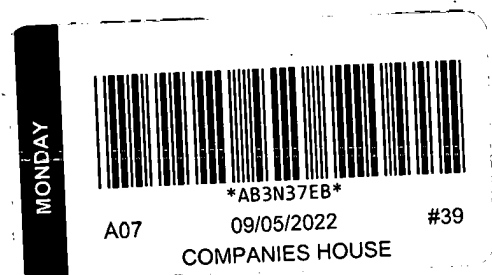


Tevva Motors Limited
Annual Report & Audited Financial Statements
Registered Number: 08368694
For the year ended 31 December 2020



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Directors' Report

The directors present their directors' report and financial statements for the year ended 31 December 2020.

Principal activities

Tevva Motors Limited ("Tevva") is an electric truck company with a spectrum of options for zero-emission medium to heavy-duty trucks. The vehicles are being developed with a dual-fuel revolutionary hydrogen fuel-cell range extension technology enabling the trucks to have the same driving range as diesel trucks. Tevva is leading the drive to zero-emissions freight and urban logistics.

Our trucks do the same work as a standard internal combustion engine powered vehicle today with significant savings over the life-time of the vehicle compared to a diesel. They will be available in a range of sizes, 7.5 tonne purely electric vehicles focussed on the shorter urban delivery routes and the larger dual-fuel hydrogen fuel cell trucks for longer journeys to out of town depots.

Result

The result for the year is set out in the Income Statement. The loss for the year after taxation amounted to £4,770,708 (2019: Loss £7,834,384 (unaudited)).

The Company adopted IFRS in 2020 with an IFRS transition date of 1 January 2019. The transitional disclosures required under IFRS are included in note 25.

Directors

The directors who held office during the period and up to the date of this report were as follows:

Asher Bennett	
Laura Brown	(appointed 16 June 2021)
Jean-Marc Gales	(appointed 16 June 2021)
Ian Harnett	(appointed 5 August 2021)
Rajkumar Baratam	(appointed 18 September 2020 & resigned 1 February 2021)
Sanjeev Ramachandra Kulkarni	(appointed 15 February 2021)
David Morris	(appointed 11 August 2020)
David Roberts	(appointed 11 August 2020)
Michael Black	(appointed 23 March 2020 & resigned 11 August 2020)
Robin Mackie	(appointed 23 March 2020 & resigned 11 August 2020)
Peter Domeney	(appointed 1 December 2021)
Alexander Spiro	(appointed 1 May 2022)

Going Concern

Directors are required to consider if it is appropriate to adopt the going concern basis of accounting after consideration of the material uncertainties which may affect the Company's ability to continue.

The Directors have considered the Company's forecast cash flows, liquidity, the expected operational activities to be undertaken, taking account the research and development program and the expected vehicle production, together with the proceeds raised from three private placement equity raises, totaling £85.1 million at the 19 April 2022 (USD 113 million), of which £4.0 million (USD 5.5 million) was raised in February 2021, £41.9 million (USD 56.6 million) was raised in November 2021 and £39.2 million (USD 50.9 million) was raised in March and April 2022.

The future responses of international governments to the conflict between Ukraine and Russia including possible sanctions, are currently not known. Whilst the conflict and the global Covid-19 pandemic may impact our business supply chain (including costs of components), it is not currently expected to manifest itself in delays in our strategy, lost volumes of product development or vehicle production.

The Company's forecast expenditure is based on Board approved budgets which are aligned to the expectations of its investors, the company's current build plan, and its planned investment in research and development of vehicle development and growth. While the Directors believe that there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for the next 12 months from the

Directors' Report *(continued)*

approval of these financial statements, the Company's forecasts indicate that the level of expenditure required to fund its operations in line with its current strategy will exceed the committed available working capital.

While reductions could be made in its fixed cost expenses, the Company needs to continue to invest in product development plans and vehicle production to maintain its market presence. Such investment requires significant levels of working capital without which the Company would be unable to meet its current strategy and the expectations of its investors. While the Directors have a reasonable expectation that further funding will be made be available through future funding rounds with its existing investors, these are not committed and should they not occur, the Company would need to seek additional funding beyond the facilities currently available. As such, the directors have concluded that there is potentially a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern and therefore that it may be unable to realise assets and discharge liabilities in the normal course of business. The financial statements do not include the adjustments that would be required if the Company were unable to continue as a going concern.

See Note 2.3 to these financial statements for further information on going concern.

COVID-19

The rapid spread of the Covid-19 outbreak on a global scale at the start of 2020 resulted in the worldwide threat to health, the subsequent restrictions on travel and the disruption of many supply chains. The Company immediately recognised the significance of the pandemic and took a series of measures to mitigate the following risks.

- **Operational:** Throughout 2020, the safety of employees was paramount. In line with local government guidelines, the Company transitioned employees to a combination of working from homes and office rotations, where required, with safety measures. The remote and agile working arrangements were successful with employees being able to access systems remotely.
- **Governance and risk management:** The Company enhanced its internal governance and risk management structures with the management team meeting weekly and focussing on Covid-19 response activities.
- **Counterparties:** The Company maintained very close relationships with its shareholders, lenders and suppliers to ensure flexibility to secure financial support if needed.
- **Financial support:** During the year ended 31 December 2020, the company received funding of £4,950,000, as convertible loan note proceeds from the "Future Fund" government scheme, fifty percent of these funds were provided from the UK government under this scheme, which was designed to support companies seeking equity funding which was made more difficult due to the Covid-19 outbreak. The Company also took advantage of further support schemes made available by the UK Government, including seeking the "Job retention scheme" grant to cover staff furloughed from March 2020 to February 2021, and through the draw down of a £50,000 "bounce back" loan, where the first year's interest was paid by the UK government.

During 2021, local restrictions continued with many of the Company's employees, suppliers and customers still working from home, however with the rollout of the Covid-19 vaccines globally there is a pathway to return to a normal trading environment, noting that changes in rules and regulations can be mandated at short notice.

Brexit

The United Kingdom ('UK') formally left the European Union ('EU') on 30 January 2020. The UK entered a transition period, being an intermediary arrangement covering matters like trade and border arrangements, citizens' rights and jurisdiction on matters including dispute resolution, taking account of The EU (Withdrawal Agreement) Act 2020, which ratified the Withdrawal Agreement, as agreed between the UK and the EU. The transition period ended on 31 December 2020, where upon the UK-EU Trade & Cooperation Agreement (together with other connected Agreements concluded on by the UK and EU, which includes the Exchanging and Protecting of Classified Information Agreement) was signed on the 24 December 2020 and subsequently came into law.

The Directors deem the adoption of the UK-EU Trade & Cooperation Agreement will not have a significant impact on the Company's operations nor consider it likely that the Company will be significantly impacted. However, the Directors and senior leadership team will continue to monitor the situation to be able to manage the risk of any volatility in global financial markets and impact on global economic performance due to Brexit.

Directors' Report *(continued)*

Events since the reporting date

On 15 January 2021, there was a subdivision of the 612 ordinary shares of £0.01 each in the issued share capital of the Company into 3,978,000 ordinary shares of £0.0000015385 each. In February 2021, as a result of this funding round, proceeds of £4.0 million (USD 5.5 million), equating to 729,836 shares at USD 7.50 per share were raised, predominantly from investors in the USA and Canada.

On 29 January 2021, the Board approved another capital raise and by October 2021 cumulative proceeds of £41.9 million (USD 56.6 million) were received, equating to 2,136,897 shares at \$26.50 per share, predominantly from investors in the USA and Canada. This capital raise was approved by the Board on 5 November 2021. This capital raise meets the definition of a qualifying financing event under the Future Fund Convertible Loan note agreement and the Convertible Loan note therefore converted to 364,018 Ordinary shares on 5 November 2021.

In the period from July to September 2021 the Company has issued 53,780 share options, 39,780 with an exercise price of £0.153846 and 14,000 with an exercise price of \$26.50.

In October 2021, the Company signed a lease on an 11,000m sq. manufacturing plant in the London Thames Freeport area providing close proximity to central London and Europe, and the head office has now moved to this new facility.

On 16 November 2021, the Company loaned £350,704 in convertible loan notes with a maturity of 24 months to Advanced Electric Machines Group Limited.

On 13 January 2022, the Board approved another capital raise and by April 2022 cumulative proceeds of £39.9 million (USD 50.9 million) were received, equating to 1,019,080 shares at \$50 per share predominantly from investors in the USA and Canada. This capital raise was approved by the Board on 13 April 2022.

Health & Safety

The Company is committed to the health, safety and welfare of its employees and third parties who may be affected by the Company's operations. The focus of the Company's effort is to prevent accidents and incidents occurring by identifying risks and employing appropriate control strategies. This is supplemented by a policy of investigating and recording all incidents

Disclosure of Information to Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

The financial statements for the year ended 31 December 2018 were audited by Brebners, who resigned as auditors on 2 December 2020. The financial statements for the year ended 31 December 2019 were not audited. BDO LLP were appointed as auditors during 2021 and have expressed their willingness to continue in office.

Annual General Meeting

The Company is not required to hold an Annual General Meeting.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

DocuSigned by:


Asher Bennett

Director

Date: 5 May 2022

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report, and the Company financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS").

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 of the profit or loss of the company for that period.

In preparing these 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 UK adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Members of Tevva Motors Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tevva Motors Limited ("the Company") for the year ended 31 December 2020 which comprise the Income Statement and Statement of Total Comprehensive Loss, the Balance sheet, the Statement of Changes in Equity, the Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS').

Basis for opinion

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw your attention to Note 2.3 which indicates that the expected level of expenditure required to fund the Company's operations in line with its current strategy will exceed the committed available working capital and that further funding will need to be obtained. These events or conditions, along with other matters disclosed in Note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the 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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Other matters

The corresponding figures are unaudited.

Independent Auditor's Report to the Members of Tevva Motors Limited *(continued)*

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

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

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

Independent Auditor's Report to the Members of Tevva Motors Limited *(continued)*

Auditor's responsibilities for the audit of the financial statements

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

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to Tevva Motors Limited. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006), regulations impacting labour regulations and tax in the United Kingdom and other jurisdictions in which it operates.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements which we believe are linked with the key performance indicators, specifically revenue and operating expenses, and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The engagement team used this risk assessment to develop the audit procedures performed as follows:

- We understood how the company is complying with those legal and regulatory frameworks under which it operates by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, and inspection of legal fee expenses incurred in the year.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers: including financial or other pressures, opportunity, and personal or corporate motivations. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals, and key areas of estimation uncertainty or judgement, for example; revenue recognition, recoverability of trade and other receivables and the capitalisation and impairment of intangible assets.
- We communicated the fraud risks to the engagement team, emphasised the importance of staying alert to potential fraudulent activity or non-compliance with laws and regulations, and highlighted the importance of remaining professionally sceptical throughout the audit.
- We have also considered the risk of fraud through management override of controls by:
 - Testing on a sample basis the appropriateness of journal entries and other adjustments; and
 - Assessing whether the judgements made in making accounting estimates are indicative of potential bias.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the

Independent Auditor's Report to the Members of Tevva Motors Limited *(continued)*

further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:
Iain Henderson
0USANDEP93A31
Iain Henderson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 5 May 2022

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

Income Statements and Statements of Comprehensive Loss
for the year ended 31 December 2020

	Notes	Audited 2020 £	Unaudited 2019 £
Revenue	3	377,021	1,186,741
Cost of sales		(70,032)	(1,760,158)
Gross profit/(loss)		306,989	(573,417)
Other income	4	980,482	347,989
Administrative expenses		(5,901,035)	(7,003,545)
Operating loss	5	(4,613,564)	(7,228,973)
Finance income	6	507	13,494
Finance expense	6	(137,310)	(576,225)
Net financing costs		(136,803)	(562,731)
Loss before tax		(4,750,367)	(7,791,704)
Taxation	7	(20,341)	(42,680)
Loss for the year		(4,770,708)	(7,834,384)

Statements of Comprehensive Loss
for the year ended 31 December 2020

	Notes	Audited 2020 £	Unaudited 2019 £
Loss for the year		(4,770,708)	(7,834,384)
Comprehensive loss for the year, net of tax		(4,770,708)	(7,834,384)

All the company's activities for the current and the preceding periods are derived from continuing activities.

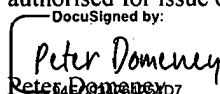
Notes 1 to 25 form part of these financial statements.

Balance Sheets at 31 December 2020, 31 December 2019 & 1 January 2019

Company Registered Number: 08368694

	Notes	Audited 31 December 2020 £	Unaudited 31 December 2019 £	Unaudited 1 January 2019 £
Non-current assets				
Investment	9	1,255,882	-	-
Intangible assets	10	41,348	247,060	124,046
Property, plant and equipment	11	376,481	500,329	490,902
Right of use asset	12	154,744	267,239	379,733
Total non-current assets		1,828,455	1,014,628	994,681
Current assets				
Inventories	13	706,107	789,806	1,454,102
Debtors: amounts due within one year	14	443,228	1,027,994	940,288
Debtors: amounts due in more than one year	14	32,250	57,050	57,050
Cash and cash equivalents - unrestricted	15	3,594,322	380,496	500,722
Cash and cash equivalents - restricted	15	2,759,511	-	-
Total current assets		7,535,418	2,255,346	2,952,162
Current liabilities				
Trade and other payables	17	(4,474,396)	(1,007,258)	(1,235,680)
Lease liabilities	12	(133,425)	(110,898)	(101,746)
Interest-bearing loans and borrowings	16	(154,167)	-	-
Provisions	18	(181,424)	(182,937)	-
Total current liabilities		(4,943,412)	(1,301,093)	(1,337,426)
Non-current liabilities				
Interest-bearing loan and borrowings	16	(5,017,532)	(2,473,639)	(4,420,641)
Lease liabilities	12	(66,898)	(142,504)	(253,402)
Provisions	18	(42,353)	(91,957)	(84,226)
Total non-current liabilities		(5,126,783)	(2,708,100)	(4,758,269)
Total liabilities		(10,070,195)	(4,009,193)	(6,095,695)
Net liabilities		(706,322)	(739,219)	(2,148,852)
Capital and reserves				
Share capital	19	6	2	1
Share premium	19	10,331,196	6,642,740	-
Capital contribution	19	10,458,111	9,342,966	6,741,690
Retained loss	19	(21,495,635)	(16,724,927)	(8,890,543)
Shareholders' deficit		(706,322)	(739,219)	(2,148,852)

These financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime and have been approved by the board of directors and authorised for issue on 5 May 2022. They were signed on its behalf by:

DocuSigned by:

 Peter Domoney
 Director

Notes 1 to 25 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2020

	Share Capital £	Share Premium £	Capital contribution £	Retained Loss £	Total Deficit £
1 Jan 2019 – Unaudited	1	-	6,741,690	(8,890,543)	(2,148,852)
Loss for the year	-	-	-	(7,834,384)	(7,834,384)
Share based payments	-	-	5,081	-	5,081
Capital contribution on issuance of long-term intercompany loan (note 6)	-	-	2,596,195	-	2,596,195
Share capital issued on capitalisation of intragroup loan (notes 6 & 19)	1	6,642,740	-	-	6,642,741
Balance at 31 Dec 2019 - Unaudited	2	6,642,740	9,342,966	(16,724,927)	(739,219)
Loss for the year	-	-	-	(4,770,708)	(4,770,708)
Share based payments	-	-	(15)	-	(15)
Fair value adjustment on investment transferred from former parent (note 22ii)	-	-	1,115,088	-	1,115,088
Waiver of loan from former parent (note 22ii)	-	-	72	-	72
Share capital issued (note 19)	4	3,688,456	-	-	3,688,460
Balance at 31 Dec 2020	6	10,331,196	10,458,111	(21,495,635)	(706,322)

Notes 1 to 25 form part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2020

	Notes	Audited 2020 £	Unaudited 2019 £
Cash flow from operating activities			
Loss for the year		(4,770,708)	(7,834,384)
Depreciation of property plant and equipment	11	175,660	160,926
Impairment of property, plant and equipment	11	-	198,579
Depreciation of Right of use assets	12	112,495	112,494
Amortisation of intangible assets	10	41,349	41,349
Impairment of intangible assets	10	504,363	-
Impairment losses - inventory	5	434,276	274,615
R&D claim	4	(107,057)	(336,045)
Equity-settled share-based payment		(15)	5,081
Loss on disposal of fixed assets		-	6,494
Exchange losses / (gains)		34,894	(12,237)
Non-cash adjustments		1,195,965	451,256
Finance income	6	(507)	(1,257)
Finance expense	6	137,310	576,225
Taxation charge	7	20,341	42,680
Operating cash flow before working capital movements		(3,417,599)	(6,765,480)
<i>Working capital movements:</i>			
(Increase)/decrease in inventories		(690,577)	129,850
Decrease in trade and other receivables		461,085	7,929
Increase/(decrease)in trade/other payables		417,845	(33,248)
Cash used in operations		(3,229,246)	(6,660,949)
Corporation taxation cash receipt		272,197	197,730
Net cash outflows from operating activities		(2,957,049)	(6,463,219)
<i>Investing activities:</i>			
Purchase of plant, property & equipment		(51,812)	(279,958)
Net cash outflows from investing activities		(51,812)	(279,958)
<i>Financing activities:</i>			
Issue of share capital (note 19)		275,000	-
Cash received in advance of Funding round	17	2,762,260	-
Lease liabilities paid		(53,079)	(101,746)
Lease liabilities finance expense paid		(11,828)	(24,510)
Short-term interest-bearing loans	16	350,000	-
Convertible loan note proceeds	16	4,950,000	-
Loans repaid		(200,000)	-
Intercompany loans repaid		(14,000)	(1,947)
Intercompany loans proceeds	22	1,003,599	6,752,136
Interest received	6	507	1,257
Interest paid		(42,047)	(2,239)
Net cash inflows from financing activities		9,020,412	6,622,951
Net increase/(decrease) in cash		6,011,551	(120,226)
Opening cash		380,496	500,722
Exchange loss on cash and cash equivalents		(38,214)	-
Closing cash	13	6,353,833	380,496

Notes 1 to 25 form part of these financial statements.

Notes to these accounts

forming part of the financial statements

1 Company Information

Tevva Motors Limited (the “Company”) is a private company limited by shares incorporated and domiciled in the UK. The registered office is Tevva London, Unit 1 London Distribution Park, Windrush Road, Tilbury, RM18 7AN.

The company is a Truck and vehicle electrification specialist, and its principal activity is the development and production of electric trucks.

2 Significant Accounting Policies

2.1 Transition to Adopted IFRS

These financial statements have been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 (“IFRS”) and applicable law. Consequently, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

The Company has adopted IFRS in 2020, with an IFRS transition date of 1 January 2019. IFRS 1 grants certain exemptions from the full requirements of adopted IFRSs in the transition period. No exemptions have been taken in preparation of these financial statements. The Company has taken advantage of the transitional arrangement which permits the judgements applied to the 1 January 2019 opening balance sheet to be revisited for the benefit of hindsight.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the company is provided in Note 25.

2.2 Basis of preparation

The financial information has been prepared on a going concern basis and under the historical cost convention.

These financial statements are presented in Pounds Sterling, which is also the Company’s functional currency.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. The actual results may differ from these estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. The revisions to accounting estimates are recognised in the period in which the estimate is revised and to the future periods affected.

The information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 2.5.

Notes *(Continued)*

2 Significant Accounting Policies *(continued)*

2.3 Going Concern

The Directors have reviewed the Company's Going Concern position taking account of its current business activities, budgeted performance and the factors likely to affect its future development, which are set out in these financial statements, and include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risks in note 20.

In consideration of the Company's current resources and review of financial forecasts and projections, taking account of its research and development program as it relates to its Truck and production of said vehicles, various sensitivity analyses have been performed to reflect possible downside scenarios, include the continued impact of Covid-19 and the impact of the situation in Ukraine on the business. Whilst the global pandemic and the situation in Ukraine may impact our businesses supply chain (including costs of components), it is not currently expected to manifest itself in the curtailment of work performed on product development or volumes of vehicle production, noting significant working capital expenditure is planned to fund both areas.

The Directors have considered the Company's forecast cash flows, liquidity, the expected operational activities to be undertaken, taking account the research and development program and the expected vehicle production, together with the proceeds raised from three private placement equity raises, totaling £85.1 million at the 19 April 2022 (USD 113 million), of which £4.0 million (USD 5.5 million) was raised in February 2021, £41.9 million (USD 56.6 million) was raised in November 2021 and £39.2 million (USD 50.9 million) was raised in March and April 2022.

The Company's forecast expenditure is based on Board approved budgets which are aligned to the expectations of its investors, the company's current build plan, and its planned investment in research and development of vehicle development and growth. While the Directors believe that there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for the next 12 months from the approval of these financial statements, the Company's forecasts indicate that the level of expenditure required to fund its operations in line with its current strategy will exceed the committed available working capital.

While reductions could be made in its fixed cost expenses, the Company needs to continue to invest in product development plans and vehicle production to maintain its market presence. Such investment requires significant levels of working capital without which the Company would be unable to meet its current strategy and the expectations of its investors. While the Directors have a reasonable expectation that further funding will be made be available through future funding rounds with its existing investors, these are not committed and should they not occur, the Company would need to seek additional funding beyond the facilities currently available.

Taking account of the above, the directors have concluded that the circumstances set out above represent a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern and therefore that it may be unable to realise assets and discharge liabilities in the normal course of business. The financial statements do not include the adjustments that would be required if the Company were unable to continue as a going concern.

Notes (Continued)

3 Significant Accounting Policies (continued)

2.4 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its financial statements:

Revenue recognition

IFRS 15 Revenue, requires revenue to be recognised under a 'five-step' approach when a customer obtains control of goods or services in line with the performance obligations identified on the contract. Under IFRS 15, revenue recognition must reflect the standard's five-step approach which requires the following:

- Identification of the contract with the customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations;
- Recognition of the revenue when (or as) each performance obligation is satisfied.

At contract inception the total transaction price is estimated, being the amount to which the Company expects to be entitled and to which it has present enforceable rights under the contract. Once the total transaction price is determined, the Company allocates this to the identified performance obligations in proportion to their relative standalone selling prices and revenue is then recognised when (or as) those performance obligations are satisfied.

For each performance obligation, the Company must determine if revenue will be recognised over time or at a point in time.

Revenue from the sale of electric trucks is recognised net of VAT, at the point of delivery of the truck to the customer. At the time of the revenue recognition, the transaction price is reduced to recognise an estimated variable consideration related to future servicing or maintenance work, being an additional performance obligation to be satisfied subsequent to delivery of the vehicle to the customer.

For the servicing and maintenance performance obligation, which is recognised over time, the Company applies a revenue recognition method that is expected to approximate the services provided to the customer for the expected warranted work. The Company has access to historical data available on servicing and warranty work provided subsequent to the delivery of the vehicles to the customer and therefore this decision requires the judgement of management.

In the year ended 31 December 2020, the Company recognised revenues from the building or refurbishing batteries, at the point in time that the batteries are despatched to the customer. The Company provides a warranty in respect of this work. Based on historical data for these refurbishments, expected returns under this policy are currently deemed negligible and thus 100% of revenue is recognised as batteries are delivered to the customer.

Government Grants

The Company has taken advantage of the UK's Coronavirus Job Retention Scheme as well as earning other forms of Government assistance and grants. In accounting for the income, the Company has applied IAS 20: 'Government grants'. Under the Company's accounting policy, grants are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to them, and that the grant will be received.

Government grants and Other Grant Income is recognised in the Income Statement as Other Income on a systematic basis, over the periods in which the related costs that they are intended to compensate are recognised.

Notes (Continued)

2 Significant Accounting Policies (continued)

Finance income and expense

Net financing costs comprise interest payable, including the finance expense of lease liabilities and the dilapidation provision, foreign exchange and interest receivable which are recognised in the income statement. Interest income and interest payable are recognised as a profit or loss as they accrue, using the effective interest method. Finance costs are interest which is measured using the effective interest method.

Defined contribution pension schemes

Employees are enrolled in “The People’s pension Scheme”. The Scheme is a not-for-profit multi-employer pension scheme. The assets of all this scheme are held separately from those of the Company in independently administered funds. The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period. Unpaid contributions are included in other creditors.

Employee share awards

Until 12 August 2020, the Company was a 100% owned subsidiary of Tevva Motor Jersey Limited, a company registered in Jersey. Tevva Motors Jersey Limited provided benefits to certain employees in the form of share-based payment transactions, whereby the recipient renders service in return for shares or rights over future shares (“equity settled transactions”). The cost of these equity settled transactions with employees is measured by reference to an estimate of their fair value at the date on which they were granted using the Black-Scholes option input pricing model, which takes into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share options that meet the related service and non-market performance conditions at the vesting date.

The cost of equity settled transactions is recognised by the Company, together with a corresponding increase in reserves, over the period in which the performance conditions are fulfilled, ending on the date that the option vests.

In the company’s financial statements, these awards, in proportion to the recipients who are employees of the company, are treated as an equity-settled share-based payment, as the company does not have an obligation to settle the award. An expense for the grant date fair value of the award is recognised over the vesting year, with a credit recognised in equity. The credit is treated as a capital contribution, as Tevva Motors Jersey Limited is compensating its subsidiary’s employees with no cost to the subsidiaries as there is no expectation that they will recharge the cost.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rates ruling at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date and the gains or losses thereon are included in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Notes (Continued)

2 Significant Accounting Policies (continued)

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is recognised at the tax rates that are expected to be applied to the temporary differences when they reverse, based on rates that have been enacted or substantially enacted by the reporting date.

Research and development tax credit

The company may be entitled to claim tax allowances in relation to qualifying research and development (R&D) expenditure (e.g., R&D tax credits). The company accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the Company and that benefit can be reliably measured. They are claimed through HMRC's research and development expenditure credit (RDEC) tax credit scheme because the Company is not eligible to utilise HMRC's scheme available to small and medium sized entities due to the Company's ownership structure. The Company recognises such income in other income in the income statement and other receivables on the balance sheet, until the cash is received.

Intangible assets

Purchased intangible assets, such as software are recognised at cost and amortised over their useful life using the straight-line method.

In accordance with IAS 38, research costs are recognised as expenses when incurred and development cost are recognised if and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably. If the criteria for recognition as assets are not met, the expenses are recognised in the income statement in the year in which they are incurred.

Development costs of the fundamental product design has been capitalised at cost, as the fundamental product design is considered likely to be utilised as a benefit by the Company for at least the next four years.

Development expenditures included directly attributable salary costs, consulting fees and other relevant costs incurred to develop the technology. Production costs and vehicle components costs to develop prototype trucks used for testing are initially recorded into inventory. Once the vehicle has been completed it will be transferred out of inventory to intangibles.

Internally generated intangibles which do not meet the criteria for capitalisation under IAS 38, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Notes (Continued)

2 Significant Accounting Policies (continued)

Amortisation of capitalised development costs is charged to the income statement on a straight-line basis over the useful life of the intangible, being the testing period prior to commencement of commercial production. No subsequent development costs are expected to be capitalised once commercial production has begun.

Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists or the asset requires annual impairment testing, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Property, plant and equipment

Property, plant, and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises purchase price and directly attributable expenses.

Depreciation is calculated on a straight-line basis to write down the assets by equal instalments over their estimated useful economic lives as follows:

• Leasehold improvements	Over the life of lease
• Right of use asset	Over the life of lease
• Fixtures, fittings and computer equipment	5 years
• Demonstration vehicles	up to 4 years
• Plant and machinery	5 years
• Testing and development equipment	1-6 years

The carrying values and useful economic lives of all property, plant and equipment are reviewed and adjusted if appropriate, at the end of each financial year. If expenditure maintains the life of the non-current asset or maintains its earning capacity, then it is treated as revenue related expenditure and expensed as incurred. Alternatively, if the expenditure provides incremental future benefits so that it improves the earning capacity or extends the life of the non-current asset beyond its originally intended useful economic life, then it is treated as capital expenditure.

Where vehicles are used for demonstration, these are originally booked in inventory until they are constructed, at this point they will be transferred from inventory to motor vehicles at cost.

Gains and losses on disposals are calculated by comparing proceeds (net of costs to sell) with the carrying amount and are included in the income statement.

Investments

The Company has elected to measure its investment in Advanced Electric Machines Group Limited, which is not held for trading, to be classified as a financial instrument held at fair value through other comprehensive income as this reflects the strategic nature of the equity investment.

Equity instruments held at fair value through other comprehensive income are initially recognised at fair value with subsequent changes in fair value being recognised in other comprehensive income with no subsequent reclassification of fair value gains and losses to the Income Statement.

Notes (Continued)

2 Significant Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work in progress, cost would include an appropriate share of production overheads based on normal operating capacity.

Where vehicles are constructed as a prototype for testing and development they are transferred to intangible assets and amortised over the testing period. Where vehicles are constructed for display purposes they are transferred to tangible assets upon construction.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and directly attributable selling expenses.

Trade and other receivables

Trade and other receivables are carried at amortised cost, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement. Advances for which the related work has not started, and billings in excess of costs incurred and recognised profits, are presented as deferred income.

Trade and other payables

Trade and other payables are stated at their cost less payments made.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. To the extent there is a legal right of set off and there is the intention to settle net or realise at the same time, the overdraft can be offset against the cash balance on the balance sheet; in the absence of both conditions, cash and overdraft are not offset.

Cash received in respect of an equity subscription agreement has been classified as current restricted cash on the Company balance sheet.

Deferred income

Amounts received prior to the delivery of goods and services are recorded as deferred income and released to the income statement as they are provided.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Loan arrangement fees are netted off against borrowings and are amortised over the term of the facility using the effective interest rate applicable to that facility.

Loans with the Parent Company are non-interest bearing, under IFRS 9 imputed interest is recognised on these loans. The interest rate used is comparable to the interest rate applicable to loans the Company could obtain from comparable third-party loans. The cash proceeds from the parent are recognised at fair value on inception of each loan and amortised over the term of the loan. If these loans are waived, the balance waived is treated as a deemed distribution to the parent company and credited to the capital contribution reserve.

Notes (Continued)

IFRS 9 Financial instruments

Impairment

Loans and receivables, which include trade debtors, VAT receivable, grant income receivable, Corporation tax receivable, contract assets and other debtors, are held initially at cost. IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. The Company has elected to measure loss allowances utilising probability-weighted estimates of credit losses for trade receivables at an amount equal to lifetime expected credit losses. A detailed review has been conducted of the Company's financial assets, which primarily comprise its portfolio of current trade receivables grants receivable, contract assets and other debtors, which have a consistent history of low levels of impairment, so the inclusion of specific expected credit loss considerations did not have a material impact on transition to IFRS.

Convertible loan notes

The convertible loan note issued during the year is considered to be a hybrid financial instrument comprising a loan and a conversion feature. The loan is classified as a financial liability and under IFRS 9 the Company has chosen to measure the whole instrument at fair value which on inception was considered to be transaction price. Subsequently at each balance sheet date, any change in fair value is taken through the income statement.

Warranty provisions

Warranties are provided on sale of vehicles where there is a present obligation to provide service or warranty services for a fixed term as a result of the terms of the revenue contract and are accrued at the time a vehicle is delivered to the customer. Warranty provisions include management's best estimate of the projected costs to repair or to replace any items under warranty, based on management's best estimate of projected warranty experience until adequate historical data is accumulated. We may have material changes in costs incurred as we accumulate more data and experience, and we will adjust our estimates as needed. Warranty expense is recorded as a component of cost of revenues in the Income Statement.

IFRS 16: Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Judgement is applied to determine whether consideration is made incurred and other terms within such arrangements.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Notes (Continued)

2 Significant Accounting Policies (continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The lease term would only include periods covered by an option to extend if the Company is reasonably certain to exercise that option. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. The company has concluded that there is no residual value included in any of the rental leases.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate and any other payments to the landlord relating to the leased asset which are determined to be in substance lease payments.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

In May 2020, the IASB issued an amendment to IFRS 16 (Covid-19-Related Rent Concessions). It is effective for annual periods beginning on or after 1 June 2020, but earlier application was permitted, including in financial statements not authorised for issue at 28 May 2020. The amendment provided relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

Changes in accounting policy and disclosures

(a) Amended standards adopted by the Company

The following new accounting pronouncements were adopted by the Company to comply with amendments to IFRS.

Notes (Continued)

2 Significant Accounting Policies (continued)

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

- Revised Conceptual Framework for Financial Reporting
- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest rate benchmark reform – amendments to IFRS 9, IAS 39 and IFRS 7 – phase 1

The new accounting pronouncement below and its related practical expedient was adopted during the year.

- Covid-19 – Related Rent Concessions - amendment to IFRS 16 (see above)

(b) New accounting pronouncements, that are not yet effective and have not been adopted early by the Company, to be adopted on or after 1 January 2021

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards
- Amendments to References to the Conceptual Framework
- Amendments to IAS 1 Presentation of Financial Statements on classification of liabilities as current and non-current
- Interest rate benchmark reform – amendments to IFRS 9, IAS 39 and IFRS 7 – phase 2

The Company's financial reporting will be presented in accordance with the new standards above, which are not expected to have a significantly material impact on the results, financial position or cash flows of the Company, from 1 January 2021.

2.5 Critical judgements and estimates in applying the Company's accounting policies

Leases

Key judgements impact the issue of measurement when they relate to determining the appropriate basis values where consideration is required on legal limits on the use of the asset, installation of improvements, or where there is an option to extend the lease after the initial period and with economic/ potential lives that exceed the lease period.

Moreover, in determining the discount rate, use is made of the incremental borrowing rate, where an increase in the discount rate would result in a lower value of the initial right-of-use asset and lease liability, lower depreciation expense and a higher interest expense over the term of the lease.

Carrying value of Intangible fixed assets

Management reviews the carrying value of intangible assets for both development costs and vehicles at each Balance Sheet date. In determining the carrying value management make judgements around whether the costs meeting the definition of intangible assets under IAS38 only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably. At each balance sheet date, management will reassess the testing period for which the development costs and vehicles will be used over and either impair the carrying value or realign the amortisation period.

Impairment of Inventory

The inventory is assessed for impairment at the year end and where the net realisable value of assembled vehicles or the vehicle component stock is expected to be lower than its cost, due to technical or strategic updates, a provision is made against the fall in value.

Notes (Continued)

2 Significant Accounting Policies (continued)

Fair Value of Investment

The Company assesses at each reporting date whether there are any indications that its assets may be impaired. Judgement is therefore required to determine whether there have been any changes to the fair value of its investment in Advanced Electric Machines Group Limited which is unquoted. The investment in Advanced Electric Machines Group Limited has been valued at the £8.92 price paid per share in the most recent equity issue in late 2020, and the use of this £8.92 price per share is based on management's view that this is the most appropriate observable input as it is an equity transaction at arm's length. However Advanced Electric Machines Group Limited is an unquoted company developing a relatively new technology dependent on a limited number of suppliers and customers and there is a risk that this valuation could be over-estimated.

Useful economic life (UEL) and depreciation of PPE

Calculation of depreciation requires management to make judgements regarding the useful economic lives of fixed assets in regards to legal limits on the use of the asset, improvements and residual value. These judgements are based on Tevva's experience of similar assets, engineering data, specialist knowledge and know-how and industry standards.

Where management identifies that actual UELs differ from those estimated, the UELs are adjusted in the period that the difference is identified. As Tevva continues to efficiently utilise existing assets by extending lives where appropriate, the differences between the estimated and actual UELs could have a positive or negative impact on the financial statements.

Warranty revenue and provisions

Warranty claims from sales transactions are calculated on the basis of losses to date, and the estimated future losses and assumptions must be made about the nature and extent of future warranty and ex gratia claims. For the provisions recognised in connection with vehicles, assumptions were made in particular about working hours, transport costs of vehicles and hourly wage rates. The actual outcome of warranties may deviate from the expected outcome and materially affect the warranty costs and provisions in future periods.

Under the application of IFRS 15, warranty related revenues have been accounted for as a separate performance obligation and a portion of the sales price has been allocated to this obligation. The contract was loss-making and all losses were recognised in the year ended 31 December 2019. The allocation of revenue to this performance obligation has been determined to be the same value as the expected warranty charge with no profit or loss being recognised and therefore deferred revenue is equal to the warranty liability

Fair value of convertible loan notes

The convertible loan note issued on 15 December 2020 has been recognised at fair value under IFRS 9 which is equal to the transaction price. The fair value as at 31 December 2020 is not considered to be materially different from the fair value at issue. This assessment is based upon the fact that the business was closed from 18 December 2020 until early January 2021 therefore no operational decisions or financing transactions took place to impact the fair value of the loan note. The equity raise in February 2021 did not qualify as a qualifying event under the terms of the Convertible loan note and therefore should not be considered when assessing fair value.

Fair value of intercompany interest free term loans

Interest free intercompany term loans have been recognised at fair value at inception. The fair value at inception was determined based on management's estimate of the market rate of interest applicable at the date of issuance of the loan.

Notes *(Continued)***3 Revenue**

	Audited 2020 £	Unaudited 2019 £
Primary business segment:		
Sale of trucks	-	1,115,544
Warranty and servicing	59,533	-
Sale of batteries	317,488	71,197
Total Revenue	377,021	1,186,741

Primary Geographical Market:

	Audited 2020 £	Unaudited 2019 £
UK	377,021	1,186,741
Total Revenue	377,021	1,186,741

Revenue earned from sale of trucks in 2019 related to electrification of customer owned vehicles. All payments due from the customer in respect of the contract had been received by 31 December 2020.

A portion of the consideration received from electrification of trucks has been deferred because Tevva has an ongoing obligation to service the fifteen trucks for a period of 24 months from the date of delivery of the vehicle to the customer. The quantum of revenue being deferred is based on an estimate of the costs we expect to incur in satisfying the contract obligations of servicing and maintaining the trucks and is recognised over the term of the obligation. These costs are predominately parts, labour and transport costs. The contract was loss-making and all losses were recognised in the year ended 31 December 2019. No profit or loss is being recognised in respect of service and warranty revenue and therefore deferred revenue is equal to the warranty liability. Should the cost to service this performance obligation increase, further losses will be reported until the expiry of the performance obligation.

The deferred revenue and warranty provisions included in these accounts in respect of the sale of trucks in 2019 are as follows:

	Audited 2020 £	Unaudited 2019 £
Warranty provision (Note 18)	(123,404)	(182,937)
Deferred revenue (Note 17)	(123,404)	(182,937)

There is a contract asset of £200,000 held in other debtors at 1 January 2019, which was cash paid to the customer as security in respect of the 15 customer owned vehicles which were being retrofitted with Tevva electrification motors. This was repaid to Tevva on delivery of the last vehicles under the terms of the UPS contract. There were no contract assets of this nature at 31 December 2019 or 31 December 2020.

There is a contract liability at 1 January 2019 relating to the receipt of £843,750 in advance of delivery of this revenue contract (Note 18). The contract was fulfilled in the year ended 31 December 2019. These funds were received in May and June 2017 and released from escrow on 30 May 2019. Management do not consider this to represent a financing transaction aligning with management's expectation at the time that the delivery of the completed vehicles would occur within 12 months of the cash being received.

There were no contract liabilities of this nature at 31 December 2019 or 31 December 2020.

Notes (Continued)**4 Other income**

	Audited 2020	Unaudited 2019
	£	£
Job retention scheme	755,961	-
Development grants	117,464	11,944
Research and development tax (RDEC) claim	107,057	336,045
Total other income	980,482	347,989

5 Loss from operations

	Audited 2020	Unaudited 2019
	£	£
The loss from operations is stated after charging/(crediting) the following:		
Depreciation of property, plant and equipment	175,660	160,926
Loss on disposal of property, plant and equipment	-	6,494
Amortisation of Right of use assets	112,494	112,495
Amortisation of Intangible Fixed Assets	41,349	41,349
Impairment of Tangible Fixed Assets	-	198,579
Impairment of Intangible Fixed Assets	504,363	-
Development costs expensed	131,111	1,364,409
Impairment losses – inventory	434,276	274,615
Property and car hire leases less than one year	6,460	25,169
Foreign exchange losses and (gains)	3,320	(12,237)
Auditor's remuneration – audit services	118,500	-

6 Finance income and expense

	Audited 2020	Unaudited 2019
	£	£
Exchange gains	-	12,237
Bank interest receivable	507	1,257
Finance Income	507	13,494
Lease liability finance expense	11,828	24,510
Unwinding of finance expense on liability	8,416	7,731
Convertible loan finance expense	21,699	-
Short-term loan finance expense (note 23)	90,000	-
Bank charges	2,047	2,239
Finance expense on interest-free intragroup loans	-	493,885
Finance expense on interest-bearing intragroup loans	-	47,860
Exchange losses	3,320	-
Total Finance expense	137,310	576,225
Net Finance expense	(136,803)	(562,731)

A £493,885 intragroup interest charge arose in 2019 on interest-free loans from the Company's (now former) parent, Tevva Motors Jersey Limited ('TMJ'). Prior to 30 September 2019, the Company had received £15,196,978 of interest-free funding from TMJ. In accordance with the applicable accounting standards, as the loans were required to be repaid on the tenth anniversary of each draw down, the loans were recorded initially at their present value based on an interest rate of 10% which was considered to be the rate the company could obtain from an un-related third party at the date of inception of the loan. The difference between the cash proceeds and the discounted present value recorded as the principal of the debt had been recorded as an additional capital contribution from the parent company in the statement of changes in equity. In the year ended 31 December 2018, £10,971,790 was loaned resulting in a capital contribution of £6,741,690. In the year ended 31 December 2019, £4,225,188 was loaned resulting in a capital contribution of £2,596,195.

Notes (Continued)**6 Finance income and expense**

In the year ended 31 December 2019, the interest-free funding provided to 30 September 2019 by TMJ was capitalised into 100 shares in Tevva Motors Limited which were allotted and issued at a par value of £0.01 each with an increase of £1 to share capital and an increase of £6,642,740 to share premium.

The £6,642,741 capitalised intragroup funding arose from the £5,859,093 net present value of the funding at draw down, as shown below, and £783,648 of unwound finance expense, £289,763 which had been unwound in the year to 31 December 2018 and the £493,885 which had been unwound in the year to 31 December 2019.

Between 1 October 2019 to 31 December 2019, a further £3,328,600 was lent to the Company by Tevva Motors (Jersey) Limited. Interest was charged amounting to £47,860 on these loans under the terms of the agreement at 12% until 31 December 2019. No interest was charged in the year ended 31 December 2020. This loan was capitalised in April 2020 through the issue of equity of 100 ordinary shares in the Company to TMJ. 100 shares were allotted and issued at a par value of £0.01 for a total increase to share capital of £1, with £3,328,599 taken to share premium. As interest had been charged on these loans from the date of draw down, no transactions were required to the capital contribution reserve.

7 Taxation

	Audited 2020	Unaudited 2019
	£	£
Current Tax		
Research and Development tax charge	20,341	42,680
Total current tax charge for the year	20,341	42,680
Deferred Tax		
Current year	-	-
Total deferred tax for the year	-	-
Tax charge for the year	20,341	42,680

The charge for the year can be reconciled to the profit per the income statement as follows:

	Audited 2020	Unaudited 2019
	£	£
Loss on ordinary activities before tax	(4,750,367)	(7,791,704)
Tax on loss at standard UK tax rate of 19% (2019: 19%)	(902,570)	(1,480,424)
Effects of:		
Expenses not deductible	-	536
Change in unrecognised deferred tax assets – trading losses	902,570	1,479,888
Tax charge on Research and Development credit	20,341	42,680
Total tax charge for the period	20,341	42,680

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is considered more likely than not. The Company has unrecognised deferred tax assets of £2.8 million (2019: £1.9 million) in respect of losses that can be carried forward indefinitely against future taxable income.

Notes (Continued)**8 Information on Directors & Employees**

The average number of persons employed (including directors) by the company during the year was as follows:

	Audited 2020	Unaudited 2019
Employees:	67	54

Wages and Salaries of the Company was as follows:

	Audited 2020	Unaudited 2019
	£	£
Wages and Salaries:		
Salary and benefits	2,399,454	3,070,258
Social Security	259,735	351,872
Pension contribution	66,362	115,270
Compensation on loss of office	257,002	-
Total	2,982,552	3,537,400

No staff costs were capitalised as intangible assets (2019: £Nil)

The remuneration of the Directors paid by the Company was as follows:

	Audited 2020	Unaudited 2019
	£	£
Directors' Emoluments:		
Salary and benefits	151,975	150,000
Social Security	18,447	19,314
Pension contribution	14,215	8,978
Compensation for loss of office	204,902	-
Total	389,539	178,292

	Audited 2020	Unaudited 2019
	£	£
Emoluments in respect of highest paid Director:		
Salary and benefits	25,833	150,000
Social security	3,163	19,314
Pension contribution	10,177	8,978
Compensation for loss of office	144,902	-
Total	184,075	178,292

Key Management Personnel

Key management personnel who have authority for planning, directing and controlling the activities of the Company include the Company's founder, and Managing Director, other Directors of the Company and the Company's leadership team, which comprises the heads of Operations, Engineering, Commercial Property, Sales and Marketing and Finance. Total key management remuneration consists of:

	Audited 2020	Unaudited 2019
	£	£
Total remuneration	476,559	942,337
Social Security	60,167	111,782
Pension contribution	22,495	57,301
Compensation for loss of office	257,002	-
Total key management personnel costs	816,223	1,111,420

Notes (Continued)**9 Investments**

	Audited 2020 £	Unaudited 2019 £
As at 1 January 2020	-	-
Transfer from Parent Company (note 22i)	1,255,882	-
Total investments	1,255,882	-

At 31 December 2020, the Company held 18,834 Ordinary A Shares and 121,960 Ordinary shares, being 11.9% of Advanced Electric Machines Group Limited (“AEM”). It is an associate which the company has a minority stake in and does not have significant influence over. AEM is incorporated in England and Wales, with its registered office at Teal House 10 Teal Farm Way, Washington, Tyne and Wear, NE38 8BG. The A Ordinary shares and Ordinary shares have full voting, dividend and capital distribution rights.

The principal activity of Advanced Electric Machines Group Limited is the design, development and manufacture of sustainable electric motors, generator and transmission products, which are being developed for use in commercial vehicles, rail, industrial and aerospace applications.

The investment in Advanced Electric Machines Group Limited, which is not held for trading, has been classified as a financial instrument held at fair value through other comprehensive income

The 140,794 shares held in Advanced Electric Machines Group Limited have been valued at the £8.92 being the price paid per share in the most recent equity issuance in late 2020.

10 Intangible assets

	Development costs £	Vehicles £	Total £
Cost:			
At 1 January 2019 (unaudited)	124,046	-	124,046
Additions	-	164,363	164,363
At 31 December 2019 (unaudited)	124,046	164,363	288,409
Transfer from inventory	-	340,000	340,000
At 31 December 2020	124,046	504,363	628,409
Depreciation			
At 1 January 2019 (unaudited)	-	-	-
Amortisation charge for the year	(41,349)	-	(41,349)
At 31 December 2019 (unaudited)	(41,349)	-	(41,349)
Amortisation charge for the year	(41,349)	-	(41,349)
Impairment	-	(504,363)	(504,363)
At 31 December 2020	(82,698)	(504,363)	(587,061)
Net book value:			
At 1 January 2019 (unaudited)	124,046	-	124,046
At 31 December 2019 (unaudited)	82,697	164,363	247,060
At 31 December 2020	41,348	-	41,348

Vehicles are used in development and testing of next generation models. The vehicles were fully written down in the year ended 31 December 2020 aligning with the development of a new model in 2021 with an updated chassis and updated technology not deployed in models developed and appropriately capitalised in prior years. Development costs relate to costs incurred in fundamental product design. These assets are amortised over the period of testing and ahead of going into commercial production.

Notes *(Continued)***11 Property, plant and equipment**

	Leasehold improvements	Fixtures, Fittings & computer equipment	Demonstration vehicles	Plant and machinery	Testing and development equipment	Total
Cost:	£	£	£	£	£	£
At 1 January 2019 (unaudited)	101,229	95,852	-	342,160	63,822	603,063
Additions	-	117,639	109,663	49,685	2,971	279,958
Transfer from inventory	-	-	95,468	-	-	95,468
Disposals	-	(5,352)	-	(1,809)	-	(7,161)
At 31 December 2019 (unaudited)	101,229	208,139	205,131	390,036	66,793	971,328
Additions	-	147	-	-	51,665	51,812
At 31 December 2020 (audited)	101,229	208,286	205,131	390,036	118,458	1,023,140
Depreciation						
At 1 January 2019 (unaudited)	12,629	17,036	-	76,576	5,920	112,161
Charge for the year	25,086	39,077	6,552	79,450	10,761	160,926
Impairment	-	-	198,579	-	-	198,579
Disposals	-	(194)	-	(473)	-	(667)
At 31 December 2019 (unaudited)	37,715	55,919	205,131	155,553	16,681	470,999
Charge for the year	25,085	50,515	-	81,752	18,308	175,660
At 31 December 2020 (audited)	62,800	106,434	205,131	237,305	34,989	646,659
Net book value:						
At 1 January 2019 (unaudited)	88,600	78,816	-	265,584	57,902	490,902
At 31 December 2019 (unaudited)	63,514	152,220	-	234,483	50,112	500,329
At 31 December 2020 (audited)	38,429	101,852	-	152,731	83,469	376,481

Demonstration vehicles are used to market next generation models. The vehicles were fully written down in the year ended 31 December 2020 aligning with the re-design and development of a new model in 2021.

12 Leases

The Company leases all its facilities from which it operates. A 31 December 2020 and 2019, the company held three property leases for rental periods of more than one year. In addition, it leases a forklift truck on a four-year lease running from December 2018 until December 2022.

The company has applied the short life exemption permitted by IFRS 16 to three additional short term property rentals and to vehicle hire contracts with terms of less than a year.

With effect from 1 January 2019, the Company has adopted IFRS 16 Leases, which specifies how to recognise, measure, and present leases liabilities and the associated right-of-use assets.

Notes (Continued)**12 Leases** (continued)**Right-of-use asset**

	Property	Plant and machinery	Total
	£	£	£
Cost:			
At 1 January 2019 (unaudited)	549,942	10,025	559,967
Disposals			
At 31 December 2019 and 2020 (unaudited)	549,942	10,025	559,967
Depreciation			
At 1 January 2019 (unaudited)	180,234	-	180,234
Charge for the year	109,988	2,506	112,494
At 31 December 2019 (unaudited)	290,222	2,506	292,728
Charge for the year	109,989	2,506	112,495
At 31 December 2020 (audited)	400,211	5,012	405,223
Net book value:			
At 1 January 2019 (unaudited)	369,708	10,025	379,733
At 31 December 2019 (unaudited)	259,720	7,519	267,239
At 31 December 2020 (audited)	149,731	5,013	154,744

Lease liability

	Leased Building £	Plant and equipment £	Total £
At 1 January 2019 - Unaudited	345,123	10,025	355,148
Interest expense	24,510	-	24,510
Lease payments	(123,750)	(2,506)	(126,256)
Exchange differences			
At 31 December 2019 - Unaudited	245,883	7,519	253,402
Interest expense	11,828	-	11,828
Lease payments	(62,401)	(2,506)	(64,907)
At 31 December 2020	195,310	5,013	200,323

The above table also provides an evaluation of the material changes in the Company's liabilities arising from financial activities, as noted in the Company's Cashflow Statement.

	2020 £	Unaudited 2019 £	Unaudited 2018 £
Lease liabilities - current	133,425	110,898	101,746
Lease liabilities – non-current	<u>66,898</u>	<u>142,504</u>	<u>253,402</u>
TOTAL	200,323	253,402	355,148

Notes (Continued)**12 Leases** (continued)

At 31 December 2020, the maturity of the lease liability is as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2020	2019	2020	2019	2020	2019
	£	£	£	£	£	£
Less than one year	140,609	126,256	7,184	15,358	133,425	110,898
Between one and two years	56,257	82,790	2,797	7,184	53,460	75,606
Between two and five years	13,438	69,695	-	2,797	13,438	66,898
Total	210,304	278,741	9,981	25,339	200,323	253,402

13 Inventories

	Audited 2020 £	Unaudited 2019 £	Unaudited 2018 £
Completed Trucks	-	340,000	406,681
Components	672,632	449,806	917,283
Work in Progress	33,475	-	130,138
Total inventory	706,107	789,806	1,454,102

The Company has agreed to hold adequate spare part stock for all replacement parts for maintenance of the fifteen UPS vehicles for a period of 10 years from delivery of the last vehicle to UPS.

Notes (Continued)**14 Trade and other receivables**

	Audited 2020 £	Unaudited 2019 £	Unaudited 2018 £
Trade receivables	54,690	128,403	5,610
VAT receivable	31,838	79,494	140,684
Grant income receivable	105,686	78,662	216,245
Corporation tax receivable	86,716	272,197	176,562
Contract asset held in escrow for UPS contract	-	-	200,000
Unpaid share capital	37,000	-	-
Other debtors	34,794	11,133	3,714
Prepayments	92,504	458,105	197,473
Total due in less than one year	443,228	1,027,994	940,288
Rent deposits due in more than one year	32,250	57,050	57,050
Total trade and other receivables	475,478	1,085,044	997,338

Trade receivables are non-interest bearing and generally have 30-day payment terms. Due to their comparatively short maturities, the carrying value of trade and other receivables approximate their fair value. All other receivables are due on demand.

	Audited 2020 £	Unaudited 2019 £	Unaudited 2018 £
Corporation tax receivable	86,716	272,197	176,562

The corporation tax receivable relates to claims made to HMRC in respect of certain eligible research and development costs.

15 Cash and cash equivalents

	Audited 2020 £	Unaudited 2019 £	Unaudited 2018 £
Cash and cash equivalents – unrestricted	3,594,322	380,496	500,722
Cash and cash equivalents - restricted	2,759,511	-	-
Total cash and cash equivalents	6,353,833	380,496	500,722

£2.8 million of cash is restricted at 31 December 2020. This relates to receipt of funds (held in USD) in advance of a private placement of shares. Having considered the nature of this asset, the company determined that despite the restrictions it should be presented as part of cash and cash equivalents. On 15 February 2021 the Board approved the list of investors and shares were subsequently allotted to investors. At this time the restriction usage of this cash was lifted to enable the Company to fund operational spend.

Notes (Continued)**16 Interest – bearing loans and borrowings**

	Audited 2020 £	Unaudited 2019 £	Unaudited 2018 £
<i>Debt due in less than one year:</i>			
Bank loan	4,167	-	-
Short-term loan	150,000	-	-
Total debt due in less than one year	154,167	-	-
<i>Total debt due in more than one year:</i>			
Convertible loan notes	4,971,699	-	-
Bank loan	45,833	-	-
Loan from parent (note 22i)	-	2,473,639	4,420,642
Total debt due in more than one year	5,017,532	2,473,639	4,420,642

Convertible loan notes

The convertible loan note proceeds were received on 16 December 2020, from the “Future Fund” government scheme, which was set up to support UK-based companies, providing funds ranging from £125,000 to £5 million, subject to at least equal match funding from private investors. The scheme, alongside other Government support schemes, was designed to support companies seeking equity funding which was made more difficult due to the Coronavirus outbreak.

The Future Fund convertible loan notes are unsecured, have a 36-month maturity date and interest accrues at an annual rate of 10% per annum. The loan notes are convertible at the discretion of the lender at a conversion discount of 25%. The interest is not payable on a monthly basis, but accrues until the loan note converts, at which time the interest may be repaid or converted into equity at the discretion of the company. Conversion will be triggered by a financing event should more than £4.95 million of funds be raised, or an arms’ length sale of the company. Restrictions were placed on the use of these funds, and the funds were not permitted to be used to repay any shareholder loans or to make any bonus or other discretionary payment to any employee, consultant or director.

In the event that it is determined by the Future Fund (in its absolute discretion) that it would be prejudicial to the reputation of the Future Fund and/or the UK Government to continue holding its Loan and/or any shares in the capital of the Company, the Future Fund shall have the option to require the Company to repay its Loan or purchase all of the shares in the capital of the Company held by the Future Fund, in each case for an aggregate price of £1.00 at any time.

The convertible loan note issued on 15 December 2020 has been recognised at fair value under IFRS 9 which is equal to the transaction price, which includes the £4,950,000 principal received together with £21,699 of interest accrued from 15 December 2020 to 31 December 2020. The fair value as at 31 December 2020 is not considered to be materially different from the fair value at issue. This assessment is based upon the fact that the business was closed from 18 December 2020 until early January 2021 therefore no operational decisions took place to impact on the fair value. The 2021 equity raise in February 2021 did not qualify as a qualifying event under the terms of the Convertible loan note and therefore should not be considered when assessing fair value.

Transaction costs of £61,914 relating to the issue of the convertible loan note have been included within administrative expenses for the 31 December 2020 year end.

Bank loan

The bank loan of £50,000 relates to a six-year, unsecured, interest-bearing bounce back loan, which is underwritten by the UK government. Interest is charged at 2.5% per annum noting that the UK Government pay the first 12 months of interest (being paid directly to the lender by the UK Government) and the Company is required to repay capital and interest in instalments over the remaining 5 years of the loan.

Short term loan

Relates to £100,000 loan from a related party plus £50,000 accrued interest and fees (see Note 22ii). It was fully repaid post year end.

Notes (Continued)**17 Trade and other payables**

	Audited 2020 £	Unaudited 2019 £	Unaudited 1 January 2019 £
Trade payables	388,362	309,236	152,092
Taxation and social security	266,305	110,908	72,281
Other creditors	32,383	26,423	43,468
Accruals	898,020	349,727	124,089
Deferred income	127,066	210,964	843,750
Funding proceeds	2,762,260	-	-
Total payables due in less than one year	4,474,396	1,007,258	1,235,680

Funding proceeds relate to funds received pre year end for equity issued during 2021, the restrictions on the access to these funds were released in 2021 when the February funding round closed. Refer to note 15.

18 Provisions

	Warranty £	Dilapidation £	Total £
At 1 January 2019 (unaudited)	-	84,226	84,226
Finance expense	-	7,731	7,731
Arising during the year	182,937	-	182,937
At 31 December 2019 (unaudited)	182,937	91,957	274,894
Utilised	(59,533)	-	(59,533)
Finance expense	-	8,416	8,416
At 31 December 2020 (audited)	123,404	100,373	223,777
At December 2020 (audited)			
Current	123,404	58,020	181,424
Non-Current	-	42,353	42,353
At 31 December 2020 (audited)	123,404	100,373	223,777
At December 2019 (unaudited)			
Current	182,937	-	183,937
Non-Current	-	91,957	91,957
At 31 December 2019 (unaudited)	182,937	91,957	274,894

Warranties are provided on sale of vehicles where there is a present obligation to provide service or warranty services for a fixed term as a result of the terms of the revenue contract and are accrued at the time a vehicle is delivered to the customer.

Dilapidation provisions arise where there is a contractual obligation to repair leased assets at the end of the term of the lease. Non-current dilapidations provisions relate to leases which terminate in more than one year.

Notes *(Continued)***19 Capital and reserves**

	Audited 2020	Unaudited 2019	Unaudited 1 January 2019
Number of Shares			
Ordinary shares in issue at the end of the year	612	200	100
Nominal value in £			
Ordinary shares in issue at the end of the year	6	2	1

The nominal value of share capital was £0.01 and each ordinary shares entitles the shareholder to receive dividends as declared from time to time and to one vote per share at meetings of the Company.

Share issuance and Share premium

In the year ended 31 December 2019, the interest-free funding provided to 30 September 2019 by TMJ was capitalised into 100 shares in Tevva Motors Limited which were allotted and issued at a par value of £0.01 each with an increase of £1 to share capital and an increase of £6,642,740 to share premium.

The £6,642,741 capitalised intragroup funding arose from the £5,859,093 net present value of the funding at draw down, as shown below, and £783,648 of unwound finance expense, £289,763 which had been unwound in the year to 31 December 2018 and the £493,885 which had been unwound in the year to 31 December 2019.

Between 1 October 2019 to 31 December 2019, a further £3,328,600 was lent from Tevva Motors (Jersey) Limited to the Company. Interest was charged on these loans under the terms of the agreement at 12% until 31 December 2019 of £47,860. No interest was charged in the year ended 31 December 2020. This loan was capitalised in April 2020 through the issue of equity of 100 ordinary shares in the Company to TMJ. The 100 shares were allotted and issued at a par value of £0.01 for a total increase to share capital of £1, with £3,376,459 taken to share premium. As interest had been charged on these loans from the date of draw down, no transactions were required to the capital contribution reserve.

All cash inflows from TMJ have been treated as intragroup loan inflows in the cash flow statement, and any subsequent accounting to adjust for unearned interest credited to the capital contribution, or subsequent capitalisation of loans are non-cash transactions.

In August 2020, 312 ordinary shares of £0.01 each were issued with an increase to share capital of £3, with £311,997 being recognised in share premium. 37 of these shares were unpaid at the year end, therefore the cash inflow in respect of shares issued is £275,000, as £37,000 of the share capital had not yet been received.

Capital contribution reserve

The opening capital contribution at 1 January 2019 reserve of £6,741,690 represented the deemed contributed capital on interest free loans from the parent company, this was increased during 2019 by £2,596,195 relating to further interest free loans as described in Note 22. These loans were settled through share issuance in 2019 as detailed above.

In the year ending 31 December 2020, £72 was credited to the capital contribution reserve on the waiver of the loan from the parent company (see Note 22i), and a further £1,115,088 was credited to the capital contribution reserve from the fair value adjustment of the 140,794 shares in Advanced Electric Machines Group Limited, as these shares were transferred from the parent company at £1 per share, and were initially recognised at fair value of £8.92 price paid per share in the most recent equity issue in late 2020.

Notes (Continued)**20 Financial instruments***Asset classifications and fair values*

The following table shows the carrying value, which is considered to be materially equal to the fair value for each category of financial instrument:

	Audited 2020 £	Unaudited 2019 £	Unaudited 1 January 2019 £
<i>Financial assets at amortised cost</i>			
Cash and cash equivalents - unrestricted	3,594,322	380,496	500,722
Cash and cash equivalents - restricted	2,759,511	-	-
Trade and other debtors (note 14)	296,258	354,742	623,303
<i>Equity instruments measured at Fair value</i>			
Non-listed investments	1,255,882	-	-
Total financial assets	7,905,973	735,238	1,124,025
<i>Financial liabilities</i>			
<i>Interest bearing loans and borrowings</i>			
Bank loans	50,000	-	-
Short term loans	150,000	-	-
Lease liabilities	200,323	253,402	355,148
Convertible loan note	4,971,699	-	-
Loan from Parent (note 22i)	-	2,473,639	4,420,641
<i>Other financial liabilities measured at amortised cost</i>			
Trade and other payables (note 17)	420,745	335,659	195,560
Total financial liabilities	5,792,767	3,062,700	4,971,349

Financial assets that are debt instruments measured at amortised cost comprise cash and cash equivalents, trade debtors, other debtors and accrued income, but exclude prepayments

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals, intragroup loans but exclude deferred income and taxes.

Information on the convertible loan note, bank loans and short-term loans are detailed in Note 16.

Notes (Continued)**20 Financial instruments** (continued)Financial instruments risk management objectives and policies

The Company's principal financial liabilities, comprise loans and borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations.

The Company's principal financial assets include trade receivables, other debtors and cash and short-term deposits that derive directly from its operations. The Company is exposed to market risk, credit risk, foreign exchange risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

(i) Credit Risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the receivables from customers. The maximum credit exposure comprises the amounts presented in the balance sheet as follows:

	Audited 2020 £	Unaudited 2019 £	Unaudited 1 January 2019 £
Cash and cash equivalents - unrestricted	3,594,322	380,496	500,722
Cash and cash equivalents - restricted	2,759,511	-	-
Trade debtors	54,690	128,403	5,610
VAT receivable	31,838	79,494	140,684
Grant income receivable	105,686	78,662	216,245
Contract asset	-	-	200,000
Other debtors less than one year	34,794	11,133	3,714
Rent deposits due in more than one year	32,250	57,050	57,050
Total assets exposed to credit risk	6,613,091	735,238	1,124,025

Other debtors primarily consist of deposits held for rental properties or other leases.

None of the assets reported above were considered impaired at the balance sheet dates and the £54,690 of trade debtors held at 31 December 2020 had been received by 25 January 2021.

Notes *(Continued)***20 Financial instruments** *(continued)*

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographic region was:

	Audited 2020 £	Unaudited 2019 £	Unaudited 1 January 2019 £
United Kingdom	54,690	56,132	5,610
India	-	72,271	-
Total trade receivables	54,690	128,403	5,610

Credit quality of financial assets and impairment losses

	Unaudited 2020 £	Unaudited 2019 £	Unaudited 1 January 2019 £
Not past due	35,838	22,500	-
Past due 0-30 days	18,852	38,964	765
Past due 31-120 days	-	-	4,500
More than 120 days	-	66,939	345
Total trade receivables	54,690	128,403	5,610

Notes (Continued)**20 Financial instruments** (continued)*(ii) Liquidity risk*

Exposure to liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company has prepared detailed cash flow forecasts to ensure funds are available to meet its secured and unsecured commitments as and when they fall due. The contractual maturities of financial liabilities at the reporting date are presented below, and the amounts disclosed are gross and undiscounted, and include contractual interest payments:

31 December 2020 <i>Financial liabilities</i>	Carrying amount	Total	3 months or less	Contractual cashflows			
				Due in 3 months - one year	Due in one-two years	Due in three – five years	Due in more than five years
	£	£	£	£	£	£	£
Trade & other payables	4,474,396	4,474,396	4,474,396	-	-	-	-
Bank loans	50,000	53,177	-	4,670	11,031	21,312	16,164
Short term loans	150,000	150,000	150,000	-	-	-	-
Lease liabilities	200,323	221,010	100,089	51,226	56,257	13,438	-
Convertible loan note	4,971,699	4,971,699	-	-	-	4,971,699	-
Total financial liabilities	9,846,418	9,870,282	4,724,485	55,896	67,288	5,006,449	16,164
31 December 2019 <i>Financial liabilities</i>	Carrying amount	Total	3 months or less	Contractual cashflows			
				Due in 3 months - one year	Due in one-two years	Due in three – five years	Due in more than five years
	£	£	£	£	£	£	£
Trade & other payables	335,659	335,659	335,659	-	-	-	-
Lease liabilities	253,402	278,741	31,564	94,692	82,790	69,695	-
Loan from Parent	2,473,639	2,572,860	-	-	-	-	2,572,860
Total financial liabilities	3,062,700	3,187,260	367,223	94,692	82,790	69,695	2,572,860

(iii) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. There is also a risk of competition in the mid-range electric truck market.

Notes *(Continued)***20 Financial instruments** *(continued)**(iv) Foreign currency risk*

The Company has exposure to foreign currency risk arising from cash and trade and other payables which are denominated in foreign currencies.

	2020 £	Unaudited 2019 £	Unaudited 1 January 2019 £
Cash held in USD	2,759,511	-	-
Other creditors held in USD	(2,762,260)	-	-
Net exposure	(2,749)	-	-

A 10% strengthening or weakening of US dollars against the pound would not have had a significant impact on these financial statements.

(iv) Interest rate risk

At the balance sheet date, the interest rate profile for the Company's interest-bearing financial instruments was:

	2020 £	Unaudited 2019 £	Unaudited 1 January 2019 £
<i>Fixed rate financial instruments:</i>			
Bank loan	50,000	-	-
Short term loans	150,000	-	-
Convertible loan note	4,971,699	-	-
Loan from Parent	-	2,473,639	4,420,641
Lease liabilities	200,323	253,402	355,148
Total fixed rate financial instruments	5,372,022	2,727,041	4,775,789

At 31 December 2020, borrowings consisted of the following:

- A £50,000 "Bounce-back" loan provided by the UK government, with interest accruing at 2.5% per annum, which is to be repaid in 60 installments starting 12 months after the July 2020 draw down as no repayment of capital is required during the first 12 months of the loan. During the first 12 months, the UK Government will pay interest due under this loan to the bank.
- A short-term loan of £100,000 payable, with an associated £50,000 accrued at 31 December 2020 for interest and fees. This was due to be repaid on 13 January 2021, but was repaid on 24 February 2021 together with a total £80,000 of interest and fees.
- The £4.95 million convertible loan note, with interest accruing at 10% until repayment or conversion. This loan will convert on either an equity raise of at least £4.95 million, or on the sale of the Company. If neither of these events occur in the next thirty-six months, then on the maturity date of 15 December 2023, the loan notes and the accrued interest will either be repaid or will convert at a price per share equal to the lowest price per share paid by investor(s) for such class of shares in the most recent bona fide equity financing after reducing such price per share by the 25% discount for the principle to be repaid.
- At 1 January 2019 and 31 December 2019, the Company had unsecured loans from its previous parent company. The loans were due to be repaid in 10 years as one lump sum at the end of the ten years. Such loans were interest free except for the loan of £2,525,000, issued in the year ended 31 December 2019, where interest is accrued at a fixed interest rate of 12%. All of these loans have since either been capitalised or waived as set out in more detail in Note 22i.

Notes (Continued)

20 Financial instruments (continued)

Lease liabilities

At 31 December 2020, the Company had the following lease liabilities:

- £149,731 of property rental leases, for the warehouse and offices in Chelmsford. These rentals each run for five years from July 2016, Sep 2016 and May 2018. The weighted average interest rate of these rental liabilities is 9%.
- £5,013 lease liabilities from a forklift truck which has been rented for 48 months from December 2018, after which it will be returned to the rental company.

21 Capital commitments

The Company had no capital commitments at 31 December 2020 (2019 (unaudited): Nil).

22 Related parties

The Company has a related party relationship with its shareholders and its directors.

(i) Transactions with former parent

Interest free term loan from parent

Until 11 August 2020, the company was a 100% subsidiary of Tevva Motors Jersey Limited (“TMJ”), who provided interest free funding to the company, which at 30 September 2019 totaled £10,971,790, which had been provided on various dates, with each tranche repayable on the tenth anniversary of draw down. At inception, each draw down was recorded at its fair value assuming an interest rate of 10% with a corresponding increase recorded in the capital contribution reserve of £6,741,690 recorded at 31 December 2018. During 2019 a further £4,225,188 of funding was received which increased the element of interest free funding provided by a further £2,596,195, this was subsequently booked into the Capital Contribution reserve. Interest is then accrued each year until the expected repayment due on the tenth anniversary of the loan.

Restructure and termination of parent's controlling interest in the company

At 30 September 2019, the £15,196,978 interest free funding provided by the parent company to date was capitalised into equity. In accordance with the applicable accounting standards, as the loans were required to be repaid on the tenth anniversary of each draw down, the loans had been recorded initially at their fair value of £5,859,093 based on an interest rate of 10% which was considered to be the rate the company could obtain from an un-related third party. The difference between the £15,196,978 cash proceeds and £5,859,093 discounted present value of the principal of the debt of £9,337,885, was recorded as a capital contribution from the parent company in the statement of changes in equity at 31 December 2020. On 30 September 2019, the net present value of these loans of £5,859,033, together with the unwound interest expense of £783,648 was capitalised into share capital and share premium through the issuance of 100 ordinary shares in the Company of £0.01 with £1 taken to share capital and the remaining £6,642,740 taken to share premium.

Interest bearing term loan from parent

Tevva Motors (Jersey) Limited provided further funding of £2,525,000 to the Company between 1 October 2019 and 31 December 2019 with interest was charged on these loans at 12%, reflecting a deemed arm's length rate of interest. In early 2020, further funding of £803,600 was provided by the parent to the Company and in April 2020, the loan principal of £3,328,600 including interest of £47,860 was extinguished through the issue of equity on resulting in an issuance of 100 further ordinary shares in the Company to TMJ. The 100 shares were allotted and issued at a par value of £0.01 for a total increase to share capital of £1, with £3,328,599 taken to share premium, along with the £311,997 increase from the issue of shares to third parties, a total increase to share premium of £3,688,456.

Notes (Continued)**22 Related parties** (continued)

In August 2020, the Company issued further share capital to other shareholders, reducing the ownership by TMJ in the Company to a non-controlling stake, thereby ending the parent-subsidary relationship with TMJ.

As part of this restructure, TMJ transferred its investment in Advanced Electric Machines Group Limited of 140,794 shares with nominal value of £1 to the Company – See note 9. Upon transfer of shares to the Company, this investment was recognised at fair value with the £1,115,088 increase in cost to fair value recognised as an increase to the Capital Contribution reserve.

In addition, TMJ transferred a liability payable to a supplier of £157,500 to the Company, which is included in accruals at 31 December 2020. In addition, the Company agreed to assume an obligation to pay certain TMJ administrative costs relating to future liquidation of TMJ. The net result of this restructure was to decrease the loan to TMJ by £99,114.

After these adjustments, the remaining intragroup loan balance of £72 was waived, and has been recognised as a capital contribution. A summary of the above transactions are included in the table below:

	Loan from Parent £	Capital contribution £	Share Capital & Premium £
At 1 January 2019	4,420,641	6,741,690	1
<i>Year ended 31 December 2019 transactions</i>			
Interest free loan principle from parent issued in year	1,628,993	2,596,195	-
2019 Finance expense on interest-free loans	493,885	-	
2018 Finance expense from interest-free loans capitalised	(289,763)	-	289,763
2019 Finance expense from interest-free loans capitalised	(493,885)	-	493,885
Interest-free loan principal from parent capitalised in year	(5,859,093)	-	5,859,093
Interest-bearing loans from parent issued in year	2,525,000	-	-
2019 Finance expense on interest-bearing loans	47,860	-	-
<i>Year ended 31 December 2020 transactions</i>			
Interest-bearing loans from parent issued in year	803,600	-	-
Interest-bearing loans from parent capitalised in year	(3,328,600)	-	3,328,600
Interest on loans from parent capitalised	(47,680)	-	47,860
Intragroup restructure	99,114	-	-
Fair value uplift on investment transferred from former parent	-	1,115,088	-
Waiver of loan from former parent	(72)	72	-
At 31 December 2020	-	10,453,045	10,019,202

Notes *(Continued)*

22 Related parties *(continued)*

(ii) Transactions with directors

Loans and borrowings

A director of the Company, is also a director of a lender which provided a loan of £200,000 to the company on 29 October 2020. The loan was secured by a fixed and float charge on the assets of the Company. Prior to 31 December 2020, the loan was repaid and the charge released. Facility fees of £40,000 are included in interest expense in the year ended 31 December 2020.

A director of the Company, is also a director of a lender which provided an unsecured loan of £100,000 to the company on 6 October 2020. At 31 December 2020, the loan plus accrued interest and fees was £150,000. Facility fees and interest of £50,000 are included in interest expense in the year ended 31 December 2020. This loan was repaid in February 2021.

Convertible Loan notes

All the shareholders who acquired shares in August 2020, are also convertible loan note holders, as these transactions are linked. £1,000 was paid for each of the issued shares in August 2020 with the remaining £9,000 per share being received on issuance of the convertible loan note on 15 December 2020.

Development and Supply agreement

On 16 September 2019, Tevva Motors Limited signed a Development and Supply agreement with Advanced Electric Machines Group Limited, agreeing to pay £250,000 for testing drive trains for durability and performance, which was invoiced and paid in 2019. In addition, Advanced Electric Machines Group Limited was also paid £50,000 for each of three drive sets, and a further £7,138 for adhoc consumables. At 31 December 2019, no invoices were payable to Advanced Electric Machines Group Limited, and at 31 December 2020, £33,094 was payable to Advanced Electric Machines Group Limited.

Revenue

During the year ended 31 December 2019, the Company sold a 7.5 T Light Commercial Electric Goods Vehicle, and a demo vehicle for display purposes to a shareholder of the parent company for £178,385. £72,271 remained in Trade debtors at 31 December 2019. (2020: £nil)

Expenses

During the year ended 31 December 2019, a director of the then parent company was also a partner in a consulting firm which charged the Company consultancy fees of £41,319 (2020: £nil).

During the year ended 31 December 2020, Directors of the parent company received salaries of £15,470 (2019: £105,000).

23 Ultimate controlling party

The Director considered Tevva Motors Jersey Limited to be the ultimate parent and controlling party until the restructure of the group in August 2020.

From August 2020, the directors do not consider there to be an ultimate controlling party.

Notes (Continued)

24 Events since the reporting date

On 15 January 2021, there was a subdivision of the 612 ordinary shares of £0.01 each in the issued share capital of the Company into 3,978,000 ordinary shares of £0.0000015385 each. In February 2021, as a result of this funding round, proceeds of £4.0 million (USD 5.5 million), equating to 729,836 shares at USD 7.50 per share were raised, predominantly from investors in the USA and Canada.

On 29 January 2021, the Board approved another capital raise and by October 2021 cumulative proceeds of £41.9 million (USD 56.6 million) were received, equating to 2,136,897 shares at \$26.50 per share, predominantly from investors in the USA and Canada. This capital raise was approved by the Board on 5 November 2021. This capital raise meets the definition of a qualifying financing event under the Future Fund Convertible Loan note agreement, and the Convertible Loan note therefore converted to 364,018 Ordinary shares on 5 November 2021.

In the period from July to September 2021 the Company has issued 53,780 share options, 39,780 with an exercise price of £0.153846 and 14,000 with an exercise price of \$26.50.

In October 2021, the Company signed a lease on an 11,000m sq. manufacturing plant in the London Thames Freeport area providing close proximity to central London and Europe, and the head office has now moved to this new facility.

On 16 November 2021, the Company loaned £350,704 in convertible loan notes with a maturity of 24 months to Advanced Electric Machines Group Limited.

On 13 January 2022, the Board approved another capital raise and by April 2022 cumulative proceeds of £39.9 million (USD 50.9 million) were received, equating to 1,019,080 shares at \$50 per share, predominantly from investors in the USA and Canada. This capital raise was approved by the Board on 13 April 2022.

Notes *(Continued)*

25 Explanation of transition to IFRS

(a) Introduction

These are the first financial statements prepared in accordance UK adopted International Accounting Standard, collectively "IFRS". The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 31 December 2020, the comparative information presented in these financial statements for the year ended 31 December 2019 and in the preparation of an opening IFRS balance sheet as at 1 January 2019 being the date of transition.

A company is required to determine its IFRS accounting policies and apply these retrospectively to determine its opening balance sheet under IFRS. IFRS 1, First-time Adoption of International Financial Reporting Standards (as amended in 2008), allows companies adopting IFRS for the first time to take certain exemptions and exceptions from the full requirements of IFRS on the date of transition (i.e., 1 January 2019). The Company has taken advantage of the transitional arrangement which permits the judgements applied to the 1 January 2019 opening balance sheet to be revisited for the benefit of hindsight.

In preparing its opening IFRS statements of financial position, the Company has adjusted the amounts previously reported in its financial statements prepared in accordance with UK GAAP. The comparative information in the financial statements has been consistently applied in accordance with IFRS. This note explains the principal adjustments made by the Company in restating its UK GAAP financial statements, including the statement of financial position as at 1 January 2019 (unaudited) and the financial statements for the year ended 31 December 2019 which are unaudited.

An explanation of how the transition from UK GAAP, (being Financial Reporting Standard No 102) to IFRS has affected the Company's financial position and financial performance is set out in the following tables and notes. There was no cash flow statement reported in any previously published financial statements, so no restatement is required.

IFRS adjustments include the following:

- (i) IFRS 15: Revenue from contracts with customers
- (ii) IFRS 16: Leases

Reclassification and re-measurement adjustments relate to matters identified on conversion to IFRS including those relating to judgements applied to matters previously reported under UK GAAP including those to be revisited for both the benefit of hindsight and prior period error.

Notes (Continued)**25 Explanation of transition to IFRS (continued)****Balance Sheet at 1 January 2019 - unaudited**

	Note	Previous GAAP £	Reclassification and re- measurement £	IFRS Adjustments £	IFRS £
Non-current assets					
Intangible assets	a	1,140,513	(1,016,467)	-	124,046
Property, plant and equipment	b	498,326	(7,424)	-	490,902
Right of use assets	g	-	-	379,733	379,733
Total non-current assets		1,638,839	(1,023,891)	379,733	994,681
Current assets					
Inventories	c	1,524,102	(70,000)	-	1,454,102
Debtors: amounts due within one year					
- Trade and other receivables	d	655,180	194,488	(85,942)	763,726
- Corporation tax receivable		176,562	-	-	176,562
Debtors due in more than one year	d	-	-	57,050	57,050
Cash and cash equivalents		500,722	-	-	500,722
Total current assets		2,856,566	124,488	(28,892)	2,952,162
Current liabilities					
Trade and other payables	e	(1,195,680)	(40,000)	-	(1,235,680)
Lease liabilities	g	-	-	(101,746)	(101,746)
Total current liabilities		(1,195,680)	(40,000)	(101,746)	(1,337,426)
Non-current liabilities					
Intercompany loan		(4,420,641)	-	-	(4,420,641)
Lease liabilities	f	-	-	(253,402)	(253,402)
Provisions	h	-	-	(84,226)	(84,226)
Total non-current liabilities		(4,420,641)	-	(337,628)	(4,758,269)
Total liabilities		(5,616,321)	(40,000)	(439,374)	(6,095,695)
Net liabilities		(1,120,916)	(939,403)	(88,533)	(2,148,852)
Capital and reserves					
Share capital		1	-	-	1
Capital contribution		6,741,690	-	-	6,741,690
Retained earnings		(7,862,607)	(939,403)	(88,533)	(8,890,543)
Shareholders' deficit		(1,120,916)	(939,403)	(88,533)	(2,148,852)

Notes (Continued)**25 Explanation of transition to IFRS** (continued)**Balance Sheet at 31 December 2019 - Unaudited**

	Note	Previous GAAP £	Reclassificati on and re- measurement £	IFRS Adjustments £	IFRS £
Non-current assets					
Intangible assets	a	760,342	(513,282)	-	247,060
Property, plant and equipment	b	645,661	(145,332)	-	500,329
Right of use assets	g	-	-	267,239	267,239
Total non-current assets		1,406,003	(658,614)	267,239	1,014,628
Current assets					
Inventories	c	1,490,043	(700,237)	-	789,806
Debtors: amounts due within one year					
- Trade & other receivables	d	779,957	63,827	(87,987)	755,797
- Corporation tax receivable		272,197	-	-	272,197
Debtors due in more than one year	d	-	-	57,050	57,050
Cash and cash equivalents		380,496	-	-	380,496
Total current assets		2,922,693	(636,410)	(30,937)	2,255,346
Current liabilities					
Trade and other payables	e	(682,116)	(142,205)	(182,937)	(1,007,258)
Lease liabilities	g	-	-	(110,898)	(110,898)
Provisions	h	-	-	(182,937)	(182,937)
Total current liabilities		(682,116)	(142,205)	(476,772)	(1,301,093)
Non-current liabilities					
Interest-bearing loans and borrowings	f	(2,572,861)	99,222	-	(2,473,639)
Lease liabilities	f	-	-	(142,504)	(142,504)
Provisions	h	-	(27,500)	(64,457)	(91,957)
Total non-current liabilities		(2,572,861)	71,722	(206,961)	(2,708,100)
Total liabilities		(3,254,977)	(60,483)	(693,733)	(4,009,193)
Net assets/ (liabilities)		1,073,719	(1,355,507)	(457,431)	(739,219)
Capital and reserves					
Share capital		2	-	-	2
Share premium	i	15,196,977	(8,434,579)	(119,658)	6,642,740
Capital contribution	i	729,761	8,613,205	-	9,342,966
Retained earnings		(14,853,021)	(1,534,133)	(337,773)	(16,724,927)
Shareholders' deficit		1,073,719	(1,355,507)	(457,431)	(739,219)

Notes (Continued)**25 Explanation of transition to IFRS (continued)****Income Statement for the year ended 31 December 2019 - unaudited**

	Note	Previous GAAP £	Reclassificati on and re- measurement £	IFRS Adjustments £	IFRS £
Revenue	j	1,369,678	-	(182,937)	1,186,741
Cost of sales	k	(1,152,785)	(424,436)	(182,937)	(1,760,158)
Gross profit / (loss)		216,893	(424,436)	(365,874)	(573,417)
Other income	l	167,091	180,898	-	347,989
Administrative expenses	m / g	(7,426,313)	393,551	29,217	(7,003,545)
Operating loss		(7,042,329)	150,013	(336,657)	(7,228,973)
Finance income		13,494	-	-	13,494
Finance expense	g	(589,319)	45,335	(32,241)	(576,225)
Net financing costs		(575,825)	45,335	(32,241)	(562,731)
Loss before tax		(7,618,154)	195,348	(368,898)	(7,791,704)
Taxation	n	293,365	(336,045)	-	(42,680)
Loss for the year attributable to equity holders of the company		(7,324,789)	(140,697)	(368,898)	(7,834,384)

The impact on the Company's loss on transition to adopted IFRS at 1 January 2019 was a loss of £88,533 from the adoption of IFRS 16: Leases. There was not impact on the opening reserves at 1 January 2019 as a result of IFRS 15: Revenue from contracts with Customers. Further adjustments to opening reserves at 1 January 2019 of £939,403 related to reclassification and remeasurement matters as further explained below.

The impact on the Company's loss on transition to adopted IFRS for the period ended 31 December 2019 is set out above with explanation of the impact of adoption of IFRS 16: Leases, IFRS 15: Revenue from contracts with Customers and reclassification and remeasurement matters are summarised below.

(a) Intangible assets - Development costs**Correction of prior period error – UK GAAP impacting 1 January 2019 and period ended 31 December 2019**

The Company is required to capitalise its development expenditure if it meets the criteria laid down by IAS 38. The development costs previously capitalised were reviewed and £1,016,467 of costs capitalised prior to 1 January 2019 have been written off. This was due to technological advances made since the December 2018 year end, rendering certain costs at 1 January 2019 being impaired as they related to technology which the company is no longer pursuing.

A further £513,282 were impaired in the period ending 31 December 2019.

The useful life of the development costs remains unchanged, being the testing period prior to commercial production beginning and no subsequent development costs are capitalised once the commercial production has begun.

Notes (Continued)

25 Explanation of transition to IFRS (continued)

(b) Property, plant and equipment

Correction of prior period error – UK GAAP – change in estimates impacting 1 January 2019 and period ended 31 December 2019

The useful lives of fixed assets and the depreciation policy has been reviewed on the first-time adoption of IFRSs, and a straight-line depreciation policy is deemed appropriate for the Company, aligning with the nature and usage of the assets. The reducing balance depreciation policy previously applied under UK GAAP has been replaced with a straight-line depreciation basis. This has resulted in a fall in the Tangible fixed assets balance of £7,424 at 1 January 2019, and a further fall of £42,221 in the year ended 31 December 2019.

The fixed assets at 1 January and 31 December 2019 were reviewed for impairment and a further £103,111 impairment has been included in the period ending 31 December 2019.

(c) Inventories

Correction of prior period error – UK GAAP – change in estimate impacting 1 January 2019 and period ended 31 December 2019

The inventory balance at the prior year ends has been amended and further inventory provisions have been included of £70,000 at 1 January 2019 and £360,237 at 31 December 2019.

Correction of prior period error – UK GAAP – impacting period ended 31 December 2019

The 2019 inventory balance has been amended to remove £340,000 of inventory being trucks that were double counted. The other side of the entry is to increase cost of sales by £340,000.

(d) Trade and other receivables

Correction of prior period errors – UK GAAP – impacting 1 January 2019 and period ended 31 December 2019

The trade and other receivables balance at 1 January 2019 and 31 December 2019 have been amended by £194,488 and £39,341 to correct the recognition of grant incomes, which are required to be recognised in the same period as the costs to which they reimburse as required by both UK GAAP and IFRS.

A further £24,486 of prepayments have been recognised at 31 December 2019 for inventory and development material not yet received at the year end.

At both 1 January 2019 and 31 December 2019, the rental property deposits of £57,050 have been reclassified within trade and other receivables to amounts falling due in more than one year aligning with the end of the term of each lease.

Conversion to IFRS

At 1 January 2019, prepayments have been reduced by the £28,892 rent prepayments as the rental lease liability has replaced these on the adoption of IFRS 16: Leases.

At 31 December 2019, prepayments have been reduced by the £30,937 rent prepayments as the rental lease liability has replaced these on the adoption of IFRS 16: Leases.

Notes (Continued)

25 Explanation of transition to IFRS (continued)

(e) Trade and other payables

Correction of prior period error – UK GAAP – impacting 1 January 2019 and period ended 31 December 2019

Trade and other payables balance at 1 January 2019 and 31 December 2019 have been amended to include accruals resulting from historical contracts, where an obligation was considered to have existed at the 1 January and 31 December 2019 balance sheet dates, where no accrual had previously been recognised.

A further £192,164 of inventory accruals has also been recognised at 31 December 2019.

Correction of prior period error – UK GAAP – change in estimate impacting period ended 31 December 2019

The £62,459 bonus accrual previously recognised at 31 December 2019 has now been released.

Conversion to IFRS

£27,500 dilapidation accrual for rental properties was released as the provision has now been revisited on application of IFRS 16: leases, and has been recognised within Provisions.

(f) Interest bearing loans and borrowings

Correction of prior period error – UK GAAP – impacting the period ended 31 December 2019

Under UK GAAP, the interest free 10-year term intragroup loan was recorded at its fair value at inception assuming an interest rate of 10% with a corresponding increase in the capital contribution. Interest is accrued until the expected repayment due on the tenth anniversary however the annual interest charge is debited to the Income Statement with the credit previously being incorrectly recognised as a capital contribution. This is corrected with £729,761 being credited to the loan outstanding.

(g) IFRS 16: Leases - Lease accounting

Conversion to IFRS

IFRS 16: Lease accounting under IFRS 16 does not distinguish between operating and finance leases, and under IFRS 16, lessees recognise almost all leases on the balance sheet as a “lease liability”, with a corresponding “right-of-use asset”, though IFRS 16 permits an exemption for short term leases and leases of low value assets, of less than £5,000, which continue to be expensed over the lease term.

IFRS 16 requires all leases to be brought on balance sheet at the lease commencement date as (i) a liability for all expected lease payments discounted to NPV and (ii) at a right to use asset which is equivalent to the NPV of the lease liabilities, which is then depreciated over the lease. Therefore, the transition to IFRS 16 has led to an increase in Property, plant and equipment as the three property leases and the forklift truck have been brought into fixed assets, and an increase in Lease Liabilities as the present value of future lease payments have been brought onto the balance sheet as a liability. The impact of IFRS 16 on these financial statements has been discussed in more detail in note 12.

The company has applied the short life exemption permitted by IFRS 16 to three short term property rentals and to vehicle hire contracts which are less than a year. During the year ended 31 December 2019, £155,773 was recognised as an expense in the income statement in respect of operating leases, £124,211 of this expense has now been reclassified under IFRS 16.

Notes *(Continued)***25 Explanation of transition to IFRS** *(continued)*IFRS 16: Leases - Lease accounting *(continued)*

The equity impact at 1 January 2019 following the transition was as follows:

Equity at 1 January	2019
	£
Right-of-use assets recognised	379,733
Prepayments de-recognised	(28,892)
Dilapidation provisions recognised	(84,226)
Lease liabilities recognised	(355,148)
Associated deferred tax asset recognised	-
IFRS 16 adjustment to equity at 1 January 2019, after IFRS 16 transitional adjustments	(88,533)

The following table sets out the impact of adopting IFRS 16 on the financial position of the Company at 1 January 2019:

	Leased Building
	£
Minimum operating lease commitment at 1 January 2019 UK GAAP	768,264
Effect of break clause options likely to be exercised	(342,354)
Accrual adjustment	(30,938)
Effect of discounted at Company's incremental borrowing rate	(49,849)
Lease liabilities recognised at 1 January 2019	<u>345,123</u>

Depreciation of Right of Use assets of £112,494 was charged in the year ended 31 December 2019.

(g) Provisions

Correction of prior period error – UK GAAP – impacting 1 January 2019 and period ended 31 December 2019

Non-current liabilities now include the dilapidation provisions for the three rental properties as the Company was responsible for returning the properties to the condition they were in at the inception of the lease.

Conversion to IFRS

Under UK GAAP, a provision of £27,500 was recognised as a current liability, but under IFRS, the dilapidation provisions have been increased and moved to non-current liabilities at 1 January 2019 and 31 December 2019 as the liabilities would not fall due until the leases ended in 2021 and 2023.

Notes (Continued)**25 Explanation of transition to IFRS (continued)****(h) Share Premium and Capital Contribution reserve*****Correction of prior period error – UK GAAP – impacting 1 January 2019 and period ended 31 December 2019***

During 2018 and 2019, certain interest free term loans from the parent entity were required to be repaid on the tenth anniversary of each draw down. In accordance with UK GAAP, these loans are required to be recorded initially at their present value based on an interest rate of 10%, which was considered to be the rate the company could obtain from an un-related third party. The difference between the £15,196,978 cash proceeds and £5,859,093 discounted present value of the principal of the debt of £9,337,885 was recognised as a capital contribution from the parent company in the statement of changes in equity - £6,741,690 at 31 December 2019 and a further £2,596,195 during the year ended 31 December 2020. Refer to notes 19 and 22 for further details of the transaction.

At 30 September 2019, the £15,196,978 interest free funding provided by the parent company to date was capitalised into equity. At that date, the net present value of these loans of £5,859,033, together with the imputed interest expense of £783,648 to 30 September 2019 being incurred from draw down, was capitalised into share capital and share premium through the issuance of 100 ordinary shares in the Company of £0.01 with £1 credited to share capital and the remaining £6,642,740 credited to share premium.

Under UK GAAP, when the loan was capitalised the total £15,196,978 interest-free funding received was credited to equity, with £1 credited to share capital and £15,196,977 credited to share premium. The fair value adjustment to loans at inception should have remained in the capital contribution reserve and only the net present value of the loan principal taken to share premium.

(i) Revenue***Conversion to IFRS***

Revenue has reduced by £182,937 in the year ended 31 December 2019 due to the application of IFRS 15, Revenue from Contracts with customers, as the UPS contract has been reviewed and the revenue arising from the warranty work has been deferred until 2020 and 2021.

(j) Cost of sales***Correction of prior period error – UK GAAP – reclassification impacting period ended 31 December 2019***

Cost of sales have increased by £424,436 due to a detailed review of the classification of costs in the income statement, resulting in a reclassification of certain costs from administrative expenses (development costs).

Conversion to IFRS

The cost of sales has increased by £182,937 in the year ended 31 December 2019 due to the application of IFRS 15, Revenue from Contracts with customers, as the UPS contract has been reviewed and the future expected costs arising from the warranty work has been included in the cost of sales in the year ended 31 December 2019.

(k) Other Income***Correction of prior period error – UK GAAP – impacting period ended 31 December 2019***

Other income has been increased £180,898 to include the £336,045 gross Research and Development grant net of a £155,147 adjustment to amended the timings of other grants receivable to the periods in which they became recoverable.

Notes (Continued)

25 Explanation of transition to IFRS (continued)

(l) Administrative Expenses

Correction of prior period error – UK GAAP – impacting 1 January 2019 and period ended 31 December 2019

Administrative Expenses have been reduced by £339,294 from an amendment to the share-based payment charge as these options had vested on grant in December 2018, together with other small amendments to accruals. This movement has impacted opening reserves at 1 January 2019.

Conversion to IFRS

Administrative Expenses have also been increased by £153,720 following the application of IFRS 15, due to the warranty costs incurred on the UPS contract and due to the application of IFRS 16 as the rent payable on the three properties, which has been replaced with a depreciation charge on the right-of-use asset of £112,494 and a finance expense on the lease liabilities of £24,510.

(m) Taxation

Correction of prior period error – UK GAAP – reclassification impacting 1 January 2019 and period ended 31 December 2019

In the years ended 1 January 2019 and 31 December 2019, the Company applied for a Research and Development grant. Under UK GAAP, the grant received was debited to the balance sheet and credited to the taxation charge in the income statement. However, under IFRS, the grant received is treated as taxable income and the gross claim credited to Other income, with the tax due on the grant debited to taxation charge in the Income statement. The net amount, which is received, is debited as tax receivable on the balance sheet.