%
1953621 Alberta Ltd	2,143,016	3.03%

The above information is based on the latest notifications from significant shareholders received by the Company.

Political and charitable contributions

The Group made no political or charitable contributions during the year (2018: £Nil).

Corporate governance

The Directors are committed to a high standard of corporate governance for which they are accountable to stakeholders and particularly shareholders. In 2019 the Company adopted, and now applies, the Quoted Companies Alliance (QCA) Corporate Governance Code ("QCA Code"). The Company continues to monitor developments in the area of corporate governance.

The Board

The Board is ultimately responsible for the effectiveness of the Group's system of internal control. The roles and responsibilities of the Board and senior management are clearly defined and regularly reviewed. The Board includes an appropriate balance of executive and non-executive Directors and meets formally four times a year and on such other occasions as required by the demands of the business. It is supplied with information by senior management in a timely and accurate manner, appropriate to enable it to discharge its duties of reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

The roles of the Chairman and the Chief Executive Officer

The division of responsibilities between Chairman of the Board and the Chief Executive Officer are clearly defined. Their responsibilities are outlined below.

The Chairman

The Chairman leads the Board in the determination of the Group's strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman is not involved in the day-to-day business of the Group. The Chairman facilitates the effective contribution of non-executive Directors and manages constructive relations between non-executive and executive Directors. The Chairman ensures that regular reports from the Company's brokers are circulated to the non-executive Directors to enable non-executive Directors to remain aware of shareholders’ views. The Chairman ensures effective communication with the Company’s shareholders.

The Chief Executive Officer

The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group. The Chief Executive Officer, in order to carry out the responsibilities delegated to him by the Board, maintains daily contact and holds regular meetings with senior managers within each business segment, to consider operational matters and implement the Group’s strategy.

The Board’s Committees

The Board has formally established three committees in accordance with the QCA Code to provide oversight to support the proper governance of the Company, these are outlined below.

The Audit Committee

The Audit Committee comprises Jonathan Marren (Chairman), Neil O’Brien and Michael Farrow who are all non-executive Directors.

The Committee is responsible for the following functions recommended by the QCA Code including:

- review of the annual financial statements and interim reports prior to approval, focussing on changes in accounting policies and practices, major judgemental areas, significant audit adjustments, going concern and compliance with accounting standards, stock exchange and legal requirements;
- receiving and considering reports on internal financial controls, including reports from the auditors and report their findings to the Board;
- considering the appointment of the auditors and their remuneration including reviewing and monitoring of independence and objectivity;
- meeting with the auditors to discuss the scope of the audit, issues arising from their work and any matters the auditors wish to raise;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services;
- review of the Group’s corporate review procedures and any statement on internal control prior to endorsement by the Board;
- recommendation of appointment and reappointment of the external auditors to the Board.

The Remuneration Committee

The Remuneration Committee comprises Michael Farrow (Chairman), Neil O’Brien and Jonathan Marren, who are all non-executive Directors.

The Committee has the following key duties:

- reviewing and recommending the emoluments, pension entitlements and other benefits of the executive Directors and, as appropriate, other senior executives;

- reviewing the operation of share option schemes and Long-Term Incentive Plans and the granting of such options.

The Nomination Committee

The Nomination Committee comprises Neil O'Brien (Chairman), Michael Farrow and Jonathan Marren, who are non-executive Director and Larry Zulch who is an executive Director.

The Committee is responsible for considering all potential appointments to the Board and to make suitable proposals to the Board in relation to potential appointments.

The Company Secretary

The Company Secretary is Oak Secretaries (Jersey) Ltd which is 100% owned by the Oak Group (Jersey) Ltd (Oak Group), a Jersey-based limited liability company regulated by the Jersey Financial Services Commission. Michael Farrow was a Director of the Oak Group until 31 May 2019.

Relations with shareholders

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

Internal control

The Audit Committee is responsible on behalf of the Board for the Group's system of internal control and has taken into account the relevant provisions of the QCA Code in formulating the systems and procedures in operation by the Group. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and provide only reasonable and not absolute assurance against material misstatement or loss. The Board is aware of the need to conduct regular risk assessments to identify any deficiencies in the controls currently operating over all aspects of the Group.

Risk assessment

In determining what constitutes a sound system of internal control the Board considers:

- the nature and extent of the risks regarded as acceptable for the Group to bear within its particular business;
- the threat of such risks becoming reality;
- the Group's ability to reduce the incidence and impact on business if the risk crystallises;
- the costs and benefits resulting from operating relevant controls;
- recommendations from the Audit Committee as part of its overall responsibility for risk.

Policies

Through the regular meetings of the Board and the schedule of matters reserved for the Board's committees, the Board aims to maintain full and effective control over appropriate strategic, financial, operational and compliance issues. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. For each financial year, the Board considers and approves a strategic plan and financial budget. In addition, there are established procedures and processes for planning and controlling expenditure and making investments.

Processes

The Group utilises the following broad processes in order to further mitigate any risks it faces:

- review of management accounts with comparison of actual performance against budget; and consideration of the outturn for the year;
- approval by the Board is required for major investments outside the budget.

Going concern

On 1 April 2020 the Company managed to secure an investment of £8.1m (before expenses), which was supplemented with an additional £3m funding from the RiverFort Facility. This was despite the most turbulent equity market conditions in decades caused by the COVID-19 pandemic. The Group recognises that the amount raised was less than the funds needed to pursue the original business plan prepared at the start of the fundraise process and has amended its plans accordingly.Whilst the latest available information regarding the impact of COVID-19 pandemic has been incorporated into the updated business plan, there still remains some uncertainty as to what the full impact might be on future sales orders and production.

The cash and borrowings balances at the time of writing this review, were £5.1m and £1.0m respectively. The Group's latest cash flow forecasts indicate that, provided sales orders close as forecast, this cash combined with the remaining capacity on the RiverFort Facility will be sufficient to fund the business for at least the next 18 months. Based on encouraging ongoing discussions with potential customers, the Group is confident of meeting, if not exceeding its sales order forecast.

Should the closing of sales orders be delayed by two months, or the level of deposits be more than 50% less than forecast, assuming the Group maintains its current operational capacity it will be necessary to raise further equity or debt funding before the end of February 2021 to continue trading and deliver on its strategic objectives. Discussions with potential investors and debt providers are ongoing.

Based on the ongoing discussions with potential customers, investors and debt providers, the Board is optimistic that the necessary sales orders or, if delayed, additional funding will be secured in the appropriate time scale. It therefore considers it appropriate to present these financials on a going concern basis. However, the Group's need to secure sales orders or raise additional funding, creates a material uncertainty that casts significant doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that would be necessary if the group was unable to continue as a going concern.

Post balance sheet events

Particulars of important events affecting the Group since the financial year end are set out in Note 24 – Post balance sheet events of the financial statements.

Disclosure of information to auditor

Each of the Directors confirms that: (a) so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware; and (b) they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of such information.

Auditor

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

By Order of the Board

John Graeme Paton
For and on behalf of
Oak Secretaries (Jersey) Ltd
Company Secretary

Registered Office:
3rd Floor
Standard Bank House
47-49 La Motte Street
St Helier
Jersey
JE2 4SZ

16 July 2020

Report of the remuneration committee

Composition and terms of reference

The Remuneration Committee was established on admission to AIM on 25 April 2006 and comprises only independent non-executive Directors. Its members during the year were Michael Farrow (Chairman), Neil O'Brien, Jonathan Marren and Jeffrey Kenna. Neil O'Brien was Remuneration Committee Chairman until 14 March 2019 when Michael Farrow was appointed Chairman. The Committee's terms of reference take into account the provisions of the QCA Code on corporate governance for smaller companies and ensure that processes designed to retain and remunerate the executive Directors and management are consistent with current best practice.

Directors' remuneration policy

Non-executive Directors

The Company's policy for non-executive Directors (including the Chairman) is to pay fees which are broadly competitive with fees paid by other similar AIM listed companies of commensurate size and growth prospects. Non-executives are not currently eligible for bonuses, share options, long-term incentives, pensions or performance related remuneration.

Executive Directors

The Company's policy for executive Directors is to provide remuneration and other benefits sufficient to attract, retain and motivate executives of the calibre required. Total remuneration includes salary, performance related bonuses, share options and long-term incentives. Bonuses are provided at the discretion of the Remuneration Committee and are performance related. Share options and long-term incentives are provided to motivate and retain executive Director's services.

Directors' remuneration during the year

	2019 Salaries and fees £'000	2019 Benefits in kind £'000	2019 Termination Payments £'000	2019 Pension benefits £'000	2019 Total £'000
Executive Directors					
Neil O'Brien	**55**	**–**	**–**	**–**	**55**
Scott McGregor*	**42**	**1**	**–**	**2**	**45**
Fraser Welham	**150**	**13**	**–**	**8**	**171**
Non-executive Directors					
Jeffrey Kenna	**36**	**–**	**–**	**–**	**36**
Michael Farrow	**30**	**–**	**–**	**–**	**30**
Jonathan Marren	**35**	**–**	**–**	**–**	**35**
Total	**348**	**14**	**–**	**10**	**372**

* Scott McGregor ceased to be a director on 14 March 2019 and left the company on 31 December 2019. His emoluments above are up for the period up to 14 March 2019. His remuneration after ceasing to be a director was: salary £158k, benefits in kind £3k, pension benefit £9k and a termination payment £211k, most of which was paid in 2020.

	2018 Salaries and fees £'000	2018 Benefits in kind £'000	2018 Termination Payments £'000	2018 Pension benefits £'000	2018 Total £'000
Executive Directors					
Scott McGregor	200	3	–	10	213
Fraser Welham	121	4	–	6	131
David Stewart	122	2	88	6	218
Scott Laird*	36	–	24	–	60
Non-executive Directors					
Jeffrey Kenna	60	–	–	–	60
Michael Farrow	30	–	–	–	30
Jonathan Marren	35	–	–	–	35
Neil O'Brien	30	–	–	–	30
Total	634	9	112	22	777

* In 2018 Scott Laird waived his contractual entitlement to pension contributions.

Defined contribution retirement benefit plan

The Group operates a defined contribution, retirement benefit plan for qualifying Directors and employees. The assets of this plan are held separately from those of the Group. The only obligation of the Group is to make the contributions.

Long-Term Incentive Plan (the "LTIP")

The Board approved the LTIP under which Directors and employees were entitled to equity-settled payment following annual vesting dates from 31 December 2008 up to 31 December 2012, upon certain market and non-market performance conditions being met in the years preceding those dates.

The purpose of the LTIP was to incentivise Directors and employees to meet profit and share price performance targets over the years ending on the vesting dates. The LTIP aligned Directors' objectives with those of the shareholders.

The Board now considers the LTIP closed and accordingly no further awards were made during the year.

From the beginning of the year to 14 November 2019 when Scott McGregor was initially a director then continued to be CEO, he held 750,000 vested awards exercisable at €0.01 per share. These awards will lapse on 30 July 2023.

The share-based payment charge booked in respect of the LTIP in these financial statements for Scott McGregor is £Nil (2018: £Nil).

Camco 2006 Executive Share Plan (the "Plan")

On 27 July 2012, the Company resolved at a general meeting to amend the terms of the Plan such that awards could be made under the Plan for a period of 10 years from 27 July 2012 over up to 10 per cent of the ordinary shares in issue as 27 July 2012 plus any shares subsequently issued.

Under the Plan the Company can make awards of share options or conditional rights to receive shares ("awards") to selected Directors and employees.

The purpose of the Plan was to incentivise Directors and employees to meet market (share price) and non-market (operational) performance targets over the vesting period.

The Board now considers the Plan closed and accordingly no further awards were made during the year.

From the beginning of the year to 14 November 2019 when Scott McGregor was initially a director and then continued to be CEO, he held 3,406,358 vested awards exercisable at €0.01 per share. These awards will lapse on 30 July 2023.

The share-based payment charge booked in respect of the Plan in these financial statements for Scott McGregor is £Nil (2018: £Nil).

2015 and 2018 redT Employee Share Plans (the "2015 Plan" and "2018 Plan")

On 30 November 2015, the Company resolved at a general meeting to approve the 2015 Plan, which allowed for awards to be made up to 10% of the issued share capital of the Company from time to time.

Under the 2015 Plan the Company can make awards of share options or conditional rights to receive shares ("awards") to selected Directors and employees.

The purpose of the 2015 Plan was to incentivise Directors and employees to meet market (share price) and non-market (operational) performance targets over the vesting period.

On 14 May 2018, the Board adopted the 2018 Plan, which introduced HMRC scheme rules and includes a CSOP, EMI and unapproved part, and the redT energy 2018 Consultant Share Option Plan. The 2018 Plan replaces the 2015 Plan with a share option plan which is able to benefit from tax incentives offered by the UK Government relating to employee share incentives. Where appropriate, options previously granted under the 2015 Plan have been surrendered and reissued on exactly the same commercial terms as they were originally granted under the 2018 Plan.

Awards issued to Directors

	At 1 January 2019 Outstanding No. of shares	Granted No. of shares	Vested No. of shares	Forfeited No. of shares	At 31 December 2019 Outstanding No. of shares	Price payable per share Pence
Fraser Welham	3,000,000	–	–	–	**3,000,000**	5.90
Fraser Welham	2,000,000	–	–	–	**2,000,000**	7.00
Total	5,000,000	–	–	–	**5,000,000**	

During the period from the beginning of the year to 14 November 2019, when Scott McGregor was initially a director and then continued as CEO, he was not granted any awards and no existing awards vested. During this period, he held 3,500,000 vested and 6,500,000 unvested awards exercisable at 8.0 pence per share. The 3,500,000 vested awards will lapse on 31 July 2023. The 6,500,000 unvested awards were forfeited when he left the business on 31 December 2019.

The share-based payment amounts booked in these financial statements for Scott McGregor is £393,490 income due to forfeited awards (2018: £206,890 charge) and for Fraser Welham is £40,786 charge (2018: £18,416 charge).

Awards under the 2018 Plan replacing surrendered option previously granted under the 2015 Plan

30,012,928 options, which were originally granted under the 2015 Share Plan, were surrendered and regranted under the 2018 Employee Share Option Plan on 30 May 2019. These options were on the same commercial terms as those on which the original options were granted (including the exercise price and vesting conditions).

Awards without performance criteria

38,818,057 options (including those granted to Directors) were granted in two batches, 25,920,835 on 18 May 2018 and 12,897,222 on 29 November 2018. 25% of the options will vest after the expiry of 2 years from start of employment, a further 25% of options will vest after the expiry of 3 years from date of grant, a further 25% of options will vest after the expiry of 4 years from date of grant (in all cases rounded down where necessary) and the remainder will vest after the expiry of 5 years from date of grant.

The Company's share price at the end of the year was 1.075 pence (2018: 5.10 pence). The highest share price in the year was 6.40 pence (2018: 11.30 pence) and the lowest 0.80 pence (2018: 4.50 pence).

On 1 April 2020 the shareholders' approved a 50:1 consolidation of the company's share capital. All the above options were adjusted accordingly.

Directors' service contracts

The Chairman and non-executive Directors hold office via letters of appointment in accordance with the Company's Articles of Association, they do not have service contracts. The Chairman is entitled to 6 months' notice prior to termination of his appointment. The non-executive Directors are entitled to 3 months' notice prior to termination of their appointment. Following these notice periods there is no further entitlement to compensation or other benefits.

The Group's policy is that executive Directors' notice periods should not exceed one year. Fraser Welham holds an employment contract with the Group dated 3 April 2018 and is terminable with 6 months notice given by the Group or employee. There are no provisions for compensation for early termination of these contracts, except for change of role in the event of a merger or acquisition.

The tables above comprise part of the audited financial statements.

By order of the Board

Michael Farrow
Remuneration Committee Chairman
16 July 2020

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS").

As required by the AIM Rules for Companies of London Stock Exchange Plc, the directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and the profit and loss for that year.

In preparing those financial statements the directors should:

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

The directors confirm they have complied with all the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditor's report
to the members of Invinity Energy Systems plc

Report on the audit of the financial statements

Opinion

In our opinion, Invinity Energy Systems plc (formerly known as redT energy plc)'s group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated statement of cash flow, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. While the group has secured funding facilities post balance sheet date, the future viability of the going concern assessment of the group is dependent on the group securing projected sales, being able to deliver the orders on a timely basis and keeping costs to a level that enables the group to deliver the existing contracts whilst continuing to develop market opportunities for its products. If these conditions are not met, the group will require additional investment to fund ongoing operations. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Explanation of material uncertainty

The group's forecast and projections assume that the group will continue as a going concern for at least 18 months from the approval of the financial statements. The group's forecast and projections envisage a ramp up in closed sales orders with deposits received in the final quarter of 2020. These orders will be satisfied from production capacity that will increase during the second half of 2020, the initial output of which will be deployed onto the Energy Superhub Oxford project in late 2020 early 2021. Should the closing of sales orders be delayed, or the level of deposits be less than forecast, or the cost levels not maintained at what was budgeted, it will be necessary to raise further equity or debt funding before the end of the first quarter of 2021 to continue trading and deliver on its strategic objectives.

Judgement is required in estimating future forecast costs, the likelihood of securing sales orders and of future funding being available to the group.

What audit procedures we performed

In concluding there is a material uncertainty, our audit procedures included:

- obtaining future cash flow forecasts for a period of at least 12 months from the date of approval of the financial statements. The cash flow forecasts support the fact that additional funding will be required within this period, if sales orders are not secured or cost measures are not implemented as planned. The accuracy and robustness of the forecasts was tested along with evaluating key inputs;

- corroborating the forecasted budgeted revenue with confirmed sales orders or revenue pipeline of the Group;

- comparing the assumptions used within the going concern model to the board approved budgets and business plans;

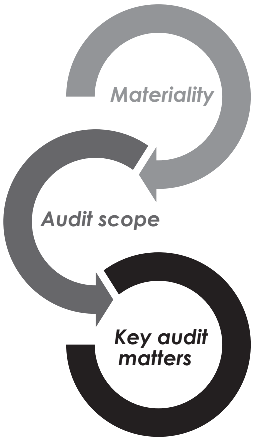
- consider the level of interest of future investments into the group;

- reviewing and evaluating management's sensitivities and performing additional sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes; and

- reading the disclosures in note 1 to the financial statements and checking these were consistent with the group's plans for future fundraising and the group's current funding position.

Our audit approach

Overview



- Overall group materiality: £154,000 (2018: £191,000), based on 1% of total assets.

- The group's principal activity is to develop and supply durable and robust energy storage systems.
- We tailored the scope of our audit taking into account the significant balances within the group, the accounting processes, and the industry in which the group operates.
- The audit work was performed by a team based in the UK and accounted for approximately 98% of net assets.

- Impairment of intangible assets with respect to group
- Going concern assessment with respect to group
- COVID-19 risks and uncertainties.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of intangible assets The group holds intangible assets, including goodwill (£7.0m) and intellectual property (£5.8m), which arose on the acquisition of the remaining shareholding of redT energy Holdings (Ireland) Limited. IAS 36 Impairment of assets requires an annual impairment assessment to be carried out for all indefinite life intangibles (goodwill) and whenever there are any indications of impairment for all other assets. We focused on this area due to the material nature of the intangibles balance and given product arising from the intangibles are not fully commercially available, there is a risk that the value may not be recoverable. In addition, impairment assessments are based on key assumptions, which are inherently subjective, this heightens the risk around carrying value of intangible assets.	We tested management's impairment assessment of goodwill and intangible assets by performing the work described below: • checking the mathematical accuracy of key formulae in the impairment models; • corroborating the inputs to the fair value less cost of disposal assessment of impairment; • reviewing management's sensitivities over key assumptions in the model in order to assess the potential impact of a range of possible outcomes; • assessing the inclusion of all appropriate assets and liabilities in the cash generating unit and agreed that all relevant balances had been included; and • verifying the adequacy of relevant disclosures in the group financial statements. Based on the work performed, we determined that the assumptions used, and the approach taken was reasonable. The recoverability of the intangible assets is interlinked with the going concern assumption therefore the recoverability of the asset is at risk should the group not continue as a going concern.
COVID-19 risks and uncertainties The Director General of the World Health Organization declared the novel coronavirus, COVID-19, a global pandemic on 11 March 2020. As set out in note 24 to the financial statements, following the declaration, management have updated their evaluation of the group's ability to continue as a going concern to incorporate an assessment of the potential impact of COVID-19. This included assessment of the expected disruption on the group's operations. While the impact of COVID-19 is uncertain and unquantifiable, the group has implemented a variety of mitigating actions and contingency plans in response to the pandemic. Given the inherent uncertainty associated with the impact of COVID-19 on the group, we consider this to be a key audit matter in relation to going concern and general disclosure.	In challenging management's assessment of the impact of COVID-19 on their business, our procedures included: • conducting enquiries with key members of management outside of the finance function, to understand the group's mitigating actions and contingency plans; • reviewing board reporting about the expected business impact of the matter; • obtaining evidence of the group's documented pandemic planning, and contingency plans to continue plant operations; • with respect to work performed on going concern – refer section "Material uncertainty related to going concern"; and • reviewing the related financial statement disclosures for consistency with the results of our procedures.

Key audit matter	How our audit addressed the key audit matter
	Based on the procedures performed and based on the current facts and circumstances we believe that management's disclosures in relation to COVID-19 are appropriate, however, as management have disclosed, this is an evolving area and further risks may arise which have a potential impact on the business.

How we tailored the audit scope

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

The Camco segment, a consultancy business operating within the US was sold in April 2019 and completed the group's exit from the legacy Camco activities. The financial statements hence consist of performance for three months up to March 2019 for the legacy Camco activities. With the exit of Camco, the group consists of one segment.

Our group scoping was based on total assets generated from each component and we identified two components (the company and redT energy (UK) Limited) which comprised a high proportion of total group assets which required an audit of their complete financial information. A further two components were subject to procedures over the intangibles, revenue and cost of sales financial statement line item level to obtain sufficient coverage.

The audit work was entirely performed by the group engagement team based in the UK.

Materiality

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

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

Overall group materiality	£154,000 (2018: £191,000).
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that total assets is an appropriate measure for a group at the applied current stage of developing energy storage machines.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £102,910 and £138,600. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £7,700 (2018: £10,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report (continued)
to the members of Invinity Energy Systems plc

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements set out on page 22, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

Richard Spilsbury
For and behalf of PricewaterhouseCoopers LLP
Chartered Accountants

Edinburgh
16 July 2020

Consolidated statement of financial position

At 31 December 2019

	Note	**2019** **£'000**	2018 £'000
Non-current assets			
Property, plant and equipment	10	**254**	538
Right-of-use assets	11	**71**	–
Intangible assets and goodwill	12	**12,789**	13,491
Total non-current assets		**13,114**	14,029
Current assets			
Inventories	13	**236**	525
Other current assets	14	**601**	562
Trade receivables and accrued income	14	**245**	623
Cash and cash equivalents	14	**1,243**	3,344
Total current assets		**2,325**	5,054
Total assets		**15,439**	19,083
Current liabilities			
Trade and other payables	19	**(1,523)**	(1,567)
Deferred income	18	**(38)**	(173)
Borrowings	16	**(1,143)**	–
Provisions	17	**(95)**	–
Lease liabilities	15	**(52)**	–
Total current liabilities		**(2,851)**	(1,740)
Non-current liabilities			
Deferred income	18	**–**	(35)
Total non-current liabilities		**–**	(35)
Total liabilities		**(2,851)**	(1,775)
Net assets		**12,588**	17,308
Equity attributable to equity holders of the parent			
Share capital	20	**8,157**	6,777
Share premium		**101,035**	99,473
Share-based payment reserve	20	**2,250**	2,225
Accumulated losses		**(97,914)**	(91,072)
Translation reserve	20	**482**	1,327
Other reserve	20	**(1,422)**	(1,422)
Total equity		**12,588**	17,308

The notes on pages 35 to 70 form an integral part of these consolidated financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 16 July 2020 and were signed on its behalf by:

Michael Farrow
Director
Company Registration Number 92432

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £'000	2018 Restated* £'000
Continuing operations			
Revenue	2	**663**	2,524
Cost of sales		**(215)**	(2,170)
Gross profit		**448**	354
Administrative expenses	4	**(7,393)**	(12,636)
Other losses	5	**(500)**	–
Loss from operating activities		**(7,445)**	(12,282)
Financial income	6	**93**	1
Finance costs	6	**(28)**	(162)
Net finance income/(costs)	6	**65**	(161)
Loss before tax		**(7,380)**	(12,443)
Income tax expense	7	**(5)**	(92)
Loss from continuing operations		**(7,385)**	(12,535)
Discontinued Operations			
(Loss)/profit from discontinued operations (net of tax)	3	**(35)**	13
Gain on sale of discontinued operations	3	**578**	–
Loss for the year		**(6,842)**	(12,522)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(845)**	260
Total comprehensive loss for the year		**(7,687)**	(12,262)
Loss for the year attributable to:			
Equity holders of the parent		**(6,842)**	(12,681)
Non-controlling interest		**–**	159
		(6,842)	(12,522)
Total comprehensive loss for the year attributable to:			
Equity holders of the parent		**(7,687)**	(12,421)
Non-controlling interest		**–**	159
		(7,687)	(12,262)
Total comprehensive loss for the year attributable to equity holders of the parent arises from:			
Continuing operations		**(8,088)**	(12,685)
Discontinued operations		**401**	264
		(7,687)	(12,421)
Basic loss per share in Pence			
From continuing operations	9	**(0.81)**	(1.74)
From continuing and discontinued operations	9	**(0.75)**	(1.77)
Diluted loss per share in Pence			
From continuing operations	9	**(0.81)**	(1.74)
From continuing and discontinued operations	9	**(0.75)**	(1.77)

The notes on pages 35 to 70 form an integral part of these consolidated financial statements.

* See note 3 for details of restatement as a result of operations discontinued during 2019

Consolidated statement of changes in equity

For year ended 31 December 2019

	Notes	2019 Share capital £'000	2019 Share premium £'000	2019 Share-based payment reserve £'000	2019 Accum-ulated losses £'000	2019 Translation reserve £'000	2019 Other reserve £'000	2019 Total Equity £'000
Balance as at 1 January 2019		**6,777**	**99,473**	**2,225**	**(91,072)**	**1,327**	**(1,422)**	**17,308**
Total comprehensive loss for the year								
Loss for the year		**–**	**–**	**–**	**(6,842)**	**–**	**–**	**(6,842)**
Other comprehensive loss								
Foreign currency transaction differences		**–**	**–**	**–**	**–**	**(845)**	**–**	**(845)**
Total comprehensive loss for the year		**–**	**–**	**–**	**(6,842)**	**(845)**	**–**	**(7,687)**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Share-based payments	8	**–**	**–**	**25**	**–**	**–**	**–**	**25**
Issuance of shares	20	**1,380**	**1,822**	**–**	**–**	**–**	**–**	**3,202**
Transaction costs arising on share issues		**–**	**(260)**	**–**	**–**	**–**	**–**	**(260)**
Total contributions by and distributions to owners		**1,380**	**1,562**	**25**	**–**	**–**	**–**	**2,967**
Balance at 31 December 2019		**8,157**	**101,035**	**2,250**	**(97,914)**	**482**	**(1,422)**	**12,588**

The notes on pages 35 to 70 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For year ended 31 December 2018

	Note	2018 Share capital £'000	2018 Share premium £'000	2018 Share-based payment reserve £'000	2018 Accum-ulated losses £'000	2018 Translation reserve £'000	2018 Other reserve £'000	2018 Equity attributable to shareholders of the Company £'000	2018 Equity attributable to non-controlling interest £'000	2018 Total Equity £'000
Balance as at 1 January 2018		5,560	92,198	1,707	(78,391)	1,067	(1,422)	20,719	(159)	20,560
Total comprehensive loss for the year										
Loss for the year		–	–	–	(12,522)	–	–	(12,522)		(12,522)
Minority interest loss not recoverable		–	–	–	(159)	–	–	(159)	159	–
Other comprehensive income										
Foreign currency transaction differences		–	–	–	–	260	–	260	–	260
Total comprehensive loss for the year		–	–	–	(12,681)	260	–	(12,421)	159	(12,262)
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	8	–	–	518	–	–	–	518	–	518
Issuance of shares	20	1,217	7,834	–	–	–	–	9,051	–	9,051
Transaction costs arising on share issues		–	(559)	–	–	–	–	(559)	–	(559)
Total contributions by and distributions to owners		1,217	7,275	518	–	–	–	9,010	–	9,010
Balance at 31 December 2018		6,777	99,473	2,225	(91,072)	1,327	(1,422)	17,308	–	17,308

The notes on pages 35 to 70 form an integral part of these consolidated financial statements.

Consolidated statement of cash flow

For year ended 31 December 2019

	Note	**2019 £'000**	2018 £'000
Cash flows from operating activities			
Loss for the year		**(6,842)**	(12,522)
Adjustments for:			
Depreciation	10,11	**380**	274
Net finance (income)/costs	6	**(65)**	148
Impairment of receivables – provision	21	**–**	(4)
Equity settled share-based payment expenses	8	**11**	570
Taxation	7	**5**	92
Gain on disposal of discontinued operations	3	**(578)**	–
Increase in provision		**95**	–
		(6,994)	(11,442)
Decrease in trade receivables, accrued income and other current assets		**40**	1,433
Decrease in inventory (net of inventory written-off)		**290**	25
Increase in trade and other payables		**174**	143
Decrease in deferred income		**(170)**	(1,643)
		334	(42)
Taxes paid		**(5)**	–
Net cash outflow from operating activities		**(6,665)**	(11,484)
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	**(6)**	(382)
Proceeds from sale of discontinued operations	3	**628**	–
Net cash outflow from investing activities		**622**	(382)
Cash flows from financing activities			
Interest received		**1**	14
Proceeds from the issue of share capital		**2,942**	8,492
Payment of lease liabilities (principal & interest)		**(97)**	–
Proceeds from loan		**1,165**	–
Other interest paid		**(3)**	–
Net cash inflow from financing activities		**4,008**	8,506
Net decrease in net cash and cash equivalents		**(2,035)**	(3,360)
Net cash and cash equivalents at 1 January		**3,344**	6,603
Effect of foreign exchange rate fluctuations on cash held		**(66)**	101
Net cash and cash equivalents at 31 December	14	**1,243**	3,344

The notes on pages 35 to 70 form an integral part of these consolidated financial statements.

1 Summary of significant accounting policies

Invinity Energy Systems plc (the "Company") is a public company incorporated in Jersey under the Companies (Jersey) Law 1991. The address of its registered office is 3rd floor, Standard Bank House, 47-49 La Motte Street, St Helier Jersey, JE2 4SZ. The consolidated financial statements of the Company for the year ended 31 December 2019 comprise of the Company and its subsidiaries (together the "Group"). The Company's shares are quoted on AIM, a market operated by London Stock Exchange Plc.

(a) Basis of preparation

These consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("adopted IFRS and IFRS Interpretations Committee (IFRS IC) Interpretations"). These consolidated financial statements were approved by the Board on 16 July 2020.

These consolidated financial statements have been prepared in accordance with and in compliance with the Companies (Jersey) Law 1991, an amendment to which means separate parent company financial statements are not required.

The accounting policies set out below have been applied consistently in the year and presented in these consolidated financial statements. The accounting policies have been consistently applied across all Group entities for the purposes of producing these consolidated financial statements.

The financial statements have been prepared on historical cost and going concern basis.

(b) Critical accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Impairment of goodwill – goodwill is tested annually for any impairment in accordance with the accounting policy stated in Note 1(m) below. These tests require the use of management estimates and assumptions as detailed in Note 12 – Intangible & goodwill.

Share-based payments – the expense relating to share-based payments is determined in accordance with the accounting policy stated in Note 1(j) below. The calculation of this expense requires the use of various management estimates.

Provision for warranty & onerous contracts – The estimated warranty claims in respect of products sold and the estimated unavoidable net costs relating to onerous contracts require management's analysis of contracts and use of management estimates and assumptions.

In the view of the directors there are no critical accounting judgements in the Group's financial statements, other than the amortisation of intangible assets (note 12).

(c) Going Concern Basis

On 1 April 2020 the Company managed to secure an investment of £8.1m (before expenses), which was supplemented with an additional £3m funding from the RiverFort Facility. This was despite the most turbulent equity market conditions in decades caused by the COVID-19 pandemic. The Group recognises that the amount raised was less than the funds needed to pursue the original business plan prepared at the start of the fundraise process and has amended its plans accordingly. This includes keeping costs to a level that enables the Group to deliver the existing contracts whilst continuing to develop market opportunities for its products, albeit on a more limited basis than had been planned originally. The updated business plan envisages a ramp up in closed sales orders, paying deposits, in the final quarter of 2020. These orders will be satisfied from production capacity that will increase during the second half of 2020, the initial output of which will be deployed onto the Energy Superhub Oxford project in late 2020 early 2021. Whilst the latest available information regarding the impact of COVID-19 pandemic has been incorporated into the updated the business plan, there still remains some uncertainty as to what the full impact might be on future sales orders and production.

The cash and borrowings balances at the time of writing this review, were £5.1m and £1.0m respectively. The Group's latest cash flow forecasts indicate that, provided sales orders close as forecast, this cash combined with the remaining capacity on the RiverFort Facility will be sufficient to fund the business for at least the next 18 months. Based on encouraging ongoing discussions with potential customers, the Group is confident of meeting, if not exceeding its sales order forecast.

Should the closing of sales orders be delayed by two months, or the level of deposits be more than 50% less than forecast, assuming the Group maintains its current operational capacity it will be necessary to raise further equity or debt funding before the end of February 2021 to continue trading and deliver on its strategic objectives. Discussions with potential investors and debt providers are ongoing.

Based on the ongoing discussions with potential customers, investors and debt providers, the Board is optimistic that the necessary sales orders or, if delayed, additional funding will be secured in the appropriate time scale. It therefore considers it appropriate to present these financials on a going concern basis. However, the Group's need to secure sales orders or raise additional funding, creates a material uncertainty that casts significant doubt about its ability to continue as a going concern.

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

- the opportunity presented by the rapidly emerging energy storage market;
- the commercial viability of Invinity's vanadium flow batteries within this market;
- contracts being delivered and projects currently in the pipeline.

The Group also has established relationships with a number of customers and suppliers and has the continuing support of existing investors, as evidenced by recent fundraises.

Having taken all the above factors into account, the Directors continue to believe it is appropriate to prepare these financial statements on a going concern basis, noting the material uncertainty that exists arising from the need to secure sales deposits or long-term funding within the coming months.

The financial statements do not include any adjustments that would be necessary if the Group was unable to continue as a going concern.

(d) *Basis of consolidation*

Subsidiaries – subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial information of subsidiaries is included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation – intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Disposal of subsidiaries

Transactions that result in loss of control are accounted for by derecognising the previously consolidated assets and liabilities of the subsidiary and the carrying amount of any non-controlling interests in the former subsidiary and recognising any retained investment at its fair value at the date when control is lost and any consideration received. The resulting difference, including any related gains or losses previously recognised in other comprehensive income that qualify to be recycled to profit or loss, is recognised in profit or loss as a gain or loss on the disposal.

(e) *Operating segments*

Following the disposal of the Camco US business in April 2019 the Group comprises one reporting segment that provides energy storage solutions, using various energy storage technologies including its own durable and robust vanadium flow batteries.

The Groups' Chief Executive Officer (CEO) evaluates the performance of the Group and allocates resources based on the information provided by the Group's internal management system at a consolidated level.

(f) *Foreign exchange translation*

Functional and presentation currency

The financial statements are presented in Great British Pounds (GBP), the functional currency of the Company, rounded to the nearest thousand pounds Sterling.

Foreign currency transactions

Transactions in currencies different from the functional currencies of the Company and its subsidiaries are translated at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in currencies that differ from the functional currencies of the Company and its subsidiaries are translated at the exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement on a net basis.

Non-monetary assets and liabilities that are measured in terms of historical cost in a currency different from the functional currencies of the Company and its subsidiaries are translated using the foreign exchange rate at the date of transaction.

Foreign operations

The historical financial information also includes the accounts of the Company and its subsidiaries whose functional currencies are Euro (EUR), USD (US Dollar), South African Rand (ZAR), Chinese Yuan Renminbi (CNY). Assets and liabilities have been translated using exchange rates prevailing at the end of each reporting period into Sterling. Income and expense items are translated into Sterling at the month-end rate for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in shareholders' equity.

Year-end FX rates to GBPs as applied in the financial statements: EUR 1.1715 (2018: 1.1094), USD 1.312 (2018: 1.2690), CNY 9.1590 (2018: 8.728), ZAR 18.539 (2018: 18.3107).

(g) Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

(h) Revenue recognition

Revenue from contract with customers

The Group generates revenue from the sale and installation of energy storage systems and related hardware.

The Group measures revenue based on the consideration specified in the contracts with our customers excluding any tax amounts collected on behalf of third parties. Revenue is recognised when a performance obligation is satisfied by transferring control over a good or service to our customer either over time or at a point in time.

Where the customer has been billed in advance proceeding the performance obligations, the revenue will be deferred and recognised as a contract liability. Where a receivable has been recognised and receipt is not just conditional on the passage of time, the receivable is recognised as a contract asset.

Supply of individual battery units

Transfer of control of the units, related hardware and installation service and recognition of related revenue occurs when, considering the obligations of the parties to the sales contract, the battery unit and related hardware has been delivered, installed and is ready to operate.

Supply of, integrated energy storage systems consisting of multiple battery units

The Group analyses each contact separately, recognising revenue based on the IFRS15 five-step model.

Step 1	Identify contract(s) with a customer: a contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2	Identify performance obligations in the contract: a performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3	Determine the transaction price: the transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4	Allocate the transaction price to the performance obligations in the contract: for a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5	Recognise revenue when (or as) the Group satisfies a performance obligation.

Warranty

The group provides standard warranty coverage on our systems for 12 months from operation providing remote support, non-consumable parts, and in some cases labour necessary to repair the systems during these warranty periods. These standard warranties cannot be purchased and do not provide a service in addition to the general assurance that the system will perform as promised. As a result, no revenue is allocated to these standard warranties.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the expenses, for which the grants are intended to compensate, are recognised in the profit or loss. Grant income may therefore be deferred on the balance sheet and recognised as the related costs are expensed in the profit or loss. Where grants are to compensate acquired assets the income is deducted from the carrying amount of the asset.

A government grant is recognised only when there is reasonable assurance that there is compliance with any conditions attached to the grant and the grant will be received.

(i) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to business combinations or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to the tax payable in respect of previous years.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax liabilities are recognised only to the extent that they are not offset by unrecognised deferred tax assets.

(j) Employee benefits

Employee share schemes

The Group enters into arrangements that are equity-settled, share-based payments with certain employees (including Directors) in the form of share options. The fair value of these options are estimated at the date of grant and combined with the Group's estimate of options that will eventually vest to arrive at an overall expected value. This value is then amortised through the income statement on a straight-line basis over the vesting period. Fair value is measured by use of an appropriate model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions linked to the price of the shares of the Company. The charge is adjusted at each balance sheet date to reflect the actual number of shares expected to vest based on non-market performance conditions such as Group profit targets and employment service conditions where appropriate. The movement in cumulative charges since the previous balance sheet is recognised in the income statement, with a corresponding entry in equity.

Where the Company grants share based payment awards over its own shares to employees of its subsidiaries it recognises the corresponding movement directly in equity and recharges in the full the share based payment charge to the relevant subsidiary.

Annual Leave

The annual leave year runs from January to December and it is company policy that all leave must be taken within the year. There is therefore no liability in relation to annual leave at the end of the year.

Defined contribution pension scheme

In the UK, the Group operates a defined contribution retirement benefit plan for qualifying employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due.

(k) Finance income and expense

Finance income comprises interest income on surplus funds. Interest income is recognised as it accrues in profit or loss using the effective interest method.

Finance expenses comprise interest expense on borrowings, vendor credit and finance leases. Finance expenses costs are recognised in profit or loss using the effective interest method.

(l) Earnings per share

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS. Anti-dilution is when an increase in earnings per share or a reduction in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

(m) Goodwill

On acquisitions since 1 January 2009 the group measures goodwill as the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Goodwill is subsequently measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

(n) Intangible assets

Intangible assets recognised within the balance sheet relate exclusively to intellectual property (IP) as part of the acquisition of redT energy Holdings (Ireland) Ltd (formerly Renewable Energy Dynamics Holdings Limited) (REHI) business in September 2015. The IP related to expenditure incurred within two main categories, Technical Expertise (Personnel Costs) and Other Directly Attributable Administration Expenses incurred by the REHI business since 2010 until the date of acquisition. At the date of acquisition, the IP was capitalised as an intangible asset.

Amortisation of the intangible assets will begin once the energy storage system becomes fully commercialised, with the recognition of revenue in the statement of comprehensive income for the sale of a commercial system – See note 12

(o) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with that item will flow to the Group. All other repairs and maintenance costs are charged to the consolidated statements of comprehensive loss in the period in which they are incurred.

Depreciation is charged to the consolidated statements of comprehensive loss on a straight-line basis to allocate the costs less residual value over their estimated useful lives as this most closely reflects the expected pattern of consumption of the future economic benefits. Depreciation commences on the date the asset is brought into use. Work in progress assets are not depreciated until they are brought into use and transferred to the appropriate category of property, plant and equipment.

Estimated useful lives for property, plant and equipment are:

Computer and Office Equipment	3 years
Property plant and equipment	3 to 25 years
Leasehold improvements	shorter of lease term and useful life

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other gains/(losses) in the consolidated statements of comprehensive loss.

(p) Impairment

The carrying amounts of the Group's property, plant and equipment, goodwill and other intangibles are reviewed at least annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For assets that have an indefinite useful life the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the income statement. The recoverable amount is the greater of the fair value less cost of disposal and the value in use. Value in use is calculated as the present value of estimated future cash flows, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist because of a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that the asset would have had, net of depreciation and amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill on acquisition is not reversed.

(q) Inventory

Raw materials and work in progress

Raw materials and work in progress are stated at the lower of cost and net realisable value.

Finished goods

Finished goods include completed battery systems that are awaiting shipment and is stated at the lower of cost and net realisable value.

Inventory is reviewed on an ongoing basis to ensure that any obsolete stock is written off and the carrying value of all inventory lines are at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle.

(r) Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks, including amounts placed in money market funds for short-term period of less than 3 months.

(s) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Warranty

A provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. Since a warranty claim can be made any time during the warranty period the entire value of the warranty provision has been classified as current.

Onerous Contract

Any contracts relating to the supply, installation, and removal of machines where the unavoidable costs of meeting the remaining obligations under the contract exceed the remaining expected benefits to be received under it are considered onerous contracts. The unavoidable net costs relating to these onerous contracts at the year-end have been accrued and classified as current as they expect to be settled in the following year.

(t) Leases

As explained in note 1(v), the group has changed its accounting policy for leases where the group is the lessee from 1 January 2019. The new policy is described below and the impact of the change in note 22.

Policy to 31 December 2018

Leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Policy from 1 January 2019

At inception of a lease arrangement, the Group assesses whether a contract is, or contains, a lease component that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group accounts for any non-lease components separately from lease components.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset, or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, as well as leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

(u) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and de-recognised on trade date.

The Group determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The group's financial assets are classified as follows:

Other current assets	Amortised cost
Trade receivables and accrued income	Amortised cost
Contract assets	Amortised cost
Cash and cash equivalents	Amortised cost

Amortised cost

At initial recognition, the Group measures financial assets at amortised cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognised in profit or loss.

Impairment of financial assets

The Group measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the group's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Financial assets are written off when there is no reasonable expectation of recovery.

Financial liabilities

The Group determines the classification of its financial liabilities at initial recognition. The Group's financial liabilities are classified as follows:

Trade and other payables	Amortised cost
Borrowings	Amortised cost
Lease liabilities	Amortised cost

Amortised cost

At initial recognition, the group measures financial liabilities at amortised cost at its fair value less transaction costs that are directly attributable to the acquisition of the financial liability.

De-recognition of financial liabilities

The Group de-recognises financial liabilities when the Group's obligations are discharged, cancelled, or they expire.

(v) Changes in accounting policies

New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Interpretation 23 Uncertainty over Income Tax Treatments.

The group also elected to adopt the following amendments early:

- Definition of Material – Amendments to IAS 1 and IAS 8.

The group had to change its accounting policies as a result of adopting IFRS 16. This is disclosed in note 22. The group has applied IFRS16 recognising the cumulative effect of initially applying IFRS16 as an adjustment to opening equity at 1 January 2019. However, the group has elected to implement the standard in accordance with paragraph C8 (a) and (b) (ii) for leases previously classified as operating leases as follows.

- Recognise a lease liability at 1 January 2019 measuring the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.
- Recognise a right-of-use asset at 1 January 2019 which is equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Revenue

(a) Revenue

The group derives the following types of revenue:

	2019 £'000	2018 £'000
Revenue from contracts with customers – energy storage systems	**222**	2,134
Government grants	**436**	390
Other services	**5**	–
Total revenue	**663**	2,524

The Group's revenue was derived from the following geographical regions:

	2019 £'000	2018 £'000
UK	**636**	588
Africa	**–**	711
Australia	**11**	584
Asia	**–**	572
Europe	**16**	69
Total revenue	**663**	2,524

Revenues from contracts with customers were derived from one (2018: three) customer(s) with revenues greater than 10% of revenue from contracts with customers. These customers' revenues were £198,738 (2018: £693,143, £584,456 and £572,067).

The Group has not recognised any assets related to contracts with customers.

(b) Liabilities related to contracts with customers

The Group has recognised the following liability related to contracts with customers which is classified in deferred revenue (note 18):

	2019 £'000	2018 £'000
Contract liabilities	**–**	119
	–	119

Revenue of £119,242 was recognised in 2019 that was recorded as a contract liability at the end of the previous year.

3. Discontinued operations

On 5 April 2019 the Group completed the divestment of its legacy Camco business with the sale of its wholly owned subsidiary Camco International Group Inc. ('CIG'). This business provides project development and asset management services to biogas projects in the USA.

CIG was sold to an entity controlled by Jim Wiest, Managing Director of CIG therefore the divestment constituted a related party transaction under the AIM Rules. The Directors concluded, having consulted with Investec Bank plc acting in its capacity as the Company's Nominated Adviser, that the terms of the sale were fair and reasonable insofar as the Company's shareholders were concerned.

Cash receipts from the sale consist of a distribution of US$1.0m (£0.8m) received by the UK Group funded by a loan into CIG from a third party plus US$0.5m (£0.4m) of further consideration paid in two instalments, the first paid in April 2019 and the balance in July 2019. The book and fair value of the net assets of CIG at the date of sale were £0.59m, including cash of £0.55m, giving rise to a profit on disposal of £0.6m

In the prior year, the Group ceased its Carbon activities on 10 January 2018 and, on 5 January 2018, it divested its holdings in Camco Africa Limited (CAL) for a nominal amount. The book and fair value of the net assets of CAL at the time of sale were £nil, so the profit on the disposal was also £nil.

The above businesses constitute the discontinued operations in these financial statements. Financial information relating to the discontinued operations to the dates of their disposal / cessation is set out below.

Results of the discontinued operation

	2019	2018
	£'000	£'000
Revenue	**638**	2,134
Expenses	**(669)**	(2,135)
Financial Income	**–**	13
Operating loss/(profit) for the year	**(31)**	14
Income tax charge	**(4)**	–
(Loss)/profit for the year	**(35)**	13
Decrease in trade and other receivables	**47**	266
Increase in trade and other payables	**44**	134
Net cash generated from operating activities	**56**	413
Exchange differences on translation of foreign operations	(142)	251

The statement of comprehensive income for the year ending 31 December 2018 has been re-stated to reflect the above results on the line "(Loss)/profit from discontinued operations (net of tax)"

4. Breakdown of expenses by nature

	2019 £'000	2018 £'000
Depreciation and amortisation:		
Plant, property and equipment (note 10)	**290**	297
Right-of-use assets (note 11)	**90**	–
Personnel expenses		
Wages and salaries	**3,174**	3,515
Share-based payments (note 8)	**11**	570
Social security costs	**358**	401
Contributions to defined contribution plans	**94**	93
Other benefits	**65**	109
Other expenses		
Product development costs	**821**	4,274
Total material items from continuing operations	**4,903**	9,259

The above expenses are charged within administration expenses.

Contributions to defined contribution plan

In the UK the Group operates a defined contribution, retirement benefit plan for qualifying employees. The assets of this plan are held separately from those of the Group. The only obligation of the Group is to make the contributions. There were £14,889 (2018 £15,837) of outstanding payments due to the plan at the balance sheet date.

Staff numbers

The average number of persons employed by the Group (including Executive Directors) during the year in continuing operations was 64 (2018: 70).

Services provided by the Group's auditor:

During the year the Group obtained the following services from the Company's auditor, PricewaterhouseCoopers LLP:

	2019 £'000	2018 £'000
Audit of these financial statements	**62**	55
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**11**	10
Tax advisory services*	**83**	–
Audit related assurance services with respect to Company's filing with AIM for readmission*	**113**	–
Total services	**269**	65

* Net of costs recharged to Avalon.

5. Other losses

Included in comprehensive loss are the following:

	2019 £'000	2018 £'000
Merger transaction costs	**500**	–
	500	–

Merger transaction costs, which are net of recharges to Avalon, include tax advisory, audit-related assurance services and legal advisory.

6. Net finance income/(costs)

	2019 £'000	2018* £'000
Finance income		
Interest on bank deposits	**1**	1
Gain on foreign currency transactions	**92**	–
	93	1
Finance costs		
Interest on borrowings	**(19)**	–
Interest on lease liabilities	**(6)**	–
Interest on vendor's credit	**(3)**	–
Loss on foreign currency transactions	**–**	(162)
	(28)	(162)
Net finance income/(costs)	**65**	(161)

* £14k of additional interest income is recorded in discontinued operations.

7. Income tax expense

Recognised in the statement of comprehensive income

	2019 £'000	2018 £'000
Current tax expense/(credit):		
Foreign tax	**5**	7
Deferred tax expense:		
Movement in deferred tax asset in current year	**–**	85
Total income tax in the statement of comprehensive income	**5**	92

Reconciliation of effective tax rate

	2019 £'000	2018 £'000
Loss before tax	**(7,380)**	(12,443)
Loss before tax at 0% rate of corporation tax in Jersey (2018: 0%)	**–**	–
Effects of:		
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,033)**	(2,058)
Non-taxable gains/non-deductible expenses	**(64)**	3
Origination and reversal of timing differences not recognised	**43**	85
Unutilised losses carried forward and not recognised	**1,059**	2,062
Total income tax charge in the statement of comprehensive income	**5**	92

The Company's subsidiaries carry on business in other tax regimes where the corporation tax rate is not zero. At 31 December 2019, the Group had tax losses carried forward within certain UK and Irish subsidiaries available for use in future periods amounting to £32,145k (2018: £22,174k). Under current tax legislation these tax losses can be carried forward indefinitely and be set of against future profits arising from the same activities at the tax rate prevailing at that time.

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

Deferred Tax

There was no deferred tax charge in year and the deferred tax balance at 31 December 2019 was £nil.

2018	1 January £'000	Current year credit/ (charge) £'000	31 December £'000
Share options	127	(127)	–
Accelerated capital allowances	(42)	42	–
	85	(85)	–

Timing differences and tax losses on which deferred tax is not recognised

	2019 £'000	2018 £'000
Accelerated capital allowances	**(18)**	(35)
Share Options	**4**	197
Tax losses	**32,145**	22,174
	32,131	22,336

8. Share-based payments

Over its history the Group has operated various share-based incentive plans: Long-Term Incentive Plan, the Camco 2006 Executive Share Plan the 2015 redT Employee Share Plan and the 2018 redT Employee Share Plan details of which are given below.

Long-Term Incentive Plan (the "LTIP")

The Board approved the LTIP under which Directors and employees were entitled to equity-settled payment following annual vesting dates from 31 December 2008 up to 31 December 2012, upon certain market and non-market performance conditions being met in the years preceding the vesting dates.

The purpose of the LTIP was to incentivise Directors and employees to meet profit and share price performance targets over the years ending on the vesting dates. The LTIP aligned Director's objectives with those of the shareholders.

The LTIP is now closed and accordingly no further awards were made during the year. As at the beginning and end of the year, there were 750,000 options, vested and exercisable at 1.0 € cent per share.

Notes (continued)

Camco 2006 Executive Share Plan (the "Plan")

On 27 July 2012, the Company resolved at a general meeting to amend the terms of the Plan such that awards could be made under the Plan for a period of 10 years from 27 July 2012 over up to 10 per cent of the ordinary shares in issue as 27 July 2012 plus any shares subsequently issued.

Under the Plan the Company can make awards of share options or conditional rights to receive shares ("awards") to selected Directors and employees.

The purpose of the Plan was to incentivise Directors and employees to meet market (share price) and non-market (operational) performance targets over the vesting period.

The Plan is now closed and accordingly no further awards were made during the year. As at the beginning and end of the year there were 3,406,358 options, vested and exercisable, at 1.0 € cent per share.

2015 and 2018 redT employee Share Plans (the "2015 Plan" and "2018 Plan")

On 30 November 2015, the Company resolved at a general meeting to approve the 2015 Plan, which allowed for awards to be made up to 10% of the issued share capital of the Company from time to time.

Under the 2015 Plan the Company can make awards of share options or conditional rights to receive shares ("awards") to selected Directors and employees.

The purpose of the 2015 Plan was to incentivise Directors and employees to meet market (share price) and non-market (operational) performance targets over the vesting period.

On 14 May 2018, the Board adopted the 2018 Plan, which introduced HMRC scheme rules and includes a CSOP, EMI and unapproved part, and the redT energy 2018 Consultant Share Option Plan. The 2018 Plan replaces the 2015 Plan with a share option plan which is able to benefit from tax incentives offered by the UK Government relating to employee share incentives. Where appropriate, options previously granted under the 2015 Plan have been surrendered and reissued on exactly the same commercial terms as they were originally granted under the 2015 Plan.

- On 7 December 2015 the Company awarded several employees (no Directors at the time) the option to acquire an allotted number of ordinary shares of €0.01 in the capital of the Company at exercise prices of 5.60p per share (11,535,321 shares) and 1.179 € cents (1.006p at 31 December 2019 closing £/€ rate) per share (13,898,307 shares). 6,949,153 of the 5.60p options were forfeited in 2016, 416,886 in 2017, 2,779,661 in 2018 and 694,811 in 2019 leaving 694,810 of the 5.60p options and 13,898,307 of the 1.179 € cent options outstanding at 31 December 2019.

- On 13 March 2017 the Company awarded to several employees, including Directors, the option to acquire an allotted number of ordinary shares of €0.01 in the capital of the Company at an exercise price of 8.00p per share (20,225,000 shares). 9,500,000 of these options were forfeited in 2018 and 6,500,000 in 2019, leaving 4,225,000 outstanding at 31 December 2019.

- On 18 May 2018 the Company awarded several employees, including Directors, the option to acquire an allotted number of ordinary shares of €0.01 in the capital of the Company at exercise prices of 5.90p per share (13,521,283 shares) and 7.05p per share (12,399,552 shares). 1,223,407 of the 5.90p options and 3,829,245 of the 7.05p options were forfeited in 2018, 3,074,469 of the 5.90p options and 2,626,499 of the 7.05p options were forfeited in 2019, leaving 9,223,407 of the 5.90p options and 5,943,808 of the 7.05p options outstanding at 31 December 2019.

- On 29 November 2018 the Company awarded several employees (including Directors) the option to acquire an allotted number of ordinary shares of €0.01 in the capital of the Company at exercise prices of 5.95p per share (6,436,113 shares) and 7.00p per share (6,461,109 shares). 100,000 of the 5.95p options were forfeited in 2018, 3,086,111 of the 5.95p options and 1,722,221 of the 7.00p options were forfeited in 2019, leaving 3,250,002 of the 5.95p options and 4,738,888 of the 7.00p options outstanding at 31 December 2019.

Exercise criteria for 2018 Plan (including reissued 2015 Plan) awards

Awards without performance criteria

24,828,635 unvested options at 31 December 2019: 25% of options vest on the 2nd anniversary of the commencement of employment, a further 25% on the 3rd anniversary of the date of grant, a further 25% on the 4th anniversary of the date of grant and the remainder on the 5th anniversary of the date of grant. The option period will survive after the vesting conditions are satisfied for up to 36 months if the Company remains quoted. The fair value of the options at the date of grant were:

Date of award	Exercise price	Fair value
31 December 2015	1.179€ cents	7.69p
31 December 2015	5.60p	2.63p
13 March 2017	8.00p	2.93p
18 May 2018	5.90p	2.88p
18 May 2018	7.05p	2.46p
29 November 2018	5.95p	1.41p
29 November 2018	7.00p	2.20p

The fair value of these options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted combined with management's best estimate of the extent to which options will be forfeited in the future.

Awards with performance criteria

There were no unvested options with performance criteria remaining at 31 December 2019.

In respect of all the awards above, the fair value at the grant date is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The expense charged in respect of these plans is set out below.

	2019 £'000	2018 £'000
2015 & 2018 redT employee Share Plans	**11**	570
	11	570

The 2019 expense comprises a charge of £421k (including £51k to cover potential employer national insurance contributions) offset by a £410k (including £65k for employer national insurance contributions) reversal of prior year charges due to options forfeited in 2019.

The movements in outstanding unvested and vested options is set out below.

	2019 Average exercise price	**2019 Number of options**	2018 Average exercise price	2018 Number of options
Unvested Options				
Outstanding at the beginning of the year	**5.844p**	**48,251,975**	5.379p	33,055,354
Granted	**–**	**–**	6.459p	38,818,057
Forfeited	**6.929p**	**(17,788,364)**	7.017p	(18,392,059)
Vested	**3.240p**	**(5,634,976)**	3.134p	(5,229,377)
Outstanding at the end of the year	**5.679p**	**24,828,635**	5.844p	48,251,975
Vested not exercised options				
Outstanding at the beginning of the year	**2.820p**	**15,582,716**	3.382p	12,173,254
Vested	**3.240p**	**5,634,977**	3.134p	5,229,377
Expired	**7.050p**	**(193,525)**	7.084p	(1,819,915)
Outstanding at the end of the year	**2.920p**	**21,024,168**	2.820p	15,582,716

9. Loss per share

Loss per share attributable to equity holders of the Company is calculated as follows:

	2019 Pence per share	2018 Pence per share
Basic loss per share		
From continuing operations	**(0.81)**	(1.74)
From continuing and discontinued operations	**(0.75)**	(1.77)
Diluted loss per share		
From continuing operations	**(0.81)**	(1.74)
From continuing and discontinued operations	**(0.75)**	(1.77)
	£'000	£'000
Loss used in calculation of basic and diluted loss per share		
From continuing operations	**(7,385)**	(12,535)
From continuing and discontinued operations	**(6,842)**	(12,681)
Weighted average number of shares used in calculation		
Basic	**908,721,569**	718,771,339
Diluted	**908,721,569**	718,771,339

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares. Where the inclusion of potentially issuable shares decreases the loss per share (anti-dilutive), the potentially issuable shares have not been included. This was the situation for both the 2019 and 2018 calculations. The weighted average number of shares not included in the diluted share calculation because they were anti-dilutive was 58,551,775 (FY 2018: 44,361,763).

Weighted average number of shares used in calculation – basic and diluted

	2019 Number	2018 Number
Number in issue at 1 January	**791,219,132**	653,923,424
Effect of shares issued in the year	**117,502,437**	64,847,915
Weighted average number of basic shares at 31 December	**908,721,569**	718,771,339
Effect of share options granted not yet exercised which are not anti-dilutive	**–**	–
Weighted average number of diluted shares at 31 December	**908,721,569**	718,771,339

10. Property, plant and equipment

	Computer and office equipment £'000	Leasehold improvement £'000	Property plant & equipment £'000	Total £'000
Cost at 1 January 2019	**771**	**302**	**90**	**1,163**
Additions	**–**	**–**	**6**	**6**
Disposals	**(37)**	**–**	**–**	**(37)**
Transfer	**13**	**–**	**9**	**22**
Cost at 31 December 2019	**747**	**302**	**105**	**1,154**
Accumulated depreciation at 1 January 2019	**(427)**	**(171)**	**(27)**	**(625)**
Charge for the year	**(190)**	**(71)**	**(29)**	**(290)**
Disposals	**37**	**–**		**37**
Transfer	**(15)**	**–**	**(7)**	**(22)**
Accumulated depreciation at 31 December 2019	**(595)**	**(242)**	**(63)**	**(900)**
Net book value at 31 December 2019	**152**	**60**	**42**	**254**
Net book value at 31 December 2018	**344**	**131**	**63**	**538**

The Group has no property, plant & equipment pledged as security.

The Group's property, plant & equipment are in the following geographical regions:

	2019 £'000	2018 £'000
UK	**251**	517
South Africa	**3**	21
	254	538

	Computer and office equipment £'000	Leasehold improvement £'000	Property plant & equipment £'000	Total £'000
Cost at 1 January 2018	530	229	22	781
Additions	241	73	68	382
Cost at 31 December 2018	771	302	90	1,163
Accumulated depreciation at 1 January 2018	(287)	(62)	(3)	(352)
Charge for the year	(140)	(109)	(24)	(273)
Accumulated depreciation at 31 December 2018	(427)	(171)	(27)	(625)
Net book value at 31 December 2018	344	131	63	538
Net book value at 31 December 2017	243	167	19	429

11. Right-of-use assets

The following table presents right-of-use assets, all of which are premises, for the Group:

	2019 £'000
Cost at 1 January*	**109**
Additions	**52**
Cost at 31 December	**161**
Accumulated depreciation at 1 January	**–**
Charge for the year	**(90)**
Accumulated depreciation at 31 December	**(90)**
Net book value at 31 December	**71**

* In the previous year, these assets were not recognised as they were assets in relation to leases classified as 'operating leases' under IAS17 Leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 22.

Geographical analysis

The group's right of use assets are in the following geographical regions:

	2019 £'000
UK	**55**
South Africa	**16**
	71

12. Intangible assets and goodwill

Goodwill

	2019 £'000	2018 £'000
Cost at 1 January	**7,362**	7,257
Effect of movements in foreign exchange	**(391)**	105
Cost at 31 December	**6,971**	7,362

Intangible assets

	2019 £'000	2018 £'000
Cost at 1 January	**6,129**	6,046
Effect of movements in foreign exchange	**(311)**	83
Cost at 31 December	**5,818**	6,129

Total Goodwill & Intangible Assets

	2019 £'000	2018 £'000
Cost at 31 December	**12,789**	13,491

Amortisation

Amortisation of the intangible assets will begin once revenue is recognised in the statement of comprehensive income for the sale of a commercially viable energy storage system. Whilst an energy storage system sale was recognised in the year ended 31 December 2019, this related to the sale of the first redT Gen 3 machine which was not manufactured on a commercial basis. The criterion for commencing amortisation has therefore not yet been achieved. A review will be undertaken in 2020 to confirm the amortisation status of the intangible asset, as well as to determine the effective useful life.

Goodwill is not amortised but tested annually for impairment.

Impairment testing

The Group has conducted a formal review to determine whether the carrying value of intangible assets and goodwill can be supported.

As mentioned in the Chairman's Report, on 1 April 2020 the Group merged with Avalon. The justification for the merger relies on closely integrating the two businesses drawing on the specific strengths of each organisation to create an enlarged entity better equipped to address the large and rapidly growing market for energy storage more effectively. Due to the nature of the integrations it is not possible to identify separate CGUs for former redT and Avalon businesses going forward so the goodwill and intangible assets of the merged business will be allocated to a single combined CGU. Therefore, the appropriate approach to determine the recoverable amount of goodwill and intangible assets at 31 December 2019 is fair value less costs of disposal, which is a change from the value in use approach used at 31 December 2018.

Management have concluded that the recoverable amount attributable to intangible assets and goodwill exceeded their carrying amount at 31 December 2019. The key assumption underlying this conclusion is a share price of 1.65p for each €0.01 ordinary share, a level 3 input under IFRS13 – fair value measurement. This is the value attributed to redT that was used to determine the number of shares that were issued to acquire the share capital and debt of Avalon on 1 April 2020.

13. Inventories

	2019 £'000	2018 £'000
Stock	**93**	393
Work in progress	**–**	130
Finished goods	**143**	2
	236	525

The cost of inventory written down during the year was £332k (2018: £592k) and is included in administrative expenses.

14. Other assets

(a) Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and cash equivalents	**1,243**	3,344
	1,243	3,344

(b) Trade receivables and accrued income

	2019 £'000	2018 £'000
Trade receivables from contracts with customers	**62**	368
Accrued income from contract with customers	**58**	123
Accrued government grants	**125**	132
	245	623

(c) Other current assets

	2019 £'000	2018 £'000
Prepayments and deposits*	**127**	425
Government taxes receivable	**80**	137
Advances – merger transaction costs recharged to Avalon	**394**	–
	601	562

The carrying value of all financial assets above approximate their fair values due to the short-term maturity of these instruments.

* Includes £191k (2018: £49k) of deposits and receivables which are financial asset in nature.

The group has reclassified the current assets within the financial statement line items to ensure better presentation. Amounts presented as Other receivables in previous year have been disclosed separately as Government taxes receivable and the remaining amount in the Other receivables disclosed in previous year has been reclassified to Prepayments and deposits. The impact of the reclassification is not material.

15. Lease liabilities

The group's leases are for premises. These leases contain no renewal options. The group includes renewal options in the measurement of lease obligations when it is reasonably certain it will exercise the renewal option.

The following table presents lease obligations for the group:

	31 December 2019 £'000	1 January* 2019 £'000
Current	**52**	62
Non-current	**–**	35
Total lease obligations	**52**	97

* In the previous year, these liabilities were not recognised as they relate to leases classified as 'operating leases' under IAS17 Leases. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 22.

The statement of comprehensive income shows the following amounts relating to leases:

	2019 £'000
Interest expense (included in finance cost)	**6**
Expense relating to short-term leases (included in administrative expenses)	**200**
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**4**
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**–**

The following table presents the contractual undiscounted cash flows for lease obligations as at 31 December:

	31 December 2019 £'000	1 January 2019 £'000
Less than one year	**54**	67
One to five years	**–**	36
More than five years	**–**	–
Total undiscounted lease liabilities	**54**	103

16. Borrowings

On 1 November 2019, the Company entered into a loan agreement with Avalon, a US registered company. Under this agreement Avalon made a loan available up to US$2.5m.

The Company had drawn down US$1,500,000 (£1,142,677) of this loan as at 31 Dec 2019. The loan bears interest at 12% p.a. The loan was secured against the ordinary shares of the subsidiaries of the Company.

At 31 December 2019 the repayment terms of the loan are as follows,

– In the event of the merger between the Company and Avalon the loan becomes an inter-company loan between the Company and Avalon.

– In the event that the merger between the Company and Avalon does not complete successfully, the principal amount of up to US$2.5m, together with accrued interest becomes repayable to Avalon six months after any announcement by the Company that the merger is no longer proceeding.

On 1 April 2020, this loan became an inter-company loan between the Company and Avalon as a result of the acquisition of Avalon by the Company. The loan therefore eliminates on consolidation from 1 April 2020.

Notes (continued)

17. Provisions

	2019 £'000	2018 £'000
Carrying amount at 1 January	**–**	–
Charges to profit or loss		
Additional provision recognised	**95**	–
Carrying amounts at 31 December	**95**	–

The provision is for warranty claims in respect of products sold and unavoidable net costs relating to onerous contracts at the year-end.

18. Deferred Income

	2019 £'000	2018 £'000
Current liabilities		
Deferred income*	**38**	173
Non-current liabilities		
Deferred income	**–**	35

* Includes £nil (2018: £119k) of contract liabilities.

19. Other financial liabilities

	2019 £'000	2018 £'000
Trade payables – merger transaction costs	**120**	–
Trade payables – other	**126**	505
Other payables	**–**	18
Employee compensation payable	**16**	16
Accruals – merger transaction costs	**488**	–
Other accrued liabilities	**773**	1,028
	1,523	1,567

The carrying value of all financial liabilities above approximates to their fair values due to the short-term maturity of these instruments.

20. Issued share capital and reserves

	Number 2019 '000	Share capital 2019 £'000	Share premium 2019 £'000	Number 2018 '000	Share capital 2018 £'000	Share premium 2018 £'000
Authorised						
Ordinary shares of €0.01	**1,250,000**	**10,669**		1,250,000	10,994	
Issued and fully paid						
All ordinary shares of €0.01 (all classified in shareholders' funds)						
Issued on 1 January	**791,219**	**6,777**	**99,473**	653,923	5,560	92,198
Issued in the year	**160,031**	**1,380**	**1,822**	137,296	1,217	7,834
Transaction costs arising on share issues			**(260)**			(559)
Issued at 31 December	**951,250**	**8,157**	**101,035**	791,219	6,777	99,473

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

Share-based payment reserve

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

Translation reserve

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

Other reserve

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

21. Financial risk management

The Group Financial Risk Management framework addresses the following key risks:

(a) Foreign exchange risk

The Group is exposed to foreign exchange translation risk on receivables, payables, borrowings and cash when balances held are denominated in a currency other than the functional currency of the group which is Sterling. The group operates a policy of not speculating on foreign exchange and aims to mitigate its overall foreign exchange risk by holding currency in line with regional operating expense, acting as a natural hedge against adverse foreign exchange movement.

The currency exposure on balances held is set out below:

	Sterling £'000	**Euro £'000**	**US Dollar £'000**	**Chinese Yuan £'000**	**South African ZAR £'000**	**Australian Dollar £'000**	**Total £'000**
31 December 2019							
Trade and other receivables	**75**	**–**	**156**	**–**	**5**	**35**	**271**
Cash and cash equivalents	**662**	**17**	**473**	**55**	**28**	**8**	**1,243**
Trade and other payables	**(1,178)**	**(150)**	**(186)**	**–**	**(7)**	**(2)**	**(1,523)**
Borrowings	**–**	**–**	**(1,143)**	**–**	**–**	**–**	**(1,143)**
Lease liabilities	**(36)**	**–**	**–**	**–**	**(16)**	**–**	**(52)**
Net exposure	**(477)**	**(133)**	**(700)**	**55**	**10**	**41**	**(1,204)**

	Sterling £'000	Euro £'000	US Dollar £'000	Chinese Yuan £'000	South African ZAR £'000	Australian Dollar £'000	Total £'000
31 December 2018							
Trade and other receivables	30	180	324	–	22	3	559
Cash and cash equivalents	1,822	68	1,345	89	20	–	3,344
Trade and other payables	(586)	(768)	(204)	1	(4)	(6)	(1,567)
Net exposure	1,266	(520)	1,465	90	38	(3)	2,336

A 5% weakening (strengthening) of the net exposure in the currencies above against Sterling at 31 December 2019 would decrease / (increase) comprehensive loss through exchange differences on translation of foreign operations within the statement of comprehensive loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 December 2018.

	2019 £'000	2018 £'000
Euro	**7**	26
US Dollar	**35**	(73)
Chinese Yuan	**(3)**	(5)
South African ZAR	**–**	(2)
Australian Dollar	**(2)**	–
	37	(54)

A 5% strengthening of the above currencies against the GBP at 31 December 2019 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(b) Credit risk

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

The Group's exposure to credit risk arises from its receivables from customers, other counter parties, and significant cash and cash equivalent balances.

The group's credit risk from receivables encompasses the default risk of its customers and other counter parties. Its exposure to credit risk is influenced mainly by the individual characteristics of each customer and counter party, which are assessed with each new transaction. For customers, a credit analysis is performed and appropriate payment terms implemented such as increased upfront deposits, which help mitigate overall credit risk.

Receivables are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that the customer or counter party will default. The group takes into consideration the customer or counter party payment history, its credit worthiness and the current economic environment in which it operates to assess impairment.

On an ongoing basis, receivables balance attributable to each customer and counter party are monitored and appropriate action is taken to follow up on those balances when they are considered overdue. The maximum exposure to loss arising from receivables is equal to their total carrying value.

To minimize credit risk on cash and cash equivalent balances, the group places these instruments with reliable financial institutions. The maximum exposure is equal to their total carrying value.

The maximum exposure to credit risk is as follows:

	2019 £'000	2018 £'000
Cash on deposit	**1,243**	3,344
Trade and other receivables	**271**	559
	1,514	3,903

The ageing of trade receivable and other receivables at the balance sheet date was:

	2019 £'000	2018 £'000
Current	**230**	143
Past due under 30 days	**37**	162
Past due between 31 and 120 days	**4**	254
	271	559

As at 31 December 2019, trade and other receivables that were past due relate to customers and a counter party for whom there is no history of default.

The creation and release of provision of impaired receivables has been included in administrative expenses in the statement of comprehensive loss. Amounts charged to the allowance account are generally written off when there is significant doubt in the group's ability to recover additional cash.

Impairment losses

The movement in the allowance for impairment in respect of trade and other receivables was as follows:

	2019 £'000	2018 £'000
Balance at 1 January	**–**	4
Increase/(reduction) in provision	**–**	(4)
Balance at 31 December	**–**	–

(c) Liquidity risk

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

The following tables are the contractual maturities of financial liabilities:

	Carrying £'000	**Contractual £'000**	**1 year or less £'000**	**Between 1 and 5 years £'000**
2019				
Trade and other payables	**1,523**	**1,523**	**1,523**	**–**
Lease Liabilities	**52**	**54**	**54**	**–**
Borrowings	**1,143**	**1,177**	**1,177**	**–**
	2,718	**2,754**	**2,754**	**–**

	Carrying £'000	Contractual £'000	1 year or less £'000	Between 1 and 5 years £'000
2018				
Trade and other payables	1,567	1,567	1,567	–
	1,567	1,567	1,567	–

Capital management

Given the group's development stage, the Board has pursued an equity and debt convertible to equity funding model and thus currently the group's capital is solely equity and convertible debt. The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. To ensure this, the board regularly reviews the group's cash requirements and future projections to ensure the group has sufficient cash-inflows from operating and financing activities.

From time to time the Group has purchased its own shares on the market primarily to be used for issuing shares under the Group's share option programme. The Group does not have a defined share buy-back plan or dividend policy. The Group is not subject to any externally imposed capital adequacy maintenance requirements.

22. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements

As indicated in note 1, the group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policy is disclosed in note 1.

On adoption of IFRS 16, the group recognised lease liabilities in relation to some leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.86%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- exclude low value leases.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	£'000
Operating lease commitments disclosed as at 31 December 2018	383
Discounted using the lessee's incremental borrowing rate of at the date of initial application	6
Less short-term leases not recognised as a liability	43
Less low-value leases not recognised as a liability	4
Less lease expense in discontinued operations	88
Less: adjustments as a result of different treatment of termination and extension options	145
Lease liability recognised as at 1 January 2019	97

(iii) Measurement of right-of-use assets

All the right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by £109,240
- Prepayments – decrease by £12,356
- Lease liabilities – increase by £96,884

The net impact on retained earnings on 1 January 2019 was £nil.

Notes (continued)

23. Related parties

The Oak Group are Company Secretary. Michael Farrow, a non-executive Director of the Company, was a Director of the Oak Group, until 31 May 2019. The amounts charged to administration expenses in respect of these services are shown in the table below while the Oak Group was a related party.

Income statement

	2019 £'000	2018 £'000
Administrative expenses:		
The Oak Group	**8**	27

The group had a payables balance of £nil (2018 – £nil) with the Oak Group at 31 December.

Key management personnel

The Group's key management personnel comprise the Board of Directors and the CEO (after he stepped down as a Director). Their emoluments are detailed below.

	2019 Salaries and fees £'000	**2019 Benefits in kind £'000**	**2019 Termination Payments £'000**	**2019 Pension benefits £'000**	**2019 Total £'000**
Executive Directors					
Neil O'Brien	**55**	**–**	**–**	**–**	**55**
Scott McGregor*	**200**	**4**	**211**	**10**	**425**
Fraser Welham	**150**	**13**	**–**	**8**	**171**
Non-executive Directors					
Jeffrey Kenna**	**36**	**–**	**–**	**–**	**36**
Michael Farrow	**30**	**–**	**–**	**–**	**30**
Jonathan Marren	**35**	**–**	**–**	**–**	**35**
Total	**506**	**17**	**211**	**18**	**752**

* Scott McGregor ceased to be a Director on 14 March 2019 but remained CEO until he left the company on 31 December 2019. His remuneration after ceasing to be a Director was: salary £158k, benefits in kind £3k, pension benefit £9k and a termination payment £211k, most of which was paid in 2020.

** Jeffery Kenna ceased to be a director on 31 December 2019.

	2018 Salaries and fees £'000	2018 Benefits in kind £'000	2018 Termination Payments £'000	2018 Pension benefits* £'000	2018 Total £'000
Executive Directors					
Scott McGregor	200	3	–	10	213
Fraser Welham	121	4	–	6	131
David Stewart	122	2	88	6	218
Scott Laird	36	–	24	–	60
Non-executive Directors					
Jeffrey Kenna	60	–	–	–	60
Michael Farrow	30	–	–	–	30
Jonathan Marren	35	–	–	–	35
Neil O'Brien	30	–	–	–	30
Total	634	9	112	22	777

* During 2018 Scott Laird waived his contractual entitlement to pension contributions (5%).

On 5 April 2019, Camco International Group Inc. (CIG) was sold to an entity controlled by Jim Wiest, Managing Director of CIG therefore the divestment constituted a related party transaction under the AIM Rules – See note 3.

In 2018 the spouse of Scott McGregor invoiced and was paid £10,215 for Project work undertaken in 2018. Scott McGregor was not involved in the negotiations for the services which were carried out by the redT project manager and signed off by the Chairman at the time, Jeff Kenna.

Following the sale of Camco Africa Limited (CAL) in January 2018, the Group provided the services of one of its South African employees to CAL's wholly owned subsidiary, Camco Management Limited, under a services agreement. Scott McGregor is a director of CAL and was a shareholder in the company during 2018. Scott McGregor was not involved in the negotiations of the services which were carried out by Scott Laird, the Group's Finance Director at the time. The amount invoiced for these services during 2018 was £21,134. All invoices were settled during the year and there was nil outstanding at the 31 December 2018.

The beneficial interests of the Directors in the ordinary share capital of the Company are shown in the following table.

	2019 Number	2018 Number
Executive Directors		
Fraser Welham	**250,000**	–
Non-executive Directors		
Jonathan Marren	**7,793,815**	7,743,815
Neil O'Brien	**2,375,000**	625,000
Michael Farrow	**461,230**	86,230

Fraser Welham has conditional rights to acquire shares arising from awards granted under the Share Based Incentive Plan. These awards are detailed in the Report of the Remuneration Committee on pages 18 to 21.

Jeffery Kenna resigned as a Non-executive Director on 31 December 2019. He held 3,037,325 shares on leaving the company. His holding at 31 December 2018 was 2,162,325.

Scott McGregor ceased to be an Executive Director on 14 March 2019. He held 11,973,126 shares on 14 March 2019 and 31 December 2018. In addition, Scott McGregor has conditional rights to acquire shares arising from awards granted under the Share Based Incentive Plan. These awards are detailed in the Report of the Remuneration Committee on pages 18 to 21.

24. Post balance sheet events

Acquisition of Avalon Battery Corporation (Avalon)

As mentioned in the Chairman's Report, the merger with Avalon completed on 1 April 2020. The merger was achieved by the acquisition of 100% of share capital and voting equity of Avalon Battery Corporation by the Company in exchange for 1,735,397,545 €0.01 ordinary shares in the Company. Outstanding options to acquire Avalon shares were also rolled over into options to acquire ordinary shares of €0.01 in the Company at exercise prices of 0.087p (61,009,238 €0.01 ordinary shares) and 0.137p (52,789,430 €0.01 ordinary shares).

To fund the Company and Avalon through the merger, Avalon had received a US$5.0m loan from Bushveld, half of which was on-lent by Avalon to the Company. As part of the merger transaction the loan from Bushveld to Avalon was discharged by issuing 302,978,063 €0.10 ordinary shares in the Company to Bushveld.

The market price of the Company's shares on 1 April 2020 was 1.05p per €0.01 ordinary share (52.5p per consolidated €0.50 ordinary share), giving a total fair value of the consideration for acquiring Avalon and discharging its loan from Bushveld of £22.5m.

The purchase price allocation exercise is ongoing including finalisation of the fair value of the net assets acquired. Therefore, the allocation of the purchase consideration is not yet available and all required disclosures per IFRS3 – Business Combinations not presented.

The enlarged group is now truly global, being active in all major energy storage markets; and possessing the necessary resources, in the form of both product and people, to compete effectively in the multi-billion-pound opportunity those markets present.

Placing and Open Offer

Simultaneous with the acquisition of Avalon on 1 April 2020, the Company raised £8.1m (before expenses) via a placing and open offer of 488,771,236 €0.01 ordinary shares at a price of 1.65p.

Following the above transactions, the Company's enlarged issued share capital comprised 3,478,397,280 €0.01 ordinary shares (69,567,788 consolidated €0.50 ordinary shares).

Ordinary Share Consolidation

On 1 April 2020 the Company consolidated each ordinary share of €0.01 nominal value on a 50 to 1 basis, such that every 50 ordinary shares consolidated into one consolidated ordinary share of €0.50.

COVID-19

Measures introduced to limit the impact of COVID-19, including work-from-home regulations, have affected Invinity's operations in the UK, Canada, the US and its outsourced manufacturing in China.

However, since the initial outbreak of COVID-19, the Group's facility in China has returned to normal capacity and the manufacturing facilities in Vancouver and UK have restarted operations. Supply of components and assembly of flow battery modules for the fulfilment of orders is underway and the Group expects to resume deliveries in the second half of 2020.

Invinity's staff have continued to work remotely since the outbreak of the pandemic and are now returning to the facilities in the UK and Canada as required whilst adhering to local regulations and following best practices as advised by regional and national health authorities.

Whilst the full impact of COVID-19 is uncertain at this stage it is not anticipated that it will result in any impairment of any assets in the next financial year.

25. Group entities

Significant subsidiaries

Each of the following subsidiary undertaking is included in the consolidated financial statements of the Group:

Investment	Country of incorporation	Registered Office	Principal activity	Ownership 2019	Ownership 2018
Direct subsidiary undertakings					
Camco Holdings UK Limited	England	Unit 4.12 Clerkenwell Workshops, 27-31 Clerkenwell Close, London, United Kingdom, EC1R 0AT	Holding Company	**100%**	100%
Camco Services (UK) Limited	England	Unit 4.12 Clerkenwell Workshops, 27-31 Clerkenwell Close, London, United Kingdom, EC1R 0AT	Support Services	**100%**	100%
Camco (Mauritius) Limited	Mauritius	24 Dr Joseph Rivière Street, 1st Floor, Félix House, Port Louis, Mauritius	Holding Company	**100%**	100%
Indirect subsidiary undertakings					
redT energy Holdings (UK) Limited	England	Unit 4.12 Clerkenwell Workshops, 27-31 Clerkenwell Close, London, United Kingdom, EC1R 0AT	Research & Consultancy	**100%**	100%
Re-Fuel Technology Limited	England	Unit 4.12 Clerkenwell Workshops, 27-31 Clerkenwell Close, London, United Kingdom, EC1R 0AT	Energy Storage	**99%**	99%
Invinity Energy (UK) Limited (formerly redT energy (UK) Limited)	England	Unit 4.12 Clerkenwell Workshops, 27-31 Clerkenwell Close, London, United Kingdom, EC1R 0AT	Energy Storage	**99%**	99%
redT energy Holdings (Ireland) Limited	Ireland	22 Northumberland Road, Ballsbridge, Dublin 4	Energy Storage	**99%**	99%
redT energy (Ireland) Limited	Ireland	22 Northumberland Road, Ballsbridge, Dublin 4	Energy Storage	**99%**	99%
redT energy (Australia) (Pty) Ltd	Australia	RBK Advisory, Level 2 Suite 7, 66 Victor Crescent, Narre Warren, Victoria, 3805, Australia	Energy Storage	**99%**	99%

Notes (continued)

Investment	Country of incorporation	Registered Office	Principal activity	Ownership 2019	2018
Indirect subsidiary undertakings (continued)					
Invinity Energy (South Africa) (Pty) Ltd (formerly redT energy (South Africa) (Pty) Limited	South Africa	1st Floor Kiepersol, House Stonemill Office Park, 300 Acacia Road Darrenwood, Randburg 2194	Business Services	**100%**	100%
Camco International Carbon Asset Information Consulting (Beijing) Co. Limited	The People's Republic of China	Room 1408, Tower A, Lucky Tower, No 3 North Road East Third Ring, Chaoyang District, P.R.C, Beijing	Business Services	**100%**	100%

The following entities, which were subsidiary undertakings as at 1 January 2019, were either sold or wound up during the year

Investment	Country of incorporation	Registered Office	Principal activity	Ownership 2019	2018
Camco International Group, Inc.	USA	2421 Tangley Street. Houston, Texas, 77005, USA	Business Services	**Sold**	100%
CI Camco (Cyprus) Limited	Cyprus	Gr. Xenopoulou, 17, 3106, Lemesos, Cyprus	Consultancy	**Wound up**	100%