

COMPANY REGISTRATION NO. 04006413 (ENGLAND AND WALES)

*******AMENDED*******

DG INNOVATE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Page
GROUP INFORMATION	2
CHAIRMAN'S STATEMENT	3
OPERATIONAL REVIEW	4
FINANCIAL REVIEW	5
BOARD OF DIRECTORS AND SENIOR MANAGEMENT	7
DIRECTORS' REPORT	9
STRATEGIC REPORT	15
GOVERNANCE REPORT	21
REMUNERATION COMMITTEE REPORT	27
AUDIT & RISK COMMITTEE REPORT	30
INDEPENDENT AUDITOR'S REPORT	31
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	40
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	41
COMPANY STATEMENT OF CHANGES IN EQUITY	42
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	43
COMPANY STATEMENT OF FINANCIAL POSITION	44
CONSOLIDATED STATEMENT OF CASH FLOWS	45
COMPANY STATEMENT OF CASH FLOWS	46
NOTES TO THE FINANCIAL STATEMENTS	47

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

GROUP INFORMATION

Directors	Nicholas Tulloch (Non-Executive Chairman) Brent Fitzpatrick (Non-Executive Chairman) (resigned 8 April 2022) Christopher Theis (Chief Executive Officer) (resigned 1 July 2022) John ("Jack") Allardyce (Chief Financial Officer) Martin Boughtwood (Chief Technical Officer) (appointed 8 April 2022) Andrew Boughtwood (Non-Executive Director) (appointed 8 April 2022; resigned 23 January 2023) Sir Stephen Dalton (Non-Executive Director) (appointed 8 April 2022; resigned 23 January 2023) Trevor Gabriel (Non-Executive Director) (appointed 8 April 2022) Dr. Patrick Symonds (Non-Executive Director) (appointed 13 April 2022) Peter Tierney (Chief Executive Officer) (appointed 1 July 2022)
Secretary	Bailey Wilson Accounting Ltd
Company Number	04006413
Registered office	15 Victoria Mews Cottingley Business Park Mill Field Road Bingley England BD16 1PY
Statutory Auditor	Moore Kingston Smith LLP 6th Floor 9 Appold Street London EC2A 2AP
Solicitors	Fasken Martineau LLP 6th Floor 100 Liverpool Street London EC2M 2AT
Bankers	Royal Bank of Scotland Plc 28 Cavendish Square London W1M 0DB
Registrar	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

CHAIRMAN'S STATEMENT

Highlights

- Completion of acquisition of Deregallera Holdings Ltd and £4.6 million fundraise in April 2022
- Appointment of Peter Tierney as CEO in July 2022
- Award of £600,000 in grant funding from APC for the SUPAR project in September 2022
- Strategic update and publication of commercial roadmaps for EDT and EBT in October 2022
- Post year end subscription and broker option to raise total of £418,000 in January 2023
- Post year end Collaboration Framework Agreement with axle suppliers BRIST and BASE in February 2023

Review

In April 2022, DG Innovate Plc ("the Company") successfully completed the acquisition of Deregallera Holdings Ltd (previously DG Innovate Ltd) ("DHL") which, together with an accompanying fundraise provided by existing shareholders, provided the enlarged group ("the Group", or "DGI") with a platform to develop DGI's Enhanced Drive and Enhanced Battery Technologies (EDT and EBT) towards commercialisation. The Company changed its name to DG Innovate Plc to reflect the new group structure at completion.

In May 2022 the Company was delighted to announce the appointment of Peter Tierney as its new CEO. Peter took up his position on 1 July 2022, with his predecessor Christopher Theis stepping down at the same time. Peter brings a wealth of experience in building successful engineering businesses and achieving significant returns for investors.

During the following months we continued to make significant progress, including initial testing of our prototype 250kW Pareta® drives, the award of £600,000 in funding from the APC towards our SUPAR project and positive test results from our hard carbon anode material. Following an initial period of evaluation while working with the team at our premises in Caerphilly, in October 2022 Peter laid out his vision for the business in the form of commercialisation roadmaps for both EDT and EBT.

Post year end

In January 2023 we successfully raised an additional £418,000 through a subscription and broker option, in order to continue the development of our technologies. We were especially grateful for the support and faith of shareholders against a particularly difficult market backdrop at the time. I would also like to extend my thanks to Andrew Boughtwood and Sir Stephen Dalton, who stepped down from the Board at this time, for their contributions.

In February 2023 we were delighted to announce the signing of a Collaboration Framework Agreement with tier one commercial and off-highway vehicle axle suppliers, BRIST and BASE. This will see us work together to develop and integrate DGI's innovative Pareta® motor technology into our partners' range of axles, accelerate our joint activities in the retrofit and conversion market, and ultimately assemble a full electric drivetrain offering in the UK. This is a particularly exciting development, opening up a number of commercial opportunities with two very credible industry partners, and what we hope is the beginning of a long and very fruitful relationship for all parties. It is also complementary to our other existing relationships, which we hope to convert into commercial opportunities.

Outlook

On the ground, the hard work continues for both our electric drive and energy storage teams. For the former, our SUPAR, MTorX and Marine projects are underway, and we hope to test the next design iteration of our 250kW/400kW Pareta® electric drive in Q2 2023, in collaboration with Meritor. In terms of the latter, our Cap-Size feasibility study is ongoing, as is scale up and testing of our proprietary hard carbon anode materials, as we continue to work towards full-scale commercial production.

I would like to offer my sincere thanks to our shareholders for their continued support. 2022 was a transformation year for DGI and we are excited for what lies ahead over the coming months and years.

Nicholas Tulloch
Non-Executive Chairman
27 April 2023

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

OPERATIONAL REVIEW

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

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

During the year under review the Company was initially a cash shell, with its shares suspended from trading pending the completion of the all-share acquisition of DHL, the details of which had been laid out in a binding Sale and Purchase Agreement signed on 12 August 2021. During the period prior to the completion of the acquisition, the Company did not trade and its expenses related to deal costs, professional and associated expenses related to advisory and consultancy fees, and general administration expenses.

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

The period post completion involved the ongoing research and development projects across the Group's electric drive and energy storage division. These included the ongoing Pareta® project to develop an integrated electric drive for bus and truck applications in collaboration with Meritor, with prototype drives continuing to be tested and a new design iteration expected to be completed in the coming weeks. In addition, the Group was awarded and commenced the SUPAR ('Scale up Readiness Validation of Parallel Motor for Automotive Applications') project, which will establish a pilot production facility to assemble drives, the MTorX project, which is exploring the potential of a motor design with no permanent magnet, and a feasibility study into a larger 3MW Pareta® e-drive for marine operations. While scale-up and testing of the Company's hard carbon anode material continued, the £160,000 Cap-Size project also commenced, which will deliver a feasibility study on manufacturing the material at scale in the UK.

The Company announced the appointment of Peter Tierney as CEO in May 2022, with Mr Tierney taking up his post on 1 July 2022. His predecessor, Christopher Theis, left the Company on the same date. Following a strategic review of both DGI's operations and technology, the Group announced a strategic update in October, targeting commercial sales of Pareta® during 2025 and the monetisation of EBT, either through manufacturing or licensing, within a 42-month timescale. The potential for aftermarket conversion revenues was also identified, and an ongoing focus on targeting commercial supply agreements through discussions with existing and new partners was highlighted.

Since the year end, in January 2023 the Company raised £418,000 through a subscription and broker option, to cover ongoing project costs and working capital. Then in February 2023, the Group announced a Collaboration Framework Agreement with tier one commercial vehicle and off-highway axle suppliers, BASE and BRIST. The agreement will see the parties develop and integrate DGI's Pareta® technology into the current range of BRIST and BASE axles to provide a turnkey offering, focused on commercial vehicles, buses, coaches, military and specialty vehicle axles globally. It also envisages the provision of the Group's existing vehicle control and torque vectoring system to the partners, a collaborative drive to increase joint activities in the retrofit and conversion market, DGI providing UK presence for sales and customer support and the establishment of assembly operations in the UK.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL REVIEW

The financial performance and position of the Group during the year ended 31 December 2022 reflects the Group's ongoing focus on the development of its electric drive and energy storage technologies, with the aim of progressing towards commercialisation. Nominal revenues were attributable to ongoing work for the UK Government, with the Group's activities funded by a combination of new equity capital and new and existing grant awards. Increased general and administrative costs were incurred due to the enlarged group structure and corporate costs post the acquisition of DHL, with substantial one-off expenses associated with the reverse takeover process also impacting the P&L.

The Group's consolidated accounts presented in the financial statements and associated notes within this report, and summarised here, are prepared under reverse acquisition accounting rules. As such, consolidated figures represent the enlarged Group from completion of the reverse takeover in April 2022 to 31 December 2022, and the DG Innovate companies acquired prior to this date (including for the comparable 2021 financial year).

Trading performance

The Group remained pre-revenue during the year, except for a small contribution from work for the UK Government. The Group made an operating loss of £2,615,534 (2021: £587,235). This was primarily due to increased administration expenses of £2,715,557 (2021: £1,529,089) and a share-based payment charge of £338,864 (2021: £Nil), which were somewhat offset by grant income of £433,989 (2021: £938,818).

A one-off reverse acquisition expense of £5,094,074 (2021: £Nil) was recognised, relating to the fair value of the Company at the time of completing the acquisition of DHL, under reverse acquisition accounting. Further detail is contained in note 26 of the Consolidated Financial Statements contained within this report.

Net finance costs of £67,873 (2021: £112,903) were predominantly due to interest on shareholder and CBILS loans, with the former settled on completion of the reverse takeover. The Group received R&D tax claims, resulting in a positive tax credit of £188,864 for the year (2021: £55,273). As the business is currently loss making, there is no corporation tax payable on earnings.

For the year ended 31 December 2022, the Group made a net loss of £7,679,512 (2021: £644,865). The basic and diluted loss per share for the year was 0.11 pence (2021: 0.04 pence).

Financial position

As at 31 December 2022, the Group's non-current assets amounted to £5,298,683 (2021: £4,999,456), including intangible assets of £4,573,592 (2021: £4,139,805) and property, plant and equipment of £725,091 (2021: £859,651). Intangible assets increased by £433,787 during the year (2021: £436,650), due to the capitalisation of internally generated development costs.

Non-current liabilities were £495,860 (2021: £1,148,103), including lease liabilities of £237,182 (2021: £256,803) and loans of £234,653 (2021: £880,675).

Group net current assets at year-end were £618,313 (2021: (£1,150,495)).

Cash movement

Group cash and equivalents at 31 December 2022 was £234,990 (2021: £57,454). Net cash outflow from operating activities for the Group during the year was £2,392,663 (2021: £501,906), and cash outflow from investments was £1,010,477 (2021: (£1,287,718)). On 8 April 2022, the Group raised £4.6 million (before expenses) through the exercise of shareholder warrants and a subscription for new ordinary shares.

Post year end, in January 2023, the Group raised a further £418,000 through a subscription and broker option. These funds were raised to cover the costs of the DGI acquisition and to fund the ongoing development of the Company's technologies towards commercialisation.

Key Performance Indicators

During the year, the Group progressed from being a cash shell targeting acquisitions to an advanced research and development company which is seeking to pursue commercial activities, alongside continuing to expand its intellectual

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

property portfolio and technology offering. As noted in the Chairman's Statement and Operational Review, the period post completion of the RTO was focused on the hiring of our CEO Peter Tierney, his subsequent review of the business and developing a strategy to deliver value for shareholders. Given this period of transition, we believe the nature and stage of the business will change significantly over the coming months and years, and the manner in which we measure our performance will also need to develop to remain fit for purpose.

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

Key Performance Indicator	2022	2021	Change (%)
Patents held	10	10	0%
Projects completed	3	3	0%
Grant funding received	433,989	938,818	(54%)

The grant award of £600,000 from APC for the SUPAR project in 2022 will be received in 2023 and 2024.

There were seven Innovate UK funded projects being undertaken in 2021, four of which completed during that year, with three which continued into 2022. Another three new grant funded projects commenced in 2022, although no grant payments were received during the year in relation to these new projects. Therefore, there was a significant reduction in grant income in 2022.

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

During the period covered by the Annual Report, the Board initially consisted of Brent Fitzpatrick (Non-Executive Chairman), Christopher Theis (Chief Executive Officer), Jack Allardyce (Executive Director) and Nicholas Tulloch (Non-Executive Director). On 8 April 2022 Brent Fitzpatrick resigned and Martin Boughtwood (Chief Technical Officer), Andrew Boughtwood (Non-Executive Director), Sir Stephen Dalton (Non-Executive Director) and Trevor Gabriel (Non-Executive Director) were appointed to the Board. On the same date Nicholas Tulloch became Non-Executive Chairman and Jack Allardyce took up the role of Chief Financial Officer. On 13 April 2022, Dr. Patrick Symonds was appointed to the Board as a Non-Executive Director. On 1 July 2022 Christopher Theis resigned from the Board and on the same date Mr Peter Tierney was appointed to the Board as Chief Executive Officer. Post period end Andrew Boughtwood and Sir Stephen Dalton resigned from the Board on 23 January 2023. The Directors consider the Board to be appropriate for a group of DGI's size and of sufficient experience to execute the Group's strategy. Details of the current Board are set out below:

Nicholas Tulloch, Non-Executive Chairman, aged 50

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

Peter Tierney, Chief Executive Officer, aged 55 (appointed 1 July 2022)

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

Jack Allardyce, Chief Financial Officer, aged 40

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

Martin Boughtwood, Chief Technical Officer, aged 69 (appointed 8 April 2022)

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

Patrick (Pat) Symonds, Independent Non-Executive Director, aged 69 (appointed 13 April 2022)

Dr Symonds has had a 40+ year career in motorsport. He started his career designing championship winning cars for the lower formulae and then joined the fledgling Toleman F1 team working with Ayrton Senna. His subsequent partnerships with Michael Schumacher and Fernando Alonso produced 32 race wins, four Drivers' World Championships and three Constructors' World Championships. During this time he became Technical Director of the Benetton Formula One Team and latterly the Renault Formula One Team. After some years running his engineering consultancy, Neutrino Dynamics, he accepted an offer to become CTO at the Williams F1 team, a position he held

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

until the end of the 2016 season. Dr Symonds is now Chief Technical Officer at F1 (Formula One Management) tasked with setting up a small technical group to assist the FIA in the formulation of future F1 and is involved in the transition of F1 to a low carbon economy. Dr Symonds is also a visiting professor at Cranfield University, a chartered engineer and a Fellow of both the Institution of Mechanical Engineers and the Royal Aeronautical Society.

Trevor Gabriel, Non-Executive Director, aged 75 (appointed 8 April 2022)

Mr Gabriel is managing partner of a real estate brokerage in Monaco, having previously been finance director of Camper & Nicholson International, the yacht brokerage firm. He is a chartered accountant and fellow of the ICAEW and spent 12 years with Jardine Matheson in finance and general management roles. He is currently non-executive director of TSX-V listed GlobalBlock Digital Asset Trading Limited and previously was a non-executive director of Kirkland Lake Gold Ltd while it was TSX listed and AIM quoted.

Sir Stephen Dalton, Non-Executive Director, aged 68 (appointed 8 April 2022, resigned 23 January 2023)

Sir Stephen Dalton served for nearly 40 years having joined the Royal Air Force in 1976 after graduating with an honours degree in Aeronautical Engineering from Bath University. Sir Stephen was appointed Head of the Royal Air Force in 2009 and retired from the Royal Air Force in 2013. He has worked with a number of major international companies advising them on the development of strategy and international engagement. He has also worked with a number of Company Boards helping them to improve their collective performance at Board level. Sir Stephen was sworn into office as Lieutenant Governor of Jersey, in March 2017 at the start of his 5-year term of office and was President of The Royal Aeronautical Society for a one-year fixed term position. He was appointed a Knight Commander of the Most Honourable Order of the Bath (KCB) in 2009 and advanced to Knight Grand Cross of the Order of the Bath (GCB) in 2012. In 2019, Her Majesty The Queen appointed him as Bath, King of Arms.

Andrew Boughtwood, Non-Executive Director, aged 64 (appointed 8 April 2022, resigned 23 January 2023)

Andrew Boughtwood is an experienced company director. For the last 18 years, he has been Managing Director of Megger Limited and overseas operations in over 30 countries. He is experienced across the electronic/electrical instrumentation field serving customers in communications, power contracting and utilities, industrial automation, power generation/ renewable energy, automotive, military and aerospace. Andrew Boughtwood is a graduate of Swansea University with a bachelor's degree in computer technology.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2022.

Directors and Directors' interests

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

	31 December 2022 Number of Ordinary Shares	31 December 2021 Number of Ordinary Shares
C. Theis*	60,995,589	60,995,589
B. Fitzpatrick**	57,336,875	57,336,875
J. Allardyce	6,000,000	6,000,000
M. Boughtwood***	3,026,591,664	-
T. Gabriel ****	555,561,720	-
A. Boughtwood	75,758,416	-

- * 60,995,500 Ordinary Shares are held in Mr. Theis' self-invested pension plan administered by Hargreaves Lansdown.
 ** Mr. Fitzpatrick has an indirect interest in 6,015,000 Ordinary Shares which are registered in the name of Ocean Park Developments Limited, a company of which he is the holder of 100% of the issued share capital and a further indirect interest in 9,610,000 Ordinary Shares which are registered in the name of Pondermatters Limited, a company of which he is the holder of 10% of the issued share capital. 6,000,000 Ordinary shares are registered to Alexander Fitzpatrick (Brent Fitzpatrick's son).
 *** 3,026,591,664 Ordinary Shares are held by Deregallera Trust and its beneficiary is Martin's wife, Denise Boughtwood.
 **** 555,561,720 Ordinary Shares are held by Disruptech Limited owned by Trevor Gabriel.

Major interests in ordinary shares

Save for the interests of the Directors, as at 24 April 2023 being the latest practicable date prior to the publication of this Annual Report, the Group has identified the following holdings of Ordinary Shares which represent more than 3 per cent. of its issued share capital:

Shareholder	Number of Shares	% of issued share capital
Deregallera Trust	3,026,591,664	32.87%
The Bank of New York (Nominees)	636,399,327	6.91%
Disruptech Limited	555,561,720	6.03%
JIM Nominees Limited	467,213,562	5.07%
David Williams	436,280,093	4.74%
Cantor Fitzgerald Europe	386,666,666	4.20%
ISI Nominees Limited	384,647,257	4.18%

Results

The Group's loss for the year to 31 December 2022 amounted to £7,679,512 (2021: £644,865).

Managing business risk

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

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

- Communicate and consult internally and externally as appropriate

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

As part of the reverse takeover of DHL the Group's Financial Position and Prospects Procedures Board Memorandum (FPPP) and all internal policies were overhauled. This was to ensure that they remained appropriate for the enlarged Group. These documents lay out all controls and procedures relating to finance, reporting, systems & IT, disclosures and corporate governance.

Taxation status

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

Future developments

Information about the future plans of the Group is covered in the Strategic Report on page 15.

Dividends

The Directors do not recommend the payment of a dividend (2021: £Nil).

Capital structure

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

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

Financial instruments

Details of the use of financial instruments by the Group are contained in note 23.

Environmental Reporting

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

Emissions data

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

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

Summary of usage

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

	DG Innovate Plc kg CO ₂ e	Subsidiary Companies kg CO ₂ e	Total kg CO ₂ e
Scope 1 - Business Travel	1,873	1,266	3,139
Scope 2 - Energy Usage*	-	26,377	26,377
Total	1,873	27,643	29,516

*provider SSE Energy Supply Limited

The Group has taken steps to improve its CO₂ emissions as follows:

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Donations

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

Post balance sheet events

Post balance sheet events are discussed in the Chairman's Statement on page 3 and in note 28.

Going concern

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

The Directors consider the use of the going concern assumption to be appropriate. At the latest reported date of 31 December 2022, the Group had cash and cash equivalents totalling £234,990 and net current assets of £618,313.

On 8 April 2022, the Group successfully raised £4.6 million (before expenses) through the exercise of shareholder warrants and a subscription for new ordinary shares. Post period end, in January 2023, the Group raised a further £418,000 through a subscription and broker option. These funds were raised to cover the costs of the DHL acquisition and to fund the ongoing development of the Group's technologies towards commercialisation.

Significant progress is being made, with a final design iteration of the Group's Pareta® drive due to be tested during Q2 2023, in collaboration with major Tier 1 axle supplier Meritor. In addition, the Group announced in February 2023 that it had signed a Collaboration Framework Agreement with Tier 1 axle suppliers BRIST and BASE, representing DGI's first commercial partnership. The parties will work together to develop and integrate Pareta® into the current range of BRIST and BASE axles to provide a turnkey offering for commercial and military vehicles globally. Furthermore, DGI will provide BRIST and BASE its existing vehicle control and torque vectoring system to allow the partners to accelerate the penetration of the product in the market sectors identified, the parties will work together to accelerate activities in the retrofit and conversion market and DGI will provide UK 'in country' presence for sales and customer support. Ultimately, the intention is for DGI to assemble BRIST and BASE axles within the UK in due course, with the partners to support the establishment of operations when demand requires. As our first "commercial" agreement we believe this has scope to result in significant revenues across a number of different business models. The Group also continues its work with the UK Ministry of Defence.

In line with all pre-revenue companies, further funding will be required as the Group moves through the development phase. The Board have considered a number of detailed cashflow scenarios and have identified a further funding requirement from mid-2023. As this falls within 12 months of the date of this report, a material uncertainty exists in relation to the ability of the Group to continue as a going concern.

The Directors would note that the previous fundraises in March 2021, April 2022 and January 2023 were predominantly made up of the same small group of investors, who remain supportive of the Group's strategy. The Directors therefore believe that a further equity fundraising would be well supported. The Directors have also progressed discussions with lenders regarding debt facilities, should it achieve material customer orders post-testing. Taking this into account, the Directors have formed the opinion that there are adequate arrangements in place to enable the settlement of their financial commitments as and when they fall due.

For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. While there are inherent uncertainties in relation to future events and ultimately no certainty over the outcome of matters

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

described above, in the opinion of the Directors, the newly formed group will be a going concern for the next 12 months.

Research and Development

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

Enhanced Drive Technology

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

The Pareta® platform has most recently been extended to deliver its associated performance and durability parameters at a competitive cost point for volume manufacture for commercial electric vehicles, initially for the Company's collaboration partner Meritor, the US-headquartered global commercial vehicle components company. The advanced prototypes produced in a scalable 250kW/400kW format, aimed at bus and HGV applications, have already shown good performance versus electric motor systems from global motor manufacturers.

To develop this new offering from its current advanced prototype phase to final product release and volume manufacture, the Group plans to take a staged approach. Having successfully produced an advanced prototype design, work is now ongoing to progress to a final design prototype.

The Group is undertaking a phase of preparing for pilot manufacturing with the financial support from the UK Government's Advanced Propulsion Centre ("APC") through their Scale-up Readiness Validation competition, part of the Automotive Transformation fund, in parallel with completing the final design prototype. Further prototypes will be followed, enabling the design to be optimised, particularly regarding performance and costings, in order to progress to the production stage.

The Group has also commenced a feasibility project under the competition of "Clean Maritime Demonstration Competition Round 2 – Feasibility", to define an innovative multi parallel design for 3 MW marinised fuel cell systems encompassing highly redundant end-to-end whole-ship energy efficiency design and integration. Enabled by novel motor, drives, and power electronics, the modular marinised fuel cell system will deliver more than 3 MW power.

Enhanced Battery Technology

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

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

Further scale up of material production will involve an iteration of process engineering to maintain the desired performance and material characteristics in high volume. Additionally, integrating the material into commercial scale battery cell production will require a parallel process of optimising cell design and large-scale production engineering.

The Group intends to primarily pursue a licensing model to bring its battery technology to the market, through licensing to sodium-ion battery manufacturers, with the potential for in-house material production should that prove commercially attractive. Whilst there is currently limited volume sodium-ion battery manufacture worldwide, a number of large global battery manufacturers have recently announced plans to establish substantial sodium-ion

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared financial statements in accordance with UK-adopted International Accounting Standards ('IAS'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the Statement of Comprehensive Income of the Group for that year.

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

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

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

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

Website publication

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

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IASs) and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The annual report includes a fair review of the development and performance of the business and financial position of the Group together with a description of the principal risks and uncertainties that they face.

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

A handwritten signature in black ink, appearing to be 'Peter Tierney', written over a horizontal line.

Peter Tierney
Chief Executive Officer
27 April 2023

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

STRATEGIC REPORT

The Directors present their strategic report on the Group for the year ended 31 December 2022.

Principal Activities

DG Innovate Plc is a public company incorporated under the Companies Act 2006 and domiciled in the United Kingdom. During the period under review the Company was initially a cash shell whose strategy was to deliver material acquisitions in the energy sector. During the period, in April 2022 the Company completed the acquisition of the DG Innovate group of companies, becoming an advanced research and development company pioneering sustainable and environmentally considerate improvements to electric mobility and storage.

Business Review

During the period, the Company successfully completed the Reverse Takeover of DGI, together with an accompanying fundraise provided by existing shareholders to further the development of DGI's Enhanced Drive and Enhanced Battery Technologies to commercialisation. The Company changed its name to DG Innovate Plc to reflect the new group structure at completion.

Further details are contained in the Chairman's Statement and in the Operational and Financial Reviews on pages 3 to 6 of this document.

Position of the Group's business at the year end

At the year end, the Group's Statement of Financial Position shows net assets totalling £5,391,090 (2021: £2,822,000).

The future plans of the Group

The Group's focus for the coming months and years is on the development and commercialisation of its electric drive technology and hard carbon anode material. As noted in the Chairman's Statement and Operational Review on pages 3 to 6, a number of grant-funded projects are underway, which will be completed over the course of 2023, while other similar opportunities continue to become available. In addition, the latest design iteration of the 250kW/400kW Parcta® is due to be tested during Q2 2023, and work is ongoing in collaboration with our commercial partners BRIST and BASE to accelerate our joint activities in offering a full electric drivetrain offering to OEMs and aftermarket customers across the commercial and military sectors. The Group is ultimately targeting volume assembly of both its electric drive platform and potentially full drivetrain solutions at a DGI facility in the UK.

Employees

For the year ended 31 December 2022 the Group had on average 25 employees (2021: 21).

Employee gender diversity

	Male	Female
Directors of the Company	8	-
Total number of employees	12	5

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

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

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172(1) Statement - Promotion of the Group for the benefit of the members as a whole

The Directors believe they have acted in the way most likely to promote the success of the Group for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

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

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

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

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

Investors

Desired outcome

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

Method of engagement

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

Achievements in the year

The completion of the acquisition of DHL raising working capital from investors, as voted on by shareholders at a General Meeting. Publication of institutional research initiation note and follow on coverage. Numerous RNS communications during the year with accompanying PR activities to provide clarity for investors.

Employees

Desired outcome

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

Method of engagement

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

Achievements in the year

Employee appraisals and pay rises in line with market rates. Additional across board "cost of living" pay rise to support employees.

Community and the environment

Desired outcome

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Method of engagement

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

Achievements in the year

Awarded the London Stock Exchange Green Economy Classification and Mark for companies which contribute to the global green economy. Development of sustainable hard carbon anode material and lower energy electric drives. Provision of vehicle charging points at premises.

Customers/Partners

Desired outcome

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

Method of engagement

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

Achievements in the year

Request to upscale 250kW Pareta® drive to 400kw version, ongoing dialogue with UK Government on vehicle integration project and numerous new product enquiries.

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



Peter Tierney
Chief Executive Officer
27 April 2023

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

GOVERNANCE REPORT

Introduction

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

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

The Governance Report forms part of the Directors' Report.

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

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

2. Seek to understand and meet shareholder needs and expectations

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

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

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

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

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

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

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

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

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Principal risks and risk management

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

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

Duties in relation to risk management that are conducted by the Directors include, but are not limited, to:

- Initiating action to prevent or reduce the adverse effects of key risks;
- Controlling further treatment of risks until the level of risk becomes acceptable;
- Identifying and recording any problems relating to the management of risk;
- Initiating, recommending or providing solutions through designated channels;
- Verifying the implementation of solutions;
- Communicating and consulting internally and externally as appropriate; and
- Informing investors of material changes to the Group's risk profile.

Conflicts of interest

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

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

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

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

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

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

Commitments

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

Induction

All new Directors would receive an induction as soon as practical on joining the Board.

Remuneration

The Board currently retains responsibility for agreeing the remuneration policy for senior executives, under recommendations from the Remuneration Committee. The Remuneration Committee Report is presented on pages 27 to 29 and contains full details of the activities during the period

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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

Non-executive Directors are initially appointed for a term of one year, which may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement. Short biographies of the Directors holding office during the year under review can be found on pages 7 and 8.

Nomination

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

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

Diversity

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

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

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

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

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

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

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

Board meetings

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

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

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

Summary of the Board's work in the period

During 2022, the Board considered all relevant matters within its remit.

Attendance at meetings:

Member	Meetings held	Meetings attended	Attendance
Christopher Theis	7	4	57%
Brent Fitzpatrick	2	2	100%
Jack Allardyce	10	8	80%
Nicholas Tulloch	10	8	80%
Martin Boughtwood	8	8	100%
Andrew Boughtwood	8	8	100%
Sir Stephen Dalton	8	8	100%
Trevor Gabriel	8	8	100%
Dr Patrick Symonds	8	7	88%
Peter Tierney	3	3	100%

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

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

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

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

Audit & Risk Committee

The Audit and Risk Committee was formed on completion of the acquisition of DHL, and is comprised of Nicholas Tulloch (Chair) and Trevor Gabriel. The committee meets at least twice a year. It is responsible for making recommendations to the Board on the appointment of auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of internal financial controls. It also has responsibility for the reporting of the financial performance of the Group and for reviewing financial statements prior to publication.

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Audit & Risk Committee also assists the Board in fulfilling its oversight responsibilities with regard to Group risk management and compliance framework and governance structure that supports it.

Remuneration Committee

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

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

Other governance matters

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

The Company Secretary

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

Board performance and evaluation

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

Internal audit

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

Internal financial control

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

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

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

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

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

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

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

In addition to the Chairman's Statement and CEO report in the Group's Annual Report and Interim Results, Shareholders are regularly advised of any significant developments in the Group and are encouraged to participate in the Annual General Meeting and any other General Meetings that may take place throughout the year. The Group expects to widen its investor base over time and then meet regularly with any significant institutional shareholders, fund managers and analysts as part of an active investor relations program to discuss long term issues and obtain feedback.

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

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

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

REMUNERATION COMMITTEE REPORT

The Remuneration Committee

Prior to completion of the acquisition of the DG Innovate companies on 8 April 2022, the full Board met to consider matters relating to remuneration. The Group's Remuneration Committee was formed at completion, and it operates within the terms of reference approved by the Board. During the period, the Remuneration Committee comprised the Group's Non-Executive Directors Nicholas Tulloch (Chairman), Patrick Symonds and Sir Stephen Dalton.

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

The Remuneration Committee met two times during the year.

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

Committee advisors

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

Statement of the Group's policy on Directors' remuneration

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

Service Agreements and Letters of Appointment

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

The Directors who held office at 31 December 2022 and who had beneficial interests in the Ordinary Shares of the Group are summarised as follows:

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

Details of these beneficial interests can be found in the Directors' Report on page 9.

Terms of appointment

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Director	Year of appointment	Number of years completed	Date of current engagement letter
Jack Allardyce	2020	2	9 March 2022
Nicholas Tulloch	2021	2	9 October 2021
Martin Boughtwood	2022	0	1 April 2022
Andrew Boughtwood	2022	0	12 October 2021
Sir Stephen Dalton	2022	0	14 November 2021
Trevor Gabriel	2022	0	15 October 2021
Dr Patrick Symonds	2022	0	7 October 2021
Peter Tierney	2022	0	16 May 2022

Consideration of shareholder views

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

Policy for new appointments

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

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

Directors' emoluments, compensation and options

Details of Directors remuneration during 2022 were as per the following table. This information has been audited.

	Fees & other remuneration	Taxable benefits	Pension contribution	Share option charge	Transfer of assets	2022 Total	2021 Total
	£	£	£	£	£	£	£
Christopher Theis	112,500	3,480	17,917	14,404	33,125	181,426	1,388,972
Brent Fitzpatrick	26,667	-	-	-	-	26,667	316,355
Jack Allardyce	142,885	883	14,375	86,422	-	244,565	243,532
Nicholas Tulloch	40,000	-	-	-	-	40,000	31,505
Patrick Symonds	29,129	-	-	-	-	29,129	-
Stephen Dalton	29,129	-	-	-	-	29,129	-
Andrew Boughtwood	29,129	-	-	-	-	29,129	-
Trevor Gabriel	29,129	-	-	-	-	29,129	-
Peter Tierney	134,703	387	-	57,290	-	192,380	-
Martin Boughtwood	170,248	2,527	29,168	86,422	-	288,365	-
	743,519	7,277	61,460	244,538	33,125	1,089,919	1,980,364

During 2022, Directors' gross salaries amounted to £743,519 (2021: £421,455).

During 2021 and 2022, bonuses had been incorrectly awarded to certain Directors and are deemed to be held in trust. These amounts are repayable to the Group. Other debtors include amounts due from Christopher Theis £137,369 (2021: £37,021), Brent Fitzpatrick £50,667 (2021: £27,705), Jack Allardyce £Nil (2021: £36,651), Nicholas Tulloch £Nil (2021: £27,025).

On 21 January 2020 Andrew Yeo resigned as a director. Compensation payments totalling £84,000 are payable. £30,000 is payable 24 months from the date of resignation or the date of a further capital raise if earlier. The balance is payable in monthly instalments commencing 25 months from the date of resignation or the date of a further capital raise if earlier. During the year £57,000 (2021: £Nil) had been paid.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Future Policy Table

How the element supports our strategic objectives	Operation of the element	Maximum potential payout and payment at threshold	Performance measures used, weighting and time period applicable
Base Pay Recognises the role and the responsibility for the delivery of strategy and results	Paid in 12 monthly instalments	Contractual sum	None
Pensions 10% of Executive Directors' gross salary	Paid in 12 monthly instalments	Contractual sum	None
Short term incentives Share options (see note 24)	Vested on 30 March 2017 and 18 March 2021	100% exercisable at reaching targets	Share price

The Directors hold the following options:

Option holder	Number of Ordinary Shares subject to option	Exercise Price (per option share)	Expiry date
Jack Allardyce	62,500,000	0.1p	10 years from 18 March 2021
	156,105,002	0.1p	10 years from 8 April 2022
Martin Boughtwood	156,105,002	0.1p	10 years from 8 April 2022
Peter Tierney	690,790,814	0.1p	10 years from 12 October 2022

Other matters

During the year ended 31 December 2022 the Group:

- has not paid out any excess retirement benefits to any Directors or past Directors.
- has paid compensation to past Directors, details are noted on page 28.

Nicholas Tulloch
Chairman of the Remuneration Committee
27 April 2023

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee

The Group's Audit & Risk Committee was formed on completion of the acquisition of DHL, and it operates within the terms of reference approved by the Board. During the period, the Audit & Risk Committee comprised the Group's Non-Executive Directors Andrew Boughtwood (Chairman), Trevor Gabriel and Sir Stephen Dalton. Post year end, in January 2023, Andrew Boughtwood and Sir Stephen Dalton stepped down from the Audit & Risk Committee, with Nicholas Tulloch joining as new Chairman.

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

Meetings

The Audit & Risk Committee met three times during the year to 31 December 2022. During these meetings consideration was given to the Annual Report, financial disclosures and other relevant accounting matters for the Group for the year ended 31 December 2021, the interim financial statements for the half year to 30 June 2022 and the audit strategy for the Group's coming audit for the year to 31 December 2022.

The Board met on 27 April 2023 to consider the audit for the year ended 31 December 2022.

External auditor

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

The current auditors, Moore Kingston Smith LLP, were first appointed by the Group on 3 May 2022. Having assessed the performance objectivity and independence of the Auditors, the Board will be recommending the reappointment of Moore Kingston Smith LLP as auditors to the Group at the 2022 Annual General Meeting.

Disclosure of information to auditors

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


Nicholas Tulloch
Chairman of the Audit & Risk Committee
27 April 2023

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DG INNOVATE PLC
(PREVIOUSLY KNOWN AS PATH INVESTMENTS PLC)**

Opinion

We have audited the financial statements of DG Innovate Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group and Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statement have been properly prepared in accordance with UK adopted international accounting standards; and
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

As part of scoping 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 such as the fair value of the share options and warrants or the inputs used in the impairment review of intangible assets, all of which involve making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed sufficient audit work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the Group and its environment, including the Group's system of internal controls. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

At 31 December 2022, the Group had four components whose transactions and balances are included in the consolidated financial statements. All components, being DG Innovate Plc, Deregallera Holdings Limited, Leading Technology Developments Limited and Deregallera Limited, were considered to be significant components and were subject to a full scope audit. All work was carried out by the group audit team.

We conducted our audit from our City of London office and the audit team communicated regularly throughout the audit with the Audit Committee and management in order to ensure we had a good knowledge of the operations of the Group. During the audit, we reassessed and re-evaluated audit risks and tailored our approach accordingly if needed.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, and the relevant specific risks.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal controls that we identified during the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of risks identified during our audit.

Key Audit Matters	How our scope addressed this matter
Going concern (Group and Parent company) The Group incurred losses of £7,679,512 in the year ended 31 December 2022 (2021: £644,865), including reverse acquisition expenses of £5,094,074 (2021: £nil). Both the Group and Parent Company are in a net asset position of £5,391,090 and £36,561,585 respectively (2021: £2,822,200 and £934,435), however, to continue funding its development activities further funding will be required within 12 months, sources of which are not yet certain. Given the performance in the year, including the continued losses and future funding needs, going concern was considered to be a key audit risk area.	Our audit work and conclusion in respect of going concern has been detailed in the 'Material uncertainty related to going concern' section of our audit report.
Share options and warrants expense (Group and Parent Company) In the current and previous years, the Parent Company issued share options and warrants to directors, creditors and investors. As detailed in note 24, the Group incurred a share option charge of £338,864 in the year (2021: £nil). The Company has incurred a share options and warrants charge of £338,864 in the year (2021: £2,042,335 which is not included in the Group comparatives due to the application of reverse acquisition accounting requirements). The recognition of the share-based payment and warrants expense requires estimates to be made regarding the fair value of the share options and warrants granted. These are dependent on the assumptions made in respect of the inputs into the relevant options pricing model.	Our audit work included, but was not restricted to: • Reconciling the number of share options and warrants to their respective agreements. • Re-performing the option pricing model calculation of the share options and warrants charge prepared by the directors to determine if it had been calculated in accordance with the requirements of IFRS 2. • Critically assessing the judgements made by management in determining the share options and warrants charges and the assumptions underlying them to determine whether the options and warrants charge in the financial statements had been calculated in accordance

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Key Audit Matters	How our scope addressed this matter
The use of the model and the assumptions made by management thus involve a number of judgements to establish the appropriate inputs into the model, and therefore this was considered to be a key audit risk area.	with the requirements of IFRS 2 and all relevant disclosures had been appropriately made. <i>Key observations:</i> Based on our audit work, we identified a material error of £153,279 in the calculation of the share options and warrants charge which has now been adjusted in these financial statements by management. Following this audit adjustment, we have concluded that the amounts in respect of share options and warrants within the financial statements are not materially misstated.
Accounting for reverse acquisition (Group only) As per note 26, on 8 April 2022 the Company announced the completion of the reverse acquisition of Deregallera Holdings Ltd (formerly DG Innovate Ltd). Due to the Parent Company being a non-operating entity which was not classified as a business under IFRS 3 Business Combinations ("IFRS 3"), the transaction does not fall under the scope of this standard and is not a business combination but an equity-settled transaction which should be accounted for in accordance with IFRS 2 Share-based Payment ("IFRS 2"). However, the IFRS 3 guidance on reverse acquisitions should still be followed, under which despite the Parent Company being the legal acquirer it should be considered the acquiree for accounting purposes. Due to the complexity of the above transaction, this was considered to be a key audit risk area.	Our audit work included, but was not restricted to: • Reviewing the calculations of the reverse acquisition expense for arithmetical accuracy. • Confirming the fair value of net assets on acquisition by performing appropriate cut-off testing on various classes of assets and liabilities, and profit and loss transactions. • Reviewing the disclosures in the consolidated financial statements regarding the reverse acquisition and confirming that these are in line with UK-adopted international accounting standards. <i>Key observations:</i> We noted £280,807 of expenditure that should have been recognised in the Parent Company's pre-acquisition profit and loss reserve but had been included in the consolidated profit and loss account after 8 April 2022. We also noted £105,480 of stamp duty that had been included in administrative expenses, but it should have been capitalised as part of the investment cost in the Parent Company financial statements. Following the above audit adjustments, we have concluded that the reverse acquisition has been correctly accounted for the consolidated financial statements.
Capitalisation of development costs (Group only) During the year, the Group capitalised development costs of £848,443 (2021: £856,303), all of which were internally generated. These capitalised costs are being amortised over 5 - 10 years. The development cost additions represent resources the Group has invested in for the development of new innovative technology products for Pareta® electric drives and hard carbon anode materials. There is a significant degree of judgement and subjectivity involved in assessing whether the	Our approach was focused on ensuring that the costs capitalised as development costs met the criteria for capitalisation of internally generated intangible assets and were directly attributable to the development of the asset in line with IAS 38. Our audit work included, but was not restricted to: • Using substantive testing to select a sample of projects to ensure that they relate to development costs by review of timesheet data

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Key Audit Matters	How our scope addressed this matter
internally generated intangible asset qualifies for capitalisation in accordance with the requirements of IAS 38. We have therefore identified the capitalisation of development costs as a key audit matter.	agreeing to other supporting documentation where relevant. • Performing a critical assessment of whether any projects have had a research phase that can be considered separate from the development phase. • Performing substantive analytical review on internal staff costs capitalised by agreeing to payroll reports for the development employees. • The Research & Development claim prepared by TC Group was critically assessed and compared to the costs capitalised in the year, and calculations were reviewed by an internal R&D expert. <i>Key observations:</i> Based on our audit work, we concluded that the development costs have been capitalised in accordance with the requirements of IAS38.
Impairment of intangible assets (Group only) The directors are required to make an assessment to determine whether there are impairment indicators relating to the Group's intangible assets. The Group had intangible assets with a net book value of £4,573,592 as at 31 December 2022 (2021: £4,139,805), further details of which are given in note 13. The process for assessing whether impairment exists under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex. The process of determining the value in use, through forecasting cash flows related to each Cash Generating Unit ('CGU') and the determination of the appropriate discount rate and other assumptions to be applied, can be highly judgemental and can significantly impact the results of the impairment review. Based on the judgemental nature of an impairment review, we identified impairment of intangible assets and goodwill as a key audit matter.	Our audit work included, but was not restricted to: • Obtaining management's analysis of their assessment of whether there were any indicators of impairment. • Critically assessing the impairment review performed by management. This included considering the life cycle, public perception through the share price of the Parent Company and the fair value of intangible assets held by the Group. • Critically assessing the key assumptions used in the impairment workings and performing sensitivity analysis through changing the assumptions and re-running the cash flow forecast. • Evaluating the accounting policy and detailed disclosures to determine whether the information provided in the financial statements is compliant with the requirements of IAS 36 and consistent with the results of the impairment review. • Considering the appropriateness of the amortisation policy.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Key Audit Matters	How our scope addressed this matter
	<i>Key observations:</i> Based on our audit work, we concluded that the intangible assets held by the Group are not materially misstated at the reporting date and that management's impairment assessment and reassessment of the useful economic life of intangible assets is appropriate. The value in use of intangible assets was in excess of £42m which provides sufficient coverage of the carrying value.
Impairment of investments (Parent Company only) The directors are required to make an assessment to determine whether the carrying value of the Parent Company's investments in subsidiaries is recoverable. The Parent Company had investments in subsidiaries of £32,490,188 as at 31 December 2022 (2021: £nil), further details of which are given in note 12. The directors have estimated the associated recoverable amount of investments as equal to that of the value in use determined for the Group's intangible assets. Based on the judgemental nature of an impairment review, we identified impairment of intangible assets and goodwill as a key audit matter.	As the directors have linked the subsidiary value in use to that used in determining the value in use of intangible assets, we have relied on our audit work on impairment of intangible assets explained above. In addition, we have also reviewed the board minutes and held discussions with management to understand the strategy for subsidiaries and expectations going forward. <i>Key observations:</i> Based on our audit work, we concluded that the carrying value of investments held by the Parent Company is not materially misstated and the management's assessment that no impairment is required is appropriate.
Recoverability of intercompany receivables (Parent Company only) The directors are required to make an assessment to determine whether the carrying value of the amounts due from subsidiaries is recoverable. The Parent Company had £3,474,340 as at 31 December 2022 (2021: £611,934) due from subsidiary undertakings, further details of which are given in note 14. Based on the fact that subsidiary companies are still in the development phase and have not yet started generating external revenues, we identified recoverability of intercompany receivables as a key audit matter.	The directors prepared the forecasts which we critically assessed as part of the impairment review of the intangible assets noted above. Based on these forecasts, the trading subsidiary entities will be cash-generative in the future and therefore the loans are considered to be recoverable. <i>Key observations:</i> Based on our audit work, we concluded that the carrying value of amounts due from subsidiaries held by the Parent Company is not materially misstated and the management's assessment of the recoverability is reasonable. We also note the legal mortgage charge in relation to the loan over the subsidiary assets dated 12 August 2021.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Due to the Group still being in the development stage without external revenues we considered gross assets to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Group to be £125,030 based on a percentage of gross assets at the year end (2%).

Due to the nature of the Parent Company, we considered expenditure incurred to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Parent Company to be £30,930 based on a percentage of expenditure incurred (2%).

On the basis of our risk assessment, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e., our tolerance for misstatement in an individual account or balance) for the Group and Parent Company was 50% of materiality, namely £62,514 and £15,470 respectively.

We agreed to report to the Audit Committee all audit differences in respect of the Group and Parent Company in excess of £6,250 and £1,550 respectively and, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements, which indicates that the Group's cash flow projections show that the Group will need to raise debt or equity funding in order to continue in business and meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements. The Group incurred an operating loss of £2,615,534 (2021: £587,235) for the year ended 31 December 2022, and the Parent Company a loss of £1,549,027 for the year ended 31 December 2022 (2021: £3,903,459)

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the use of the going concern basis of accounting in the preparation of the Group and Parent Company financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- A critical assessment of the detailed cash flow projections prepared by the directors, which are based on their current expectations of trading prospects, we also evaluated the sensitivities that the directors performed against this forecast.
- We evaluated the key assumptions in the forecast, which were consistent with our knowledge of the business and considered whether these were supported by the evidence we obtained.
- We examined the disclosures in the financial statements relating to the going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

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

Other information

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

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 course of the audit or otherwise appears to be materially misstated. If we identify such

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 is available on the FRC's website at <https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-firm/description-of-the-auditor%20of%20s-responsibilities-for>

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

The objectives of our audit in respect of fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the Company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the Company and considered that the most significant are the Companies Act 2006, UK adopted international financial reporting standards, the Listing Rules, the Disclosure and Transparency Rules, QCA Compliance and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We reviewed board minutes, legal expenses, and RNS announcements and inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.
- We evaluated managements' incentives to fraudulently manipulate the financial statements and determined that the principal risks related to management bias in accounting estimates and judgemental areas of the financial statements. We challenged the assumptions and judgements made by management in respect of the significant areas of estimation, as described in the key audit matters section. Further audit procedures performed to address the risk of fraud included but were not limited to the testing of journals and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Other matters which we are required to address

We were appointed by the Audit Committee on 3 May 2022 to audit the financial statements for the years ended 31 December 2021 and 31 December 2022. Our total uninterrupted period of engagement is 2 years, covering the year ended 31 December 2022.

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

**DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Our audit opinion is consistent with the additional report to the Audit Committee.

The corresponding figures in the financial statements of Group were not audited as the Group did not require a statutory audit under the Companies Act 2006 in the prior year.

Use of our report

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

Mital Shah (Senior Statutory Auditor)

For and on behalf of Moore Kingston Smith LLP, Statutory Auditor

27 April 2023

6th Floor
9 Appold Street
London
EC2A 2AP

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Revenue			
Turnover		4,280	-
Cost of sales		(2,000)	-
Gross Profit		2,280	-
Grant income		433,989	938,818
Other income		2,618	3,036
Administrative expenses		(2,715,557)	(1,529,089)
Share based payments	24	(338,864)	-
Operating loss	4	(2,615,534)	(587,235)
Reverse acquisition expenses	26	(5,094,074)	-
Finance income	8	-	230
Finance cost	8	(67,873)	(113,133)
Other gains and losses		(90,895)	-
Loss on ordinary activities before taxation		(7,868,376)	(700,138)
Income tax	9	188,864	55,273
Loss for the year and total comprehensive loss attributable to the equity holders		(7,679,512)	(644,865)
Earnings per share			
- Basic and diluted earnings attributable to the equity holders from continuing and total operations	10	(0.11)	(0.04)

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

There was no other comprehensive income for the year (2021: £Nil).

The notes form an integral part of the financial statements.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Capital Redemption Reserve	Reverse Acquisition Reserve	Merger Reserve	Share Option Reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£
As at 1 January 2021	202,610	25,456,950	8,783,824	(36,439,255)	-	-	1,369,558	(626,313)
Comprehensive income								
loss for the period	-	-	-	-	-	-	(644,865)	(644,865)
Share based payments	-	-	-	-	-	-	-	-
Total Comprehensive loss	-	-	-	-	-	-	(644,865)	(644,865)
Total contributions by and distributions to owners of the Group								
Issue of share capital	1,826,854	2,266,324	-	-	-	-	-	4,093,178
As at 31 December 2021	2,029,464	27,723,274	8,783,824	(36,439,255)	-	-	724,693	2,822,000
As at 1 January 2022	2,029,464	27,723,274	8,783,824	(36,439,255)	-	-	724,693	2,822,000
Comprehensive income								
Loss for the period	-	-	-	-	-	-	(7,679,512)	(7,679,512)
Share based payments	-	-	-	-	-	338,864	-	338,864
Total Comprehensive loss	-	-	-	-	-	338,864	(7,679,512)	(7,340,648)
Total contributions by and distributions to owners of the Group								
Reverse acquisition	-	-	-	(29,772,482)	-	-	-	(29,772,482)
Issue of share capital	6,813,251	5,881,712	-	-	26,987,257	-	-	39,682,219
As at 31 December 2022	8,842,715	33,604,986	8,783,824	(66,211,737)	26,987,257	338,864	(6,954,819)	5,391,090

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

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

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

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

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

The reverse acquisition reserve was recognised on the reverse acquisition of DHL, which while being the legal acquiree, was considered to be the accounting acquirer under the rules of IFRS 3. As the accounting acquiree was not a business under IFRS 3, a part of the transaction was outside the scope of IFRS 3. This resulted in the recognition of a 'reverse acquisition reserve' on consolidation. Please see note 26 for further detail.

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

The notes form an integral part of the financial statements.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Capital Redemption Reserve	Share Option Reserve	Merger Reserve	Retained earnings	Total
	£	£	£	£	£	£	£
As at 1 January 2021	202,610	25,456,950	8,783,824	87,501	-	(36,675,673)	(2,144,788)
Comprehensive income							
Loss for the period	-	-	-	-	-	(3,903,459)	(3,903,459)
Share based payments	-	-	-	2,889,504	-	-	2,889,504
Total Comprehensive loss	-	-	-	2,889,504	-	(3,903,459)	(1,013,955)
Total contributions by and distributions to owners of the Company	-	-	-	-	-	-	-
Issued share capital	1,826,854	2,266,324	-	-	-	-	4,093,178
As at 31 December 2021	2,029,464	27,723,274	8,783,824	2,977,005	-	(40,579,132)	934,435
As at 1 January 2022	2,029,464	27,723,274	8,783,824	2,977,005	-	(40,579,132)	934,435
Comprehensive income							
Loss for the period	-	-	-	-	-	(1,549,027)	(1,549,027)
Warrants exercised	-	758,055	-	(758,055)	-	-	-
Share based payments	-	-	-	338,864	-	-	338,864
Total Comprehensive loss	-	758,055	-	(419,191)	-	(1,549,027)	(1,210,163)
Total contributions by and distributions to owners of the Company							
Issue of share capital	6,813,251	3,036,805	-	-	26,987,257	-	36,837,313
As at 31 December 2022	8,842,715	31,518,134	8,783,824	2,557,814	26,987,257	(42,128,159)	36,561,585

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

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

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

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

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

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

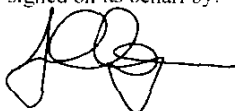
The notes form an integral part of the financial statements.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2022	As at 31 December 2021
		£	£
ASSETS			
Non-current assets			
Property, plant and equipment	11	725,091	859,651
Intangible assets	13	4,573,592	4,139,805
		<u>5,298,683</u>	<u>4,999,456</u>
Current assets			
Trade and other receivables	14	1,023,552	117,277
Cash and cash equivalents	22	234,990	57,454
		<u>1,258,542</u>	<u>174,731</u>
LIABILITIES			
Current liabilities			
Trade and other payables	15	(640,229)	(1,150,495)
Net Current Assets / (Liabilities)		<u>618,313</u>	<u>(975,764)</u>
Non-current liabilities	16	(495,860)	(1,148,103)
Provision for liabilities	17	(30,046)	(53,589)
Net Assets		<u>5,391,090</u>	<u>2,822,200</u>
SHAREHOLDERS' EQUITY			
Called up share capital	19	8,842,715	2,029,464
Capital redemption reserve		8,783,824	8,783,824
Share premium account		33,604,986	27,723,274
Share option reserve		338,864	-
Merger reserve		26,987,257	-
Reverse acquisition reserve		(66,211,737)	(36,439,255)
Retained earnings		(6,954,819)	724,693
TOTAL EQUITY		<u>5,391,090</u>	<u>2,822,200</u>

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2023 and were signed on its behalf by:



Jack Allardyce
Chief Financial Officer

The attached notes form part of these financial statements.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2022	As at 31 December 2021
		£	£
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,240	80,546
Investment in subsidiaries	12	32,490,188	-
		<u>32,492,428</u>	<u>80,546</u>
Current assets			
Trade and other receivables	14	4,240,661	904,655
Cash and cash equivalents	22	156,193	686,400
		<u>4,396,854</u>	<u>1,591,055</u>
LIABILITIES			
Current liabilities			
Trade and other payables	15	(327,697)	(737,166)
Net current assets		<u>4,069,157</u>	<u>853,889</u>
Net assets		<u>36,561,585</u>	<u>934,435</u>
SHAREHOLDERS' EQUITY			
Called up share capital	19	8,842,715	2,029,464
Capital redemption reserve	19	8,783,824	8,783,824
Share premium account		31,518,134	27,723,274
Merger reserve		26,987,257	-
Share option reserve		2,557,814	2,977,005
Retained earnings		(42,128,159)	(40,579,132)
Total equity		<u>36,561,585</u>	<u>934,435</u>

The Company has taken advantage of the exemption contained in S408 Companies Act 2006 and has not presented a separate income statement for the Company. The Company recorded a loss after tax of £1,549,027 for the year ended 31 December 2022 (2021: £3,903,459).

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2023 and were signed on its behalf by:



Jack Allardyce
Chief Financial Officer

Company Registration No. 04006413 (England and Wales)
The attached notes form an integral part of the financial statements.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022	Year ended 31 December 2021
		£	£
Cash flows from operating activities			
Cash expended from operations	20	(2,477,933)	323,455
Tax refunded		85,270	178,451
Net cash (outflow) / inflow from operating activities		(2,392,663)	501,906
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		50,832	-
Purchase of property, plant and equipment	11	(76,563)	(391,104)
Purchase of intangible assets		(848,443)	(856,303)
Finance income		-	230
Finance cost		(50,241)	(40,541)
Cash payment on acquisition		(86,062)	-
Net cash used in investing activities		(1,010,477)	(1,287,718)
Cash flows from financing activities			
Proceeds from borrowings		-	600,000
Repayment of borrowings		(735,876)	(118,905)
Proceeds from issue of shares		4,347,125	-
Repayment of lease liabilities		(71,661)	(12,400)
Net cash generated from investing activities		3,539,588	468,695
Net increase in cash and cash equivalents		136,448	(317,117)
Cash and cash equivalents at the beginning of year		57,454	374,571
Cash balance on acquisition		41,088	-
Cash and cash equivalents at end of year	22	234,990	57,454

The notes form an integral part of the financial statements.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022	Year ended 31 December 2021
		£	£
Cash flows from operating activities			
Cash expended from operations	20	(4,872,331)	(2,862,941)
Net cash outflow from operating activities		<u>(4,872,331)</u>	<u>(2,862,941)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(3,068)	(98,598)
Finance costs		(1,933)	(629)
Net cash used in investing activities		<u>(5,001)</u>	<u>(99,227)</u>
Cash flows from financing activities			
Issue of share capital		4,347,125	3,850,000
Loan repayment		-	(50,000)
Issue of convertible loans		-	8,100
Repayment of convertible loans		-	(160,000)
Net cash generated from investing activities		<u>4,347,125</u>	<u>3,648,100</u>
Net (decrease)/increase in cash and cash equivalents		(530,207)	685,932
Cash and cash equivalents at the beginning of year		686,400	468
Cash and cash equivalents at end of year	22	<u>156,193</u>	<u>686,400</u>

Significant non-cash transactions from investing activities are as follows:

Equity consideration for the reverse acquisition of DHL in the year totalled £32,490,188 (2021: £Nil).

The notes form an integral part of the financial statements.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of preparation

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

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

For the year ended 31 December 2022, the subsidiary companies were entitled to exemption from audit under section 479 of the Companies Act 2006 relating to subsidiary companies. DG Innovate Plc, the parent company, guarantees all outstanding liabilities that the subsidiary companies are subject to at the end of the financial year.

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

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

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

1.2 Going concern

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

The Directors consider the use of the going concern assumption to be appropriate. At the latest reported date of 31 December 2022, the Group had cash and cash equivalents totalling £234,990 and net current assets of £618,313.

On 8 April 2022, the Group successfully raised a further £4.6 million (before expenses) through the exercise of shareholder warrants and a subscription for new ordinary shares. Post period end, in January 2023, the Group raised a further £418,000 through a subscription and broker option. These funds were raised to cover the costs of the DHL acquisition and to fund the ongoing development of the Group's technologies towards commercialisation.

Significant progress is being made, with a final design iteration of its Pareta[®] drive due to be tested during Q2 2023, in collaboration with major Tier 1 axle supplier Meritor. In addition, the Group announced in February 2023 that it had signed a Collaboration Framework Agreement with Tier 1 axle suppliers BRIST and BASE.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

representing DGI's first commercial partnership. The parties will work together to develop and integrate Parcta® into the current range of BRIST and BASE axles to provide a turnkey offering for commercial and military vehicles globally. Furthermore, DGI will provide BRIST and BASE its existing vehicle control and torque vectoring system to allow the partners to accelerate the penetration of the product in the market sectors identified, the parties will work together to accelerate activities in the retrofit and conversion market and DGI will provide UK 'in country' presence for sales and customer support. Ultimately, the intention is for DGI to assemble BRIST and BASE axles within the UK in due course, with the partners to support the establishment of operations when demand requires. As our first "commercial" agreement we believe this has scope to result in significant revenues across a number of different business models. The Group also continues its work with the UK Ministry of Defence.

In line with all pre-revenue companies, further funding will be required as the Group moves through the development phase. The Board have considered a number of detailed cashflow scenarios and have identified a further funding requirement from mid-2023. As this falls within 12 months of the date of this report, a material uncertainty exists in relation to the ability of the Group to continue as a going concern.

The Directors would note that the previous fundraises in March 2021, April 2022 and January 2023 were predominantly made up of the same small group of investors, who remain supportive of the Group's strategy. The Directors therefore believe that a further equity fundraiser would be well supported. The Directors have also progressed discussions with lenders regarding debt facilities, should it achieve material customer orders post-testing. Taking this into account, the Directors have formed the opinion that there are adequate arrangements in place to enable the settlement of their financial commitments as and when they fall due.

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

1.3 Financial instruments

Classification and measurement

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

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

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

The Group's business model is primarily that of "hold to collect" (where assets are held in order to collect contractual cash flows). When the Group enters into derivative contracts, these transactions are designed to reduce exposures relating to assets and liabilities, firm commitments or anticipated transactions.

Financial Assets held at amortised cost

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

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

Financial Assets held at fair value through other comprehensive income (FVOCI)

The classification applies to the following financial assets:

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Financial Assets held at fair value through profit or loss (FVPL)

The classification applies to the following financial assets. In all cases, transaction costs are immediately expensed to the income statement.

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

Leases

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

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

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

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

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

Finance leases of leased assets under which the Group is lessor give rise to both a finance lease receivable and the partial de-recognition of the right of use asset in respect of the head lease of the leased asset. De-recognition of right of use assets are measured at an amount equal to the lease receivable. Finance lease receivables are subsequently measured by adjusting the carrying amount to reflect the interest income, the lease payments received and any reassessment or lease modifications.

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Financial liabilities

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

Impairment of financial assets

A forward-looking expected credit loss (ECL) review is required for: debt instruments measured at amortised costs. Other financial assets are held at fair value through other comprehensive income: loan commitments and financial guarantees not measured at fair value through profit or loss: lease receivables and trade receivables that give rise to an unconditional right to consideration.

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

1.4 Revenue Recognition

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

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

The nature, timing of satisfaction of performance obligations and significant payment terms of the group’s major sources of revenue are as follows:

- **Government grants**

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

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

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

1.5 Intangible assets other than goodwill

The Group recognises with the statement of financial position, costs associated with the acquisition of patents, licences and development costs.

- (i) **Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

- (ii) Internally generated intangible assets (Patents and licences and development expenditure)
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

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

Amortisation is provided at the following annual rates:

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

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

- (iii) Derecognition of intangible assets

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

- (iv) Impairment of intangible assets

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

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

1.6 Property, plant and equipment

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

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

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

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

1.7 Investments in subsidiaries

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

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

1.8 Impairment of non-current, tangible and intangible assets

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

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

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

1.9 Consolidation

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

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

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

1.10 Cash and cash equivalents

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

1.11 New Standards and Interpretations

The IASB and IFRIC have issued the following standards and interpretations which are in issue but not in force at 31 December 2022:

Description	Effective date
<i>Newly effective standards for 1 January 2022 to 31 December 2022</i>	
Amendments to IFRS 17	1 January 2023
Disclosure of accounting policies (amendments to IAS 1 and IFRS practice statement 2)	1 January 2023
Definition of accounting estimate (amendments to IAS 8)	1 January 2023
Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12 income taxes)	1 January 2023
IFRS 16 – Leases – amendments regarding the classification of liabilities	1 January 2024

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

1.12 Share-based payments

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees or suppliers as consideration for equity instruments (options) of the Group. The fair

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

value of the employee or supplier services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement of employees to save).

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

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

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

1.13 Taxation

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

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

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

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

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

1.14 Sources of estimation uncertainty

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

Share based payments

The share-based payment charge is calculated using the Black-Scholes model which requires the estimation of share price volatility, expected life and the bid price discount. Please see note 24 for further detail.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Provision for dilapidations

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

Impairment of intangible assets

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

2. SEGMENTAL REPORTING

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

3. REVERSE ACQUISITION

On 8 April 2022, the Company acquired DHL via a reverse takeover which resulted in the Company becoming the ultimate holding company of the Group. The transaction was accounted for in accordance with the principles of reverse acquisition accounting, since it did not meet the definition of a business combination under IFRS 3. In accordance with IFRS 2, a share-based payment expense equal to the deemed cost of the acquisition less the fair value of the net assets of the Company at acquisition was recognised. The comparatives within the consolidated statement of financial position, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cashflow statement represent that of the legal subsidiary and accounting acquirer, DHL. In the consolidated statement of financial position, the share capital and premium as at 31 December 2021 is that of the Company (DG Innovate Plc) with the reverse acquisition reserve representing the difference between the deemed cost of the acquisition and the net assets of the Company as at 7 April 2022. The consolidated statement of comprehensive income for the period represents the results of both DG Innovate Plc and DHL. For more details on the key terms of the reverse takeover, see note 26.

The basis of consolidation is detailed in note 1.9. The results for the period under review have been consolidated from 8 April 2022, the date of acquisition. Under reverse acquisition accounting the comparatives comprise details of the group prior to the reverse takeover, with the exception of equity.

4. OPERATING LOSS

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

	2022 £	2021 £
Research and development costs	240,175	296,046
Government grants	(433,989)	(938,818)
Depreciation	149,942	104,577
Amortisation	414,656	414,653

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

5. EMPLOYEES

Number of employees

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

	2022	2021
	Number	Number
Administration	3	4
Directors	8	3
Engineering	14	14
	25	21

	2022	2021
	£	£
Employment costs		
Wages and salaries (including benefits in kind)	990,382	320,531
Social security costs	94,490	18,212
Pension costs	107,550	105,689
Share based payment	338,864	-
	1,531,286	444,432

Included in employment costs above are Directors' accrued salaries amounting to £96,249 (2021: £Nil).

Included in the total employees costs above, £593,153 (2021: £684,093) was capitalised in relation to internally generated development costs.

6. AUDITOR'S REMUNERATION

	2022	2021
	£	£
Audit services – group	68,000	70,000
Audit services – company	5,400	5,900
Total fees	73,400	75,900

7. DIRECTORS' REMUNERATION

	2022	2021
	£	£
Aggregate emoluments	783,921	427,736
Pension costs	61,460	35,000
Share based payments	244,538	1,517,628
	1,089,919	1,980,364

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Remuneration for the highest paid director was £170,248 (2021: £225,000). The amount included within accruals as at 31 December 2022 includes remuneration accrued during 2022 but remaining unpaid as at 31 December 2022 of £96,249 (2021: £84,000).

During the period, retirement benefits are accruing to two Directors (2021: retirement benefits are accruing to two Directors).

8. FINANCE INCOME AND COSTS

	2022	2021
	£	£
Bank interest	-	230
Total finance income	-	230
Finance costs	(67,873)	(113,133)
Net finance cost	67,873	112,903

9. TAXATION

No corporation tax charge arises in respect of the year due to the trading losses incurred. The Group has surplus management expenses available to carry forward and use against trading profits arising in future periods of approximately £9,536,000 (2021: £8,041,000). In addition, the Company has non-trading loan relationship debits to carry forward to offset against future non-trading loan relationship credits of approximately £18,917,000 (2021: £18,917,000).

	2022	2021
	£	£
Current tax	-	-
Loss on ordinary activities before taxation	(7,868,376)	(700,138)
Loss on ordinary activities before taxation multiplied by average effective rate of corporation tax of 19% (2021: 19%)	(1,494,992)	(133,026)
Effects of:		
Non-deductible expenses	1,032,303	29,497
Short term timing differences	13,022	2,029
Other adjustments – non-taxable gains	-	-
Tax losses upon which no deemed tax asset is recognised	420,738	140,590
Research and development tax credit	(159,935)	(94,363)
Current tax	(188,864)	(55,273)

Group

A deferred tax asset of approximately £1,779,983 (2021: £702,091) in respect of losses has not been recognised due to the timing regarding the availability of future profits against which the losses of the Group could be offset.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Company

A deferred tax asset of approximately £792,913 (2021: £531,771) in respect of losses has not been recognised due to the timing regarding the availability of future profits against which the losses of the Group could be offset.

The UK corporation tax at the standard rate for the year is 19.0% (2021: 19.0%). The main UK corporation tax rate for the current and prior year has remained at 19%. No changes in the UK rate of tax were substantially enacted by the year end.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the loss on ordinary activities after taxation of £7,679,512 (2021: £644,865) and on the weighted average number of ordinary shares in issue of 7,032,070,240 (2021: 1,765,828,368) in issue. The basic loss per share is 0.11p (2021: 0.04p loss per share).

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

11. PROPERTY, PLANT AND EQUIPMENT

GROUP

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Improvements to leasehold £	Plant & Equipment £	Right of use asset £	Total £
<u>Cost</u>				
At 1 January 2021	314,294	1,431,663	-	1,745,957
Additions	-	80,092	311,012	391,104
Disposals	-	-	-	-
At 31 December 2021	314,294	1,511,755	311,012	2,137,061
<u>Depreciation</u>				
At 1 January 2021	309,861	862,972	-	1,172,833
Charge in the period	2,160	94,642	7,775	104,577
Eliminated on disposal	-	-	-	-
At 31 December 2021	312,021	957,614	7,775	1,277,410
Carrying value				
At 31 December 2021	2,273	554,141	303,237	859,651
At 31 December 2020	4,433	568,691	-	573,124

COMPANY

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Office Equipment £	Motor Vehicles £	Total £
<u>Cost</u>			
At 1 January 2021	-	-	-
Additions	12,844	85,754	98,598
At 31 December 2021	12,844	85,754	98,598
<u>Depreciation</u>			
Depreciation at 1 January 2021	-	-	-
Charge in the period	1,900	16,152	18,052
Depreciation at 31 December 2021	1,900	16,152	18,052
<u>Carrying value</u>			
At 31 December 2021	10,944	69,602	80,546
At 31 December 2020	-	-	-

12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

On 8 April 2022, the Company acquired the DHL group via a reverse takeover which resulted in the Company becoming the ultimate holding company of the Group. The DHL sub-group consists of the following wholly owned companies, which were all incorporated in England and Wales:

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

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

The Directors have estimated the associated recoverable amount as equal to that of the value in use determined for the Group's intangible assets. This figure is in excess of the carrying value of the investments in subsidiaries, and the Directors therefore believe the value of these assets is not impaired at 31 December 2022. This accounting treatment resulted in an impairment loss of £Nil (2021: £Nil).

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Total
	£
<u>Cost</u>	
At 1 January 2022	-
Additions	32,490,188
At 31 December 2022	<u>32,490,188</u>

13. INTANGIBLE ASSETS

GROUP – CURRENT YEAR

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

GROUP – PREVIOUS YEAR

	Goodwill	Intellectual Property Developed	Intellectual Property Under development	Total
	£	£	£	£
<u>Cost</u>				
At 1 January 2021	263,156	3,502,109	1,598,743	5,364,008
Additions	-	-	856,303	856,303
Disposals	-	-	-	-
At 31 December 2021	263,156	3,502,109	2,455,046	6,220,311
<u>Amortisation</u>				
At 1 January 2021	263,156	1,402,697	-	1,665,805
Charge in the period	-	414,653	-	414,653
Eliminated on disposal	-	-	-	-
Depreciation at 31 December 2021	263,156	1,817,350	-	2,080,506
<u>Carrying value</u>				
At 31 December 2021	-	1,684,759	2,455,046	4,139,805
At 31 December 2020	-	2,099,412	1,598,743	3,698,155

No intangible assets were held by the Parent Company.

Upon review during the preparation of the audited accounts, an additional £700,000 of development costs have been recognised and capitalised for the year end 31 December 2021, compared with the figure presented in the interim accounts for the period ended 30 June 2022.

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

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

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

To assess value in use, the estimated future cash flows from each CGU are discounted to their present value using pre-tax discount rates of 12.0 – 14.5% (2021: N/A), reflecting current market assessments of the time value of money and the risks specific to these assets. The key assumptions used in respect of value in use calculations are those regarding growth rates and anticipated changes to revenues and costs during the period covered by the calculations, based upon management's expectation.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The estimated cash flows for each segment are derived from discrete forecasts to 31 December 2028, extrapolated for a further four years assuming medium-term growth rates and assumptions of market share, and long-term growth rates of 2.5 – 3.0% (2021: N/A), which management considers appropriate.

The aggregate value in use calculated for the two identified CGUs as at 31 December 2022 was in excess of the carrying value of the intangible assets, and the Directors therefore believe the value of these assets is not impaired at 31 December 2022. This accounting treatment resulted in an impairment loss of £Nil (2021: £Nil). The carrying value of the intangible assets of the two identified CGUs as at 31 December 2022 are Enhanced Drive Technology £2,292,986 (2021: £2,041,581) and Enhanced Battery Technology £2,280,606 (2021: £2,098,224).

14. TRADE AND OTHER RECEIVABLES

GROUP	2022 £	2021 £
Prepayments	129,159	30,608
Other taxes and social security	706,222	85,269
Other debtors	188,171	1,400
	<u>1,023,552</u>	<u>117,277</u>

Included in other debtors are amounts repayable of £188,036 (2021: £127,702) by certain Directors in respect of incorrectly awarded bonuses. Further details are disclosed on page 28.

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

COMPANY	2022 £	2021 £
Prepayments	70,207	20,000
Other taxes and social security	394,158	145,019
Other debtors	188,036	739,636
Amounts due from subsidiary undertakings	3,588,260	-
	<u>4,240,661</u>	<u>904,655</u>

Amounts due from subsidiary undertakings comprise amounts loaned and interest accrued, of £2,904,740 (2021: £nil) by DG Innovate Plc to Deregallera Holdings Ltd and management fees (net of VAT) of £569,600 (2021: £nil) charged to three subsidiaries in the year. The balance of loan and interest accrued advanced by the Company to Deregallera Holdings Ltd in previous year prior to the RTO is £611,934 included in Other debtors. The loan repayment has been deferred and the amount outstanding includes accrued interest. Deregallera Holdings Ltd has provided a legal mortgage by way of a fixed and floating charge over all its property and assets. The loan attracts an annual 6% interest charge.

Other debtors are amounts repayable of £188,036 (2021: £127,702) by certain Directors in respect of incorrectly awarded bonuses. Further details are disclosed on page 28.

Other taxes and social security comprise the tax suffered on the bonuses noted above and VAT refund for the period up to 31 December 2022.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

15. TRADE AND OTHER PAYABLES

GROUP	2022	2021
	£	£
Trade payables	204,356	234,626
Accruals and deferred income	231,290	55,681
Loans and other borrowings	83,349	715,249
Lease liabilities	59,839	49,600
Other creditors	61,395	95,339
	<u>640,229</u>	<u>1,150,495</u>
 COMPANY	 2022	 2021
	£	£
Trade payables	159,043	131,959
Accruals and deferred income	168,654	605,207
	<u>327,697</u>	<u>737,166</u>

Other unsecured borrowings included £350,000 advanced in 2021 under the UK Government's CBILS loan scheme. The loan is for a 60-month period with annual fixed interest of between 10.10% and 10.20%. The first year's interest is paid by the UK government and amounts to £35,600 for the element included in these financial statements, this has been included in the income statement as grant income.

16. NON-CURRENT LIABILITIES (GROUP)

	2022	2021
	£	£
Lease liabilities	286,443	256,803
Loans and other borrowings	185,393	880,675
Deferred income	24,024	10,625
	<u>495,860</u>	<u>1,148,103</u>

Loans and other borrowings in the previous year include loans with accrued interest of £639,930 from two shareholders of Deregallera Holdings Ltd. These loans were secured by way of a legal mortgage of fixed and floating charges over all property and assets of Deregallera Holdings Ltd. The loans and accrued interest were fully repaid in April 2022 post RTO. The legal charges have been removed.

17. PROVISION FOR LIABILITIES

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Provision for dilapidations	30,046	50,000

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

	2022 £	2021 £
Non-current liabilities	30,046	50,000

18. LEASE LIABILITY (GROUP)

	2022 £	2021 £
<i>Maturity analysis contractual undiscounted cashflows:</i>		
Within one year	59,839	49,600
In two to five years	247,661	198,400
In over five years	38,782	58,403
Total liabilities	<u>346,282</u>	<u>306,403</u>

There are no leases in the parent company.

19. SHARE CAPITAL

Allotted, called up and fully paid

	Ordinary Shares of 0.1p each No	£
At 1 January 2021	202,610,469	202,610
Issue of shares	1,826,853,333	1,826,854
At 31 December 2021	<u>2,029,463,802</u>	<u>2,029,464</u>
At 1 January 2022	2,029,463,802	2,029,464
Issue of shares	6,813,251,305	6,813,251
At 31 December 2022	<u>8,842,715,107</u>	<u>8,842,715</u>

The ordinary shares shall confer upon the holders the right to receive dividends and other distributions and participate in the income or profits of the Group. On 8 April 2022 the Group announced the completion of the reverse acquisition of DHL for an initial consideration of £32.4 million satisfied by the issue to the DHL Shareholders of 5,397,451,305 Initial Consideration Shares at a deemed issue price of 0.6 pence per Ordinary Share.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

20. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

GROUP

	2022	2021
	£	£
Loss for the year after tax	(7,679,512)	(644,865)
(Increase)/decrease in debtors	(992,206)	1,518
(Decrease)/increase in creditors within one year	61,024	443,599
Reverse takeover expenses	5,094,074	-
Provisions	(23,543)	(50,000)
Taxation	-	(58,981)
Share based payments	338,864	-
Finance income	-	(230)
Finance costs	67,873	113,133
Amortisation	414,656	414,653
Depreciation	149,942	104,577
Losses on disposal of fixed assets	90,895	-
Write-off of share capital	-	51
Net cash (outflow) / inflow from operating activities	(2,477,933)	323,455

COMPANY

	2022	2021
	£	£
Loss for the year after tax	(1,549,027)	(3,903,459)
(Increase) in debtors	(3,336,006)	(904,655)
(Decrease) in creditors within one year	(409,469)	(115,214)
Depreciation	21,348	18,052
Loss on disposal of property, plant and equipment	60,026	-
Finance costs	1,933	-
Share based payments	338,864	2,042,335
Net cash outflow from operating activities	(4,872,331)	(2,862,941)

21. NET DEBT RECONCILIATION

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

GROUP

	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Cash and cash equivalents	234,990	57,454
Leases and borrowings	(615,024)	(1,902,327)
Net debt	(33,750)	(1,538,470)

	Borrowings	Cash and cash equivalents	Total
	£	£	£
Net debt as at 1 January 2022	(1,595,924)	57,454	(1,538,470)
Financing cash flows	1,327,184	177,536	1,504,720
Net debt as at 31 December 2022	(268,740)	234,990	(33,750)

COMPANY

	Year ended 31 December 2022	Year ended 31 December 2021
	£	£
Cash and cash equivalents	156,193	686,400
Net debt	156,193	686,400

	Borrowings	Cash and cash equivalents	Total
	£	£	£
Net debt as at 1 January 2021	(536,300)	468	(535,832)
Financing cash flows	197,436	685,932	883,368
Share based payments	338,864	-	338,864
Net debt as at 31 December 2021	-	686,400	686,400
Financing cash flows	-	(530,207)	(530,207)
Net debt as at 31 December 2022	-	156,193	156,193

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

22. CASH & CASH EQUIVALENTS

GROUP

	2022	2021
	£	£
Cash at bank and in hand	234,990	57,454

COMPANY

	2022	2021
	£	£
Cash at bank and in hand	156,193	686,400

23. FINANCIAL INSTRUMENTS

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

Categories of Financial Instruments (Group)

	2022	2021
	£	£
Financial Assets at amortised cost		
Cash and cash equivalents	234,990	57,454
Other debtors	188,171	48,205
	<u>423,161</u>	<u>105,659</u>
Financial Liabilities at amortised cost		
Trade and other payables	640,889	1,200,495
	<u>640,889</u>	<u>1,200,495</u>
Net Financial Assets/(Liabilities)	<u>(214,728)</u>	<u>(1,094,836)</u>

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Categories of Financial Instruments (Company)

	2022	2021
	£	£
Financial Assets at amortised cost		
Cash and cash equivalents	156,193	686,400
Other debtors	3,493,143	739,636
	<u>3,649,336</u>	<u>1,426,036</u>
Financial Liabilities at amortised cost		
Trade and other payables	327,697	737,166
Convertible loan notes	-	-
	<u>327,697</u>	<u>737,166</u>
Net Financial Assets/(Liabilities)	<u>3,321,649</u>	<u>688,870</u>

Financial Assets and Liabilities

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

Credit Risk

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

Financial Risk Factors

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

Foreign exchange Risk

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

Liquidity Risk

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

Fair Values of Financial Assets and Liabilities

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

24. SHARE OPTIONS AND WARRANTS

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>At 31 December 2022</u>		<u>At 31 December 2021</u>	
	Number of Options & Warrants	Weighted average exercise price per share	Number of Options & Warrants	Weighted average exercise price per share
At 1 January	2,983,297,500	0.25p	73,787,500	2.5p
Granted	1,900,233,137	0.26p	2,910,110,000	0.3p
Exercised	(830,800,000)	0.25p	-	-
Expired or waived	(115,203,727)	0.10p	(600,000)	280.0p
At 31 December	3,937,526,910	0.33p	2,983,297,500	0.3p

The weighted average remaining contractual life of options as at 31 December 2022 was 9 years (2021: 9 years).

The following share options have been granted by the Company and are outstanding as at the year-end of 31 December 2022:

Date of grant	Number of ordinary shares under option at 1 January 2022	Granted during year	Exercised during year	Lapsed/ waived during year	Number of ordinary shares under option at 31 December 2022	Weighted average exercise price	Expiry date
30/03/2017	4,000,000	-	-	-	4,000,000	0.1p	29/03/2027
30/03/2017	5,875,000	-	-	-	5,875,000	1p	29/03/2027
30/03/2017	2,937,500	-	-	-	2,937,500	2p	29/03/2027
08/10/2020	60,375,000	-	-	-	60,375,000	0.1p	07/10/2030
18/03/2021	1,289,310,000	-	-	(40,000,000)	1,249,310,000	0.1p	18/03/2031
08/04/2022	-	563,802,023	-	(75,203,727)	488,598,296	0.1p	13/04/2032
12/10/2022	-	690,790,814	-	-	690,790,814	0.1p	12/10/2032
Total	1,362,497,500	1,254,592,837	-	(115,203,727)	2,501,886,610	0.1p	

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

The following warrants have been granted by the Company:

Date of grant	Number of warrants at 1 January 2022	Granted during year	Exercised during year	Lapsed during year	Number of warrants at 31 December 2022	Weighted average exercise price	Exercise date
18/03/2021	830,800,000	-	(830,800,000)	-	-	0.25p	18/03/2026
18/03/2021	790,000,000	-	-	-	790,000,000	0.5p	18/03/2026
08/04/2022	-	645,640,300	-	-	645,640,300	1.0p	08/04/2023
Total	1,620,800,000	645,640,300	(830,800,000)	-	1,435,640,300	0.72p	

In April 2022 the Group raised (before expenses) £2,550,000 by way of a subscription for 510,000,000 new ordinary shares at a price of 0.5 pence each. Further, the Group raised an additional £2,077,000 following the irrevocable exercise of 830,800,000 Warrants (0.25p). Participants in the Fundraise were issued warrants and the group was to allot a total of 670,400,000 Warrants (1p) on the basis that: (i) one Warrant (1p) was issued to each Subscriber for every two Subscription Shares issued to each Subscriber, resulting in the issue of 255,000,000 Warrants (1p); and (ii) one Warrant (1p) will be issued to each holder of Warrants (0.25p) for every two Warrants (0.25p) exercised pursuant to the Warrant Exercise Notices, which resulted in the issue of 415,400,000 Warrants (1p). During settlement only 645,640,300 warrants were taken up out of the 670,400,000.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Warrants	Options	Options	Options	Options	Options
Date of grant	26 Feb 2021	8 April 2022	8 April 2022	18 Mar 2021	18 Mar 2021	18 Oct 2020
Expected volatility	31%	62%	62%	31%	31%	50%
Expected life	5 years	10 years	8 years	2 years	10 years	10 years
Risk-free interest rate	2.00%	4.40%	1.76%	2.00%	2.00%	2.50%
Expected dividend yield	-	-	-	-	-	-
Possibility of ceasing employment before vesting	-	-	-	-	-	-
Fair value per option/warrant	0.001p	0.12p	0.22p	0.10p	0.15p	0.6p

The expense recognised by the Group for share-based payments during the year ended 31 December 2022 was £338,864 (2021: £Nil).

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

25. RELATED PARTY TRANSACTIONS (GROUP)

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

Director	Date of grant	Held at 1 January 2022	Surrendered during the year	Granted during the Period	Held at 31 December 2022	Exercise price
C Theis	08/10/2020	42,500,000	-	-	42,500,000	£0.001
	18/03/2021	739,520,000	-	-	739,520,000	£0.001
	08/04/2022	-	72,048,463	78,052,051	6,003,588	£0.001
N Fitzpatrick	18/03/2021	162,820,000	-	-	162,820,000	£0.001
J Allardyce	18/03/2021	62,500,000	-	-	62,500,000	£0.001
	08/04/2022	-	-	156,105,002	156,105,002	£0.001
M Boughtwood	08/04/2022	-	-	156,105,002	156,105,002	£0.001
P Tierney	12/10/2022	-	-	690,790,814	690,790,814	£0.001
Total		1,007,340,000	72,048,463	1,081,052,869	2,016,344,406	

Included in other debtors are balances due from the following Directors and former directors, who served during the period under review, in respect of bonuses incorrectly awarded during the year and deemed to be held in trust. Christopher Theis £137,369 (2021: £37,021). Brent Fitzpatrick £50,667 (2021: £27,005). Jack Allardyce £Nil (2021: £36,651). Nicholas Tulloch £Nil (2021: £27,025).

Included in accruals is a balance of £Nil (2021: £70,000) reimbursed to Christopher Theis, a former director of the Group, and who served during the period under review in respect of IT support provided by his son Elliot Theis.

COMPANY

During the period Gareth Boughtwood (son of Martin Boughtwood, a director in the Group) was paid £5,000 (30 June 2021: £Nil; 31 December 2021: £Nil) in respect of IT services.

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Included in other debtors is a balance of £3,193,531 (2021: £611,934) due from Deregallera Ltd, a wholly owned subsidiary, in respect of monies loaned between the entities. The balance includes capital and interest charged at a rate of 6%.

Group Key Management

Key management personnel, representing those Executive Directors who served throughout the year and 1 (2021: 0) other executive, received compensation in the form of short-term employee benefits and equity compensation benefits which totalled £898,334 for the year ended 31 December 2022 (2021: £1,632,554). Total remuneration of key management personnel is analysed as follows:

	2022	2021
	£	£
Wages and salaries	538,374	350,000
Pensions	52,710	35,000
Benefits in kind	38,257	6,281
Share option charge	268,993	1,241,273
Total	898,334	1,632,554

26. REVERSE ACQUISITION

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

Further conditional deferred consideration of up to £5.4 million, to be satisfied by the issue of up to 895,610,844 Deferred Consideration Shares on the first anniversary of completion, will become payable should DHL sign one or more supply agreements for the provision of their motor technology with certain defined customers prior to this date with a combined potential value of £5.0 million or more.

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

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

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accordingly, the following accounting treatment has been applied in respect of the reverse acquisition: DGI was the deemed accounting acquirer.
2. The presentation of the consolidated financial statements of the legal parent (DG Innovate Plc) is a continuation of the accounting acquirer's financial statements.
3. Consolidated financial statements for the period ended 31 December 2022 for the Group present the results of DHL from 1 January 2022 to 7 April 2022 and the enlarged group thereafter. The comparative results for the period ended 31 December 2021 represent those of the DHL business, prior to the reverse takeover. The dormant subsidiary, Deregallera Technology Ltd has been excluded in the consolidated financial statements of 2022 and 2021.
4. The equity structure appearing in the Group financial statements reflects the equity structure of the legal parent (DG Innovate Plc), including the shares issued and shares to be issued under the share for share exchange to the effect of business combination.
5. The retained earnings and other equity balances recognised in the Group financial statements reflect the retained earnings and other equity balances of the DHL business immediately before the business combination and includes that of the group after the reverse takeover on 8 April 2022.
6. The reverse acquisition reserve relates to adjustments in respect of 4 and 5 above for the reverse acquisition between DG Innovate Plc and DHL.

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

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

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

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

27. ULTIMATE CONTROLLING PARTY

The Group considers there to be no ultimate controlling party.

28. SUBSEQUENT EVENTS

On 23 January 2023 the Company announced a subscription to raise £400,000 through the issue of 333,333,333 new ordinary shares at an issue price of 0.12 pence. Subscribers were also issued one warrant for every new ordinary share subscribed for, with an exercise price of 0.18 pence per warrant, exercisable for two years from admission on 30 January 2023. A follow on broker option raised an additional £18,000 through the issue of a further 15,000,000 shares on the same terms. In addition, the Company announced that it was varying the terms

DG INNOVATE PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

of the existing issued 1,435,640,300 warrants, with the exercise price being reduced to 0.25p and expiry being extended to 7 April 2024.