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Equipmake Holdings PLC
29 November 2024

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR").

29 November 2024

Equipmake Holdings PLC
("Equipmake" or the "Company" or the "Group")
Final Results for the year ended 31 May 2024

Equipmake, a market leader in engineering-driven differentiated electrification technologies, products and solutions across the automotive, truck, bus and speciality vehicle industries, is pleased to announce its final audited results for the year ended 31 May 2024. The annual report containing full details will be made available on the Company's website shortly and posted to shareholders in the coming days.

Corporate Highlights

- During the year the Group strengthened its leadership and talent base as it further rolls out its commercialisation and growth plans:
  - Nicholas (Nick) Moelders was appointed Chief Operating Officer and a Director of the Company in January 2024;
  - Anthony (Tony) Ratcliffe was appointed Chief Financial Officer, Director and Company Secretary in April 2024; and
  - Jinsong Dai joined as VP Sales and Business Development in May 2024.
- These additions to the team have a strong pedigree of delivering significant growth in fast moving international technology businesses and they are already positively impacting the business;
- The Company raised £4.1 million of new funds, before expenses, from new and existing investors in February 2024 to support future growth initiatives; and
- The Company announced a number of significant Tier 1 new client contract wins (including Caterpillar, Rev Group and Textron) as it continues its growth trajectory.

Operational highlights

The year was transformational for the Group as it scaled its operations in order to deliver greater volumes of business from a range of targeted areas. The Group delivered attractive revenue growth and increased margins from the manufacture and supply of electric vehicle components and full zero emission drivetrain solutions. This is the core strategic growth area for the business as customer traction accelerates with Original Equipment Manufacturers ("OEMs") and Tier 1 suppliers (which are direct suppliers to OEMs).

- The largest increase in revenue was from Equipmake's bus repowering business ("Bus Repowering"). This growth was driven by strong demand and a naturally shorter sales cycle. Although there were significant cost challenges leading to a gross loss for this business line, Bus Repowering provided material revenues and, most importantly, it showcases the quality, reliability and practical usability of the Company's products and solutions, which the Company believes has been invaluable in accelerating the interest in the Group's components and drivetrain supply business lines with targeted OEMs and Tier 1 suppliers;

- Equipmake was selected by Textron Ground Support Equipment Inc. ("Textron"), a leading US aircraft, defence and industrials conglomerate for the supply and installation of a prototype electric-powered airside de-icing vehicle in September 2023. Following a successful trial an order was placed for the supply of drivetrain kits for two further vehicles;
- Equipmake was selected by Perkins Engine Company Limited, a subsidiary of Caterpillar Inc (the world's leading OEM of construction and mining equipment and off highway plant) to leverage the Group's electric drivetrain technology and expertise to develop a motor and inverter for a new off-highway hybrid system, in October 2023. Government grant funding totalling £3.2 million over the 3.5-year life of this project was secured via the Advanced Propulsion Centre;
- Equipmake won a development contract with H55, a leading Swiss aerospace propulsion company, for the development and supply of electric motors for use in electric aircraft, in January 2024;
- Equipmake won a contract in September 2023 with Big Bus Tours, the world's largest bus sightseeing company, to repower ten double deck sightseeing buses, with a further ten added in January 2024; and
- Equipmake won a £2.0 million contract with Golden Tours in February 2024 to install its zero-emission electric drivetrain solution into vehicles in its fleet, with an additional contract awarded post year-end, in June 2024, to supply and install zero emission electric drivetrain solutions in additional vehicles.

Financial highlights

- Revenue for the year ended 31 May 2024 was £8.1 million compared to £5.1 million in the prior year, a growth of approximately 60%;
- Excluding grant revenue, delivery against commercial agreements generated revenue in the year of £7.3 million compared to £4.9 million in the prior year, a growth of 47%;
- Revenue from the supply of components and full zero emission drivetrain solutions was £3.0 million combined compared to £2.4 million in the prior year, a growth of 25%;
- Revenues from Bus Repowering were £3.9 million, compared to £0.9 million in the prior year, driven by strong demand;
- Revenue from Technology, which includes engineering projects consultancy, was £0.4 million compared to £1.3 million in the prior year, the reduction driven by a strategic focus towards only offering engineering services around core products associated with OEM and Tier 1 partnerships, rather than offering bespoke general technical consulting services;
- Cash balances at 31 May 2024 totalled £2.5m (FY2023: £7.0m). The Group had no debt, other than in relation to items held under finance leases. Phasing of billing, which was weighted more towards the end of the financial year, meant that receivables balances, at circa £2.5 million, were correspondingly high at the year-end date;
- Bus Repowering operations have scaled rapidly during the year. This has resulted in a number of additional unanticipated and under-estimated direct costs and consequently the adjusted EBITDA[1] loss was £7.4 million compared to an adjusted EBITDA[1] loss of £3.6 million in the prior year;
- The Group recognises the labour-intensive nature of Bus Repowering when working at modest volumes, across various platforms and with inconsistent quality in recipient vehicles. Whilst efficiencies continue to improve, this business line incurred material additional staff costs, including temporary labour, in order to ensure deliveries met key customer agreed timelines.

Post year-end highlights

- The Group announced further traction as it focuses on higher margin Drivetrain and EV Components Supply to OEM and Tier 1 customers, with South American bus manufacturer Agrale;

- Following a successful trial and the initial order for the supply of drivetrain kits for two further vehicles, Equipmake signed a Manufacturing and Supply Agreement with Textron;
- Equipmake is in advanced discussions with a major automotive supplier in relation to it licencing the Group's functional safety technology and systems integration capability for its commercial vehicle business. The licence agreement has terms currently envisaged, which include a total of $6 million (equivalent to approximately £4.6 million) of milestone payments over the two years following entry into the licence agreement as well as future volume-based royalty revenues. However, there can be no guarantee that terms of this potential licence agreement will be agreed or that this licence, or any other licence currently in the pipeline, will be finalised;
- On 25 October 2024, the Company announced details of a £3 million financing round, before expenses, which subsequently closed in early November 2024. Excluding the potential cash inflows if the licence agreement referred to above is signed, the Group has a limited cash runway estimated to approximately March 2025. Further details of the Group's liquidity are detailed in the going concern statement below;
- The Group is progressing a number of cost-reduction initiatives and manufacturing improvement programmes, including lower cost battery and component sourcing, and substantially reducing its headcount; and
- Tony Ratcliffe resigned as Chief Financial Officer, Director and Company Secretary with effect from 30 November 2024.

Adjusted EBITDA[1] is defined as earnings before interest, taxation, depreciation and amortisation, and before any non-recurring costs or share based payments charges, if applicable.

****ENDS****

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About Equipmake

Equipmake isa UK-based industrial technology company specialising in the engineering, development and production of electrification products to meet the needs of the automotive and other sectors in support of the transition from fossil-fuelled to zero-emission drivetrains.

Equipmake is a leader in high performance technologically advanced electric motors, inverters and complete zero-emission electric drivetrains and power electronic systems.Equipmake has

developed a vertically integrated offering providing fully bespoke solutions to its customers. The Company is focussed on accelerating traction with OEM and Tier 1 suppliers in relation to higher margin component and drivetrain supply under long-term growth contracts and securing high margin licencing transactions.

Key differentiators of the Company offerings are its advanced technology and performance, reliability and adherence to ASIL-D[2] functional safety. Equipmake's advanced motor and inverter technology, featuring ASIL-D compliance, are designed to customers' highest Functional Safety standards. With decades of experience in electric drivetrain integration and a dedicated prototype vehicle testing facility, Equipmake can significantly accelerate product development for customers.

[2]Automotive Safety Integrity Level ("ASIL") is a risk classification scheme defined by the ISO 26262 - Functional Safety for Road Vehicles standard and is a critical requirement for road vehicles. Of the four ASILs identified by the standard, ASIL-D dictates the highest integrity requirements on the product, which require exceptional rigour in their development.

NON-EXECUTIVE CHAIRMAN'S STATEMENT

I referred in last year's Annual Report to the route to net zero being firmly on the agenda of many stakeholders and the benefits such a transition could bring. Over the last year we have seen the positive impact to Equipmake of this highest-level ambition, as customers seek out innovative, reliable, safe, and cost-effective products and solutions to achieving the electrification of their vehicle fleets.

Equipmake's focus is as a technology leader and manufacturer of highly engineered electric drivetrain products and solutions for commercial vehicles and other demanding applications that require high-performance electrified solutions.

What has become increasingly clear is that the effective integration of these products into efficient solutions and Equipmake's functional safety offering are distinct competitive advantages. These advantages are a testament to the heritage and ethos of our Group and enable us to continue to engage with global OEM and Tier 1 partners, who are looking to electrify their current and future product ranges.

Over many years, Equipmake has undertaken many hundreds of person years of research and development and has built up significant amounts of know-how as well as a comprehensive patent portfolio. Its product offerings include high quality motors and inverters, as well as full drivetrain solutions, which are gaining solid and increasing traction in the marketplace.

Bus Repowering has generated significant early revenues for the Group and has undoubtedly proven a very important demonstrator of our products, showing the reliability of Equipmake's solutions in demanding real-world use. It has been challenging to deliver an attractive margin from this offering whilst volumes are low and there are multiple product variations..

Equipmake's engagement with global OEMs and Tier 1 suppliers has accelerated strongly. The Group's focus is to translate these and other pipeline opportunities into continued revenue growth with attractive gross margins from the manufacture and supply, or licencing, of components and drivetrains delivered against what are expected to be longer-term contracts.

Equipmake is now increasingly focussing its commercial scale-up on opportunities in North America and Europe in particular and plans to increase its commercial team to maximise the benefits from these opportunities.

We have been pleased with continued investor support as we have secured additional working capital to finance the Group.

The Board continues to believe that its current make-up is appropriate to the Group's current needs and to meet its governance commitments, however it expects to build the Board further in due course. The Board is committed to high standards of governance and has adopted the QCA (Quoted Companies Alliance) Code.

I wish to thank all staff for their significant efforts in growing the business in the year. I also wish to thank our investors for their support and we all look forward to a very busy and productive year ahead.

Clive Scrivener
Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

Introduction

The financial year ending 31 May 2024 has been another busy year for Equipmake.

The Group delivered record breaking revenues, which totalled £8.1 million, a growth of 60% following significant demand for its zero emission electric motors, inverters, drivetrains and Bus repowering offerings.

Business Overview

The year was a transformational one for Equipmake. Following the Admission to Aquis in July 2022, the Company has continued to aggressively grow its business operations to exploit opportunities in its commercial vehicle markets.

The Group has four principal business lines: Drivetrain Supply, EV Components, Technology and Bus Repowering. The Group also undertakes a number of focussed grant funded programmes, designed to build intellectual property and unlock downstream commercial opportunities.

As noted in the Chairman's Statement, the core long-term focus of growth and building shareholder value is in securing highly attractive commercial transactions with OEMs and Tier 1 suppliers for the supply of EV components and drivetrain solutions, under longer term contracts.

I am delighted to report a 25% revenue growth in the supply of components and drivetrain solutions combined, with an increase in gross margin from 24% to 29%.

Whilst Bus Repowering has been a major contributor to revenues, itself showing more than a four-fold increase in revenue in the year, it was disappointing that the direct costs incurred by this business line were materially higher than expected. The Group has since secured a more cost-effective supply of battery and other components.

Whilst the Group experienced a number of forecasting, lead time and other procurement challenges, it did not experience the additional supply chain challenges that were seen in the prior year in relation to securing electrical components at the right time and right price. Increasingly, the Group expects to outsource manufacturing where possible and source the more commoditised components at reduced prices, particularly as volumes increase.

Market

Equipmake is targeting the electric heavy duty and medium duty commercial vehicle markets. This includes heavy duty trucks, medium duty trucks, speciality vehicles such as refuse trucks and ground support equipment, buses, for the transit, tourist and school markets, and off-road construction, agricultural and mining vehicles. This is an addressable market that the Company believes is growing at approximately 28% CAGR and is estimated will be worth approximately $3.8 billion globally by 2035 for motors and inverters alone.

Whilst widespread adoption of electric solutions in these markets is estimated to be around five years behind that seen in the passenger vehicle markets, the Board believes that the adoption rates are now poised to dramatically accelerate, in a similar trend to that which started to be seen in passenger vehicles around five years ago.

The focus for the Group is now aggressive commercialisation, which is likely to require additional commercial headcount.

Offerings

Equipmake has invested heavily in what is now an attractive complement of motors, inverters and drivetrain solutions.

Equipmake's key differentiators are advanced technology, high performance, reliability, systems integration and functional safety. The high performance and reliability have been positively demonstrated by the suite of different vehicles now successfully operating in the field.

Adherence to ASIL-D2 functional safety is a highly prized and, in certain markets or with certain customers, a rare attribute. Equipmake's advanced motor and inverter technology, featuring ASIL-D compliance, is designed to customers' highest functional safety standards. Automotive Safety Integrity Level ("ASIL") is a risk classification scheme defined by the ISO 26262 - Functional Safety for Road Vehicles standard and this is a critical requirement for road vehicles. Of the four ASILs identified by the standard, ASIL-D dictates the highest integrity requirements on the product, which therefore require the most exceptional rigour in their development. Achieving this functional safety is challenging, typically requiring large teams over two or three years with multi-million-dollar project budgets, projects which often cannot be condensed into shorter timeframes however much resource is expended. Whilst clearly a priority in ultra-high volume passenger car offerings, customers can find the economics to achieve this standard in-house challenging for products with volumes of 1,000's or 10,000's of units per annum. Equipmake has secured this compliance following its historic investment and can offer OEMs and Tier 1 suppliers appropriate solutions that include this functional safety. The Group is in discussion with a number of potential customers and partners in relation to providing its solutions with functional safety.

Business model

A brief description of Equipmake's principal business offerings and models is summarised below:

Business line	*Description*	*Business model and focus*
EV Components	The manufacture and supply of motors, inverters and other high value electric vehicle components.	Direct engagement with global OEMs and Tier 1 suppliers. A very high priority, with the ultimate goal of substantial high value muti-year contracts with global partners and customers.
Drivetrain Supply	The manufacture and supply of complete drivetrains, including motors, inverters, HVAC, power electronics, control systems and battery packs.	Equipmake is vertically integrated to provide a full solution. This is seen as a highly valuable opportunity, generating high margins. The customer will themselves, or with their contractors, install Equipmake's drivetrains in new or used vehicles.
Technology	Licencing of Equipmake technology - for territories or markets where Equipmake or its partners may not want to address directly. Potential to realise value by selling or licencing non-core intellectual property.	Licencing - typically up-front fees, milestone payments then royalties based on future partner sales volumes.
	Engineering projects - consulting, contract development work undertaken by Equipmake.	Non-recurring engineering (NRE) spend on projects - typically directly related to particular solutions, charged on a fixed, time and materials or capped fee arrangement.
Bus Repowering	Supply of drivetrains plus the retrofit installation into customer's used vehicles.	A recent focus providing early revenues and product validation, but given the labour-intensive nature, challenging to achieve high margins.

Outlook

- As Equipmake's market position has strengthened, it intends to focus generally on higher gross margin business lines, principally the supply of EV components and drivetrain solutions and securing high value licence transactions;
- Equipmake has established valuable relationships with a number of OEMs, within its EV Components and Drivetrain Supply business lines, a key focus for the Group as it looks ahead. These include Perkins Engine Company Limited, a subsidiary of Caterpillar Inc.; Agrale, a leading South American truck, bus and utility vehicle manufacturer; Textron, a leading US aircraft, defence and industrials conglomerate; Emergency One, the largest manufacturer of fire trucks in the UK; and Rev Group, the manufacturer of speciality industrial vehicles, including fire trucks;
- The Group is also in discussions with a number other global OEM and Tier 1 suppliers, in relation to the supply of motors and inverters. They are looking to leverage Equipmake's high performance, differentiated offerings which include functional safety (a much sought after compliance requirement for road vehicles) and system integration expertise;
- Bus Repowering has provided meaningful revenues to date and has already successfully demonstrated the quality, reliability and significant benefits of the Group's solutions in real world operation on a wide variety of platforms, helping to accelerate traction with OEMs and Tier 1 suppliers in relation to components and drivetrain solutions supply. As the Group's market position has strengthened and it is securing greater customer interest for its Drivetrain Supply, EV Components and Technology licencing offerings, the Group plans to rationalise its Bus Repowering offering towards a limited number of platforms and vehicles, with the objective of improving overall gross margins. The Group therefore expects the revenues from Bus Repowering to materially reduce in the current financial year. The Group

plans to actively encourage the supply of drivetrain solutions, as opposed to offering the full Bus Repowering, to those customers seeking to retrofit existing diesel vehicles with an EV drivetrain;

- The Group is also progressing a number of cost-reduction initiatives and manufacturing improvement programmes. These include switching battery sourcing as well as other component level sourcing for inclusion in the Group's product portfolio. Equipmake expects significant cost reduction from batteries and overall cost reductions from a number of initiatives, including substantially reducing its headcount, to benefit gross margins and earnings impacting principally from the second half of the current financial year;
- Equipmake has a pipeline of Technology licencing transactions, with one potential licence agreement with a major automotive supplier being particularly far advanced which could, if agreed, provide $6 million (or approximately £4.6 million) of milestone payments over the first two years. However, there can be no guarantee that terms of this potential licence agreement will be agreed or that this licence, or any other licence currently in the pipeline, will be finalised;
- In due course, Equipmake intends to further strengthen its commercial team, particularly in the US and mainland Europe, in order to accelerate commercialisation and closely manage key relationships with existing and potential OEM and Tier 1 partners; and
- The Board is pleased to see demand across its range of products and solutions but recognises the need to focus aggressively on the most strategically important and financially rewarding of markets, especially given the limited working capital currently available.

Overall, the Group remains committed to reaching financial breakeven and profitability as soon as possible and anticipates a very busy year ahead.

I look forward to updating shareholders of our further progress over the coming months.

Ian Foley
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S STATEMENT

Revenue

Revenue for the year was £8.1 million (FY2023: £5.1 million), an increase of 60%. Excluding grant income, the revenue totalled £7.3 million (FY2023: £4.9 million), an increase of 47%.

Revenue is summarised across the business lines as below:

	For the year ended 31 May 2024 £'000	For the year ended 31 May 2023 £'000
Drivetrain Supply	2,181	850
EV Components	846	1,575
Technology	399	1,612
Bus Repowering	3,854	900
	7,280	4,937
Grant income	788	116
Total revenue	**8,068**	5,053

The Group has four principal commercial business lines - Drivetrain Supply, EV Components, Technology and Bus Repowering. In addition, the Group operates a number of grant funded projects. Revenue and gross margin are typically reviewed both before and after grant projects.

The principal long-term growth priorities are the Drivetrain Supply, EV Components and Technology business lines. The Drivetrain Supply business generated revenues of £2.2 million (FY2023: £0.9 million) and the EV Components supply business line generated revenues of £0.8 million (FY2023: £1.6 million), together a combined £3.0 million (2023: FY £2.4 million), a growth of 25%. The Technology business line generated revenues of £0.4 million (FY2023: £1.3 million), the reduction largely being caused by the phasing of incidental engineering project work and the inclusion of a £0.3 million licence fee in the prior year.

The Bus Repowering business line generated revenues of £3.9 million (FY2023: £0.9 million). This increase in output, which represented the repowering and delivery of 26 customer vehicles in the year compared to five vehicles in the prior year, was driven by significant customer demand. The Group's premises on the Scottow Enterprise Park, which was secured on a flexible lease, became operational in early 2024, facilitated this increase in volume. This business line has generated material revenues and showcased the quality, reliability and practical usability of the Group's products and solutions, which the Board believes has been invaluable in accelerating the interest in the Company's EV Components, Drivetrain Supply and Technology business lines with targeted OEMs and Tier 1 suppliers.

Grant revenues totalled £0.8 million (FY2023: £0.1 million), the increase generated by the addition of a second grant programme.

Gross profit

The overall gross loss in the year was £2.6 million (FY 2023: gross profit £1.2 million). Excluding grant projects, the overall gross loss in the year was £1.9 million (FY2023: gross profit of £1.3 million).

The Drivetrain Supply business generated a gross profit of £0.6 million, representing 29% of revenue (FY2023: £nil million, representing negative 3% of revenue) and the EV Components business line generated a gross profit of £0.2 million, representing 28% of revenue (FY2023: £0.6 million, representing 39% of revenue). Together the Drivetrain Supply and EV components businesses generated a combined gross profit of £0.9 million, representing 29% of revenue (2023: FY £0.6 million, representing 24% of revenue), an increase of 5% gross margin.

The engineering projects within the Technology business line generated a gross profit of £0.1 million, representing 26% of revenue (FY2023: £0.5 million, representing 37% of revenue), the reduction caused by lower value engineering projects in the year.

The Bus Repowering business line generated a gross loss of £2.9 million, representing a negative 76% of revenue (FY2023: gross loss of £0.1 million, representing a negative 13% of revenue). The increased direct costs in Bus Repowering were caused by a number of additional unanticipated and under-estimated direct costs incurred as the Group scaled volumes very quickly in the second half of the year across a number of vehicle platforms and with inconsistent quality in recipient vehicles. Whilst efficiencies have since improved, the business line incurred material additional staff costs, including temporary labour, in order to ensure deliveries met key customer agreed timelines. As previously mentioned, these issues are believed to have been addressed and indeed Bus Repowering is not expected to be a core activity going forward.

Grant projects generated a gross loss of £1.9 million (FY2023: £1.3 million), the increase driven by a second grant programme. Grant projects rely on their full costs being partially externally funded so, by definition, should be

expected to generate a negative gross profit.

Sales, general and administrative expenses

Total expenses (excluding cost of sales) in the year amounted to £7.0 million (FY2023: £6.4 million), although the year included non-recurring costs of £1.1 million (FY2023: £0.6 million) and the prior year also included £0.5 million of share-based payments. Excluding these costs, expenses in the year totalled £5.9 million compared to £5.3 million in the prior year. The growth like-for-like of £0.6 million was driven primarily by headcount recruitment as the Group aggressively scaled its operations in contemplation of further revenue growth.

Adjusted EBITDA

The Board's key measure of underlying business profitability and assessing trends across periods is adjusted earnings before interest, tax, depreciation and amortisation, share based payments and non-recurring costs (adjusted EBITDA). In the year, the Company achieved an adjusted EBITDA loss of £7.4 million (FY2023: adjusted EBITDA loss of £3.6 million). This is an Alternative Performance Measure. This translated to an adjusted EBITDA loss percentage in the year of 92 % (FY2023: 72%). As noted above, there were share based payments in the year of £nil (FY 2023: £0.5 million). Non-recurring costs incurred are highlighted below. Whilst there was significant revenue growth in the year, the additional direct costs incurred in the Bus Repowering business line was the principal driver for the increased EBITDA loss.

Non-recurring costs

The non-recurring costs in the year of £1.1 million comprised £0.7 million related to the impairment of previously capitalised development costs and the reversal of originally capitalised costs in the year following the Board's decision post the year-end date to rationalise the Bus Repowering offering towards a limited number of platforms, £0.3 million related to onerous contract provisions for Bus Repowering contracts underway at the year-end date, and £0.1 million related to professional fees incurred in the Company's share placing in February 2024. The non-recurring costs in the prior year of £0.6 million related to professional fees incurred in the Company's Admission to Aquis.

Tax

The tax charge in the year of £0.1 million (FY2023: tax credit of £0.2 million) related to the tax due on the Research & Development Expenditure Credit ("RDEC") receipt. The vast majority of taxable losses were generated in the UK, where the Group has UK trading tax losses carried forward at the year-end date amounting to approximately £21.9 million (FY2023: £11.6 million). No deferred tax asset has been recognised (FY2023: £nil).

Earnings per share

The basic and diluted loss per share amounted to 0.95 pence per share (FY2023: loss 0.60 pence per share).

Intangible assets

The Group had intangible assets totalling £1.2 million (FY2023: £0.8 million). The increase was caused primarily by capitalised development costs totalling £1.0 million incurred in the year, although reduced by the impairment charge as a result of the Board's decision post year-end to rationalise Bus Repowering platforms.

Tangible assets

The Group had tangible assets totalling £1.6 million (FY2023: £0.8 million). The increase was caused primarily by capital additions totalling £1.2 million incurred in the year, incurred as the Group expanded its facilities and manufacturing capabilities, whilst the net book value was reduced by a depreciation charge of £0.4 million (FY2023: £0.2 million).

Stock

The Group had stocks totalling £3.6 million (FY2023: £3.0 million). The increase was caused by general increase in business volumes and the contemplation of further growth ahead.

Trade and other receivables

The Group had total debtors totalling £4.2 million (FY2023: £4.5 million). Whilst trade debtors, other debtors and prepayments and accrued income were similar year-on-year, the reduction was due to reduced tax recoverable, being a timing difference.

Trade and other payables

The Group had total creditors totalling £4.1 million (FY2023: £2.2 million). The increase was caused primarily by increased trade creditors of £2.0 million (FY2023 £0.5 million), partially as a result in increased pace of growth and partly as the Group strove to optimise its cash resources and accruals and deferred income of £1.3 million (FY2023: £1.0 million), being timing differences.

Provisions

The Group established a provision totalling £0.4 million (FY2023: £nil) in relation to expected future losses on two Bus Repowering contracts which were underway at the year-end date. This provision is expected to unwind in the year ended 31 May 2025. No warranty provision has been made as the Group does not have a track record in order to make a reliable estimate and it expenses any warranty related issues as they arise.

Cash and working capital

Cash balances at the year-end date were £2.5 million (FY2023: £7.0 million). Other than finance leases / hire purchase contracts which amounted to £0.5 million (FY2023: £0.4 million), the Group had no debt drawn nor any debt facility in place. The Group completed a share placing and subscription on 5 November 2024 which raised £3 million of new cash, before expenses.

Your attention is drawn to the Principal Notes to the Final Results below which refer (1) to the material uncertainty which has been included within the unqualified audit report in the audited financial statements and (2) the Group's current going concern position.

Net assets

Net assets at the year-end date amounted to £8.6 million (FY2023: £13.8 million), the movement arising from the negative earnings in the period, partially offset by £4.1million of financing secured in February 2024.

Tony Ratcliffe
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Note	Year ended 31 May 2024 £'000	Year ended 31 May 2023 £'000
Turnover	4	**8,068**	5,053
Cost of sales		(10,697)	(3,845)
Gross profit	4	(2,629)	1,208
Administrative expenses		(6,972)	(6,437)
Other operating income	5	509	281

Adjusted EBITDA		**(7,412)**	(3,644)
Depreciation		(343)	(187)
Amortisation		(158)	(27)
Share based payments		(45)	(475)
Non-recurring costs	6	(1,134)	(615)
Operating loss		**(9,092)**	(4,948)
Interest receivable and similar income		54	17
Interest payable and similar expenses		(49)	(86)
Loss before taxation		**(9,087)**	(5,017)
Taxation	7	(113)	186
Loss for the financial year		(9,200)	(4,831)
Total other comprehensive income		-	-
Total comprehensive loss for the year attributable to owners of the Company		**(9,200)**	(4,831)
Loss per share			
Basic and diluted loss per share, in pence	15	(0.95)	(0.60)

CONSOLIDATED BALANCE SHEET

Assets	**Note**	**As at 31 May 2024 £'000**	**As at 31 May 2023 £'000**
Fixed assets			
Intangible assets		1,243	783
Tangible assets		1,647	773
		2,890	1,556
Current assets			
Stocks	8	3,555	2,958
Debtors: amounts falling due within one year	9	4,163	4,502
Cash at bank and in hand		2,480	7,000
Total current assets		10,198	14,460
Liabilities			
Creditors: amounts falling due within one year	10	(3,797)	(1,958)
Net current assets		6,401	12,502
Total assets less current liabilities		9,291	14,058
Creditors: amounts falling due after more than one year	11	(308)	(255)
Provisions for liabilities:			
Other provisions	12	(358)	-
Net assets		8,625	13,803
Capital and reserves			
Share capital	14	102	95

Share premium	16	23,098	19,128
Other reserves	16	5,748	5,748
Profit and loss account	16	(21,417)	(12,217)
Share-based payment reserve	16	1,094	1,049
Total capital and reserves		8,625	13,803

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Sha
Balance at 01 June 2022	50	-	5,748	(7,386)	
Comprehensive loss for the year					
Loss for the year	-	-	-	(4,831)	
	-	-	-	(4,831)	
Transactions with owners					
Loan conversion	9	3,741	-	-	
Issue of shares	36	16,199	-	-	
Share issue costs	-	(812)	-	-	
Share-based payments charge	-	-	-	-	
Total transactions with owners	45	19,128	-	-	
Balance at 31 May 2023	95	19,128	5,748	(12,217)	
Comprehensive loss for the year					
Loss for the year	-	-	-	(9,200)	
	-	-	-	(9,200)	
Transactions with owners					
Issue of shares	7	4,137	-	-	
Share issue costs	-	(167)	-	-	
Share-based payments charge	-	-	-	-	
Total transactions with owners	7	3,970	-	-	
Balance at 31 May 2024	**102**	**23,098**	**5,748**	**(21,417)**	

CONSOLIDATED STATEMENT OF CASHFLOWS

	Year ended 31 May 2024 £'000	Year ended 31 May 2023 £'000
Cash flows from operating activities		
Loss for the year	(9,200)	(4,831)
Adjustments for:		
Amortisation of intangible assets	158	27
Depreciation of tangible assets	343	187
Loss / (profit) on disposal of tangible fixed assets on disposal of tangible assets	51	(15)
Impairment of capitalised development costs	408	-
Interest payable	49	87
Interest receivable	(54)	(17)
RDEC and SME R&D tax credit	(476)	(430)
(Increase) in stocks	(597)	(2,150)
Decrease / (increase) in debtors	38	(2,138)
Increase / (decrease) in creditors	1,813	(156)
Increase / (decrease) in provisions	358	(44)
Share-based payments expense	45	475
Cash used in operations	(7,064)	(9,005)
RDEC and SME tax credits received	777	-
Net cash outflows used in operating activities	**(6,287)**	(9,005)
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,241)	(443)
Proceeds from sale of tangible fixed assets	-	25
Intangible assets - capitalisation of internal development cost	(1,053)	(810)
Net cash used in investing activities	**(2,294)**	(1,228)
Cash flows from financing activities		
Issue of ordinary shares	4,144	16,235
Share issue costs	(167)	(812)
New finance leases and hire purchase loans	255	107
Repayment of obligations under finance leases and hire purchase contracts	(176)	(144)
Interest paid	(49)	(32)
Interest received	54	3
Net cash from financing activities	**4,061**	15,357
Net (decrease) / increase in cash and cash equivalents	(4,520)	5,124
Cash and cash equivalents at the beginning of the year	7,000	1,876
Cash and cash equivalents at the end of the year	**2,480**	7,000

CONSOLIDATED ANALYSIS OF NET DEBT FOR THE YEAR ENDED 31 MAY 2024

	At 1 June 2023 £'000	Cash flows £'000	Payments made in year £'000	Increase in lease liability £'000	At 31 May 2024 £'000
Cash at bank and in hand	7,000	(4,520)	-	-	**2,480**
Finance leases	(407)	-	176	(255)	**(486)**

Net cash	6,593	(4,520)	176	(255)	**1,994**

Principal Notes to the Final Results

General information

Equipmake Holdings Plc is a public company limited by shares incorporated in England and Wales. The Company registration number is 04303233. The registered office is Unit 7, Snetterton Business Park, Snetterton, Norfolk, NR16 2JU.

The Group consists of the parent Equipmake Holdings PLC and subsidiaries Equipmake Limited and Equipmake Inc. All Groupentities are included within the consolidation.

Equipmake is a UK-basedmarket leader in engineering-driven differentiated electrification technologies, products and solutions across the automotive, truck, bus and speciality vehicle industries.

These results are presentedin sterling which is the functional and presentational currency of the Group and are rounded to the nearest £1,000.

The financial information set out in this announcement does not constitute the Group's statutory accounts for the year ended 31 May 2024 or 31 May 2023. Auditors reported on the accounts for the year ended 31 May 2024 and their report drew attention to a material uncertainty relating to going concern and did not contain statements under section 498 (2) or (3) of the Companies Act 2006. Auditors reported on the accounts for the year ended 31 May 2023 and their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 May 2024 will be presented at the forthcoming AGM and delivered to the Registrar of Companies in due course.

1. Going concern

Company law requires the Directors to consider the appropriateness of the going concern basis when preparing the financial statements. The Directors have prepared detailed cashflow forecasts for a period of twelve months and to 31 May 2029, including the new £3m of gross equity funds secured and announced in October 2024, which were received in November 2024. The forecasts anticipate progressive revenue growth over the coming years and reflect a material reduction in the Group's cost base, which is currently being implemented. Some revenue for the next twelve months is already secured or visible but, as to be expected, the financial forecast is heavily reliant on further new business being won and delivered. These forecasts confirm that the Group will require additional financing in order to meet its liabilities as they fall due for the twelve month period and indeed also to reach profitability and cash break-even.

The Group remains in advanced discussions with a global automotive supplier in relation to a potentially material licence agreement. If ultimately signed on the terms agreed to date, this agreement would bring cash receipts of $6 million (approximately £4.6 million) over the two years following signature, as well as further royalty receipts based on volumes, thereafter. If this agreement is signed in its current form over the coming weeks, and the work and the cash receipts materialise as scheduled, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from today, assuming also that other expected new business and associated cash receipts are secured as forecasted.

However, in the event that the significant licence agreement referred to above is not signed but other expected new business is secured, the cash runway extends to approximately March 2025. The cash runway could be less than this in the event that revenues and receipts around other new business generally fall short of the Directors' expectations.

In relation to the potential risk attached to the revenue line, and associated cash receipts, there are various mitigation levers, such as the further reduction or deferral of discretionary expenses spend.

The Group is actively considering potential sources of additional capital for the Group and has a positive track record of securing multiple finance rounds to date.

The Directors have determined it is appropriate to adopt the going concern basis in preparing the financial statements. However, because there is uncertainty over the Group securing the potentially significant licence agreement and in securing and delivering new business or otherwise securing additional finance in a limited timescale, there remains material uncertainty that may cast significant doubt on the Group's ability to continue to trade as a going concern.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation of financial results

These financial results have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The following principal accounting policies have been applied:

Basis of consolidation

The Group's consolidated preliminary results include the results of the Company and all its subsidiaries ("the Group") Subsidiaries are entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are discontinued from the date control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries are consistent with policies adopted by the Group.

The consolidated preliminary results incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to respectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 June 2016.

Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is British Pounds.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding trade discounts, and net of VAT.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (under "ex works" incoterms, this is typically when the goods are made available for transport or collection but the transfer of rights depends on the contractual terms agreed), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Revenue from licencing agreements is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement, including consideration of ongoing obligations, guaranteed minimum payments and payments contingent upon future events.

Income receivable from grants (see below) is included with revenue as this represents a core operating activity of the business.

Leases

Operating leases: the Group as a lessee

Rentals paid under operating leases are charged to profit and loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Finance leases: The Group as a lessee

An asset and corresponding liability are recognised for leasing agreements that transfer to the Group substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to statement of comprehensive income, so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are expensed as incurred.

Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss as other income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income within turnover in the same period as the related expenditure, which is recognised in cost of sales. These grants relate to the primary function of the business and facilitate the delivery of the Group's primary purpose. Other grants are shown within other operating income.

Interest income

Interest income is recognised in profit or loss using the effective interest method.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition. The fair value of the award also takes into account non-vesting conditions.

These are either factors beyond the control of either party (such as a target based on an index), or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Non-recurring costs

Non-recurring costs are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Leasehold improvements	20% on a straight-line basis
Plant and machinery	20-33% on a straight-line basis
Specialist assets	50% on a straight-line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Assets under development are recognised at their cost. No depreciation is charged on these assets until the assets are complete and available for use.

Intangible items

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Intangible assets are reviewed for impairment each financial year.

Research and development

Internally generated intangible assets arising from development, or the development phase of internal projects, have been recognised in the year where the following can be demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) Intention to complete the intangible asset and use or sell it;

c) Ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits (e.g., the existence of a market);

e) Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) Ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are recognised as an intangible asset if it can be demonstrated that all of the criteria for recognition have been met.

In the research phase of an internal project, it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Completed assets are being amortised for up 5 years on a straight-line basis.

Investments

Investments in subsidiaries are initially measured at cost at acquisition and reviewed for impairment at each reporting date, with any movement in the fair value recognised in the profit and loss. Where an investment is acquired in stages, it may be more appropriate to recognise the fair value during initial recognition and then assess the deemed cost for impairment at each reporting date.

The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are required immediately in the profit and loss account.

Stocks and work-in-progress

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

Work-in-progress ("WIP") includes an allocation of direct labour costs and overhead appropriate to the stage of manufacture. At each balance sheet date, stocks and WIP are assessed for impairment. If impairment has occurred, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Debtors

Short-term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

<u>Financial assets</u>

Trade, Group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate.

Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by shareholders at a General Meeting.

Adjusted EBITDA (Alternative Performance Measure)

The Board and Management team primarily use a measure of adjusted earnings before interest, tax, depreciation and amortisation, share based payments and non-recurring costs (EBITDA before share based payments and non-recurring costs, or adjusted EBITDA) to assess the performance of the overall business. This is an Alternative Performance Measure. The reconciliation of adjusted EBITDA to operating profit is shown on the face of the Consolidated Profit and Loss.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could materially differ from those estimates. The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date include:

Revenue recognition

The Company has established a clear decision matrix for each order/contract to ensure a consistent approach for determining the basis for recognising revenue. In some circumstances, judgements are made in respect of the amount of revenue to be recognised at each reporting date. For example, where goods and services supplied on the same contract cannot be split for the purposes of revenue recognition and the work is performed over a period of months or years, the Company would recognise revenue based on the stage of completion.

Share based payments

Some of Equipmake Limited's employees have been granted share options by the Company. The fair value of these options on the date of grant has been determined using the Black Scholes Model. The Directors consider this the most suitable model for calculating the fair value of the options

The management believe that there will not be only one acceptable choice for estimating the fair value of share- based payment arrangements. The judgements and estimates that management apply in determination of the share- based compensation are summarised below:

- Selection of valuation model
- Making assumptions used in determining the variables used in a valuation model:
    I. Expected life

II. Expected volatility

III. Expected dividend yield

IV. Probability of performance-based vesting conditions being met.

Options with both time-based and performance-based vesting conditions were granted in the prior year. The vesting thresholds for the performance-linked options were revised during the prior year in line but remain consistent with the revenue forecasts for the years ending 31 May 2023 and 2024. As the Directors expected that the Company would achieve its revenue targets for the year ended 31 May 2023 and 2024, a charge has been recognised for the relevant portion of the vesting period in the prior year.

Share options were also granted to two non-employees of the Company in the prior year. A share-based payments charge has been recognised in the prior year in respect of one of these individuals, for whom it has been judged that share options were awarded as a result of past services provided to the Company.

Development costs

Management have reviewed activity relating to both customer-related and internal product development projects during the period and capitalised costs where it is considered that the FRS102 criteria have been met. The judgements and estimates that management apply when identifying costs to be capitalised are summarised below:

- Estimated size and value of the market for the product being developed;
- Assessment of technical, financial and other resources required and available to complete development;
- Technical feasibility of completing the development work;
- Completion status of the development work; and
- Expected useful life of the asset once completed.

In the research phase of an internal project, it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Impairment of development costs

In assessing the future economic benefit that can be realised from capitalised development costs, Management will consider future expected revenues and margins that are forecast to arise from relevant projects. Such estimations, being forward looking, are inherently uncertain and may materially differ from actual outcomes. Capitalised development costs are assessed for indications of impairment (which is both a judgement and estimate applied by management). Where an impairment assessment is performed, the same estimations described above relating to future expected financial performance are applied to consider an appropriate recoverable value of the relevant intangible asset.

As a consequence of the Directors' decision post year-end to rationalise the Bus Repowering offering towards a limited number of platforms, the carrying value of certain capitalised developments were reviewed, which led to an impairment in the year which has been recorded as non-recurring cost.

Stock

The Directors have assessed whether any inventories are impaired by comparing the estimated selling price less costs to complete to the carrying amount at year end. Judgements and estimates that management apply in making this assessment include:

- Identification of defective, slow-moving or obsolete stocks;
- Estimates of absorption costing, although no amount has been included as it is considered immaterial;
- Estimates of prices obtainable for the goods at the time that they will be available for sale; and
- Projected costs of completion and sale.

Contingent liability

A contingent liability for the provision of warranties has been reviewed by management. Warranties requires management's best estimate of the expenditure that will be incurred in respect of warranty

claims, which are detailed in the terms and conditions of sale. Certain contracts contain an obligation for Equipmake to provide a warranty on the products that it provides. The precise terms of the warranty vary on a contract-by-contract basis but currently range between three and eight years. Given that these products are relatively new to the market, Equipmake is unable to reference a history of warranty claims in order to provide a basis for estimating an accurate provision and is therefore unable to provide a basis for estimation of a provision that complies with the requirements of the accounting standards. Whilst no provision has been included, costs relating to service personnel, who would deal with any potential warranty issues, are recognised in the Profit and Loss.

4. Segmental reporting and turnover

Segmental information is presented in respect of the Group's operating segments based on the format that the Group reports to its chief operating decision maker, for the purpose of allocating resources and assessing performance. The Group considers that the chief operating decision maker ("CODM") comprises the Executive Directors of the business.

Revenues and gross profits are presented for each business line but, due to the shared nature of many expenses, expenses are not separately allocated across the business lines. No account has been taken of transfers between business lines.

Due to the shared nature of many assets, assets and liabilities for both 2024 and 2023 are not able to be separately allocated across the business lines but are reported to the CODM on an aggregate basis.

For the year ended 31 May 2024:

	Bus Repowering	**Drivetrain Supply**	**EV Components**	**Technology Engineering Projects**	**Technology Licencing**	**Total (excluding Grants)**	**Grants**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	3,854	2,181	846	399	-	7,280	788	8,068
Cost of sales	(6,770)	(1,548)	(609)	(297)	-	(9,224)	(1,473)	(10,697)
Gross profit	**(2,916)**	**633**	**237**	**102**	**-**	**(1,944)**	**(685)**	**(2,629)**

For the year ended 31 May 2023:

	Bus Repowering	**Drivetrain Supply**	**EV Components**	**Technology Engineering Projects**	**Technology Licencing**	**Total (excluding Grants)**	**Grants**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	900	850	1,575	1,312	300	4,937	116	5,053
Cost of sales	(1,016)	(876)	(956)	(832)	-	(3,680)	(165)	(3,845)
Gross profit	**(116)**	**(26)**	**619**	**480**	**300**	**1,257**	**(49)**	**1,208**

The Group manages its business lines on a global basis. The operations are based primarily in the UK.

5. Other operating income

	For the year ended 31 May 2024	For the year ended 31 May 2023

	£'000	£'000
RDEC claim	476	245
Other income	33	36
Total other operating income	**509**	281

6. Non-recurring costs

The Company incurredthe following non-recurring costs in the year, which are disclosed separately. This is an Alternative Performance Measure.

	For the year ended 31 May 2024 £'000	For the year ended 31 May 2023 £'000
Bus Repowering - impairment of capitalised development costs	408	-
Bus Repowering - onerous contracts provision	358	-
Bus Repowering - irrecoverable development costs in the year	270	-
Professional fees relating to share placing	98	-
Professional fees relating to Admission to Aquis	-	615
	1,134	615

The Directors reviewed the Bus Repowering business line after the balance sheet date and made the following adjustments, all considered non-recurring:

- The Directors have treated the impairment of certain development costs following the decision post year-end to rationalise the Bus Repowering offering towards a limited number of platforms, as a non-recurring cost as it is considered a one-off event;
- The Directors have treated the reversal of the capitalisation of certain costs incurred during the year following the decision post year-end to rationalise the Bus Repowering offering towards a limited number of platforms, as a non-recurring cost as it is considered a one-off event; and
- The Directors have treated the establishment of an onerous contracts provision in relation to two Bus Repowering contracts underway as the year-end date as non-recurring as, following the successful sourcing of lower cost batteries and other components after the year-end date, these costs are considered a one-off event.

7. Taxation

	For the year ended 31 May 2024 £'000	For the year Ended 31 May 2023 £'000
Corporation tax		
Current tax payable on RDEC receivable	119	46
Tax credit - R&D SME scheme	(29)	(232)
Withholding tax	23	-
Total current tax	113	(186)
Deferred tax	-	-
Total deferred tax	-	-
Taxation on loss on ordinary activities	**113**	(186)

8. Stocks

	2024 £'000	2023 £'000
Work in progress	792	485
Raw materials	2,763	2,473
	3,555	2,958

9. Debtors

	2024 £'000	2023 £'000
Trade debtors	2,500	2,463
Other debtors	238	232
Prepayments and accrued income	963	931
Tax recoverable	462	876
	4,163	4,502

10. Creditors: Amounts falling due within one year

	2024 £'000	2023 £'000
Trade creditors	2,003	470
Other taxation and social security	168	138
Obligations under finance lease and hire - purchase contracts	178	152
Other creditors	167	217
Accruals and deferred income	1,281	980
	3,797	1,957

11. Creditors: Amounts falling due after more than one year

	2024 £'000	2023 £'000
Net obligations under finance leases and hire purchase contracts	308	255
	308	255

12. Provisions

	Onerous contracts £'000	Warranty £'000	Total £'000
At 1 June 2022	-	44	44
Utilisation of provision	-	(44)	(44)
At 31 May 2023	-	-	-
Charge to the profit and loss	358	-	358
Unaudited at 31 May 2024	**358**	**-**	**358**

The provision disclosed above comprises an onerous contract provision relating to expected future losses on two Bus Repowering contracts where the associated direct costs over the contract period are expected to be in excess if the revenue. The provision is expected to be utilised in the year ended 31 May 2025.

13. Hire purchase and finance leases

Minimum lease payments under hire purchase agreements fall due as follows:

	2024	2023
	£'000	£'000
Within one year	178	152
Between 1-5 years	308	255
	486	407

14. Share capital

	As at 31 May 2024	As at 31 May 2023
Allotted, called up and fully paid	**£'000**	£'000
1,020,074,569 (2023: 948,229,409) Ordinary Shares of £0.0001 each	**102**	95
The following movements in Share Capital occurred:		
Issue of 2,775,132 Ordinary Shares of £0.0001 each	-	-
Issue of 69,070,028 Ordinary Shares of £0.0001 each	7	-
Issue of 88,235,294 Ordinary Shares of £0.0001 each on conversion of convertible loan	-	9
Issue of 235,294,115 Ordinary Shares of £0.0001 each	-	24
Issue of 124,700,000 Ordinary Shares of £0.0001 each	-	12
Total	**7**	45

The movements in relation to Share Capital during the year were as follows:

- On 15 November 2023, the Company issued 2,775,132 £0.0001 Ordinary Shares following the exercise of share options at an exercise price of par value;
- On 14 February 2024, the Company issued 67,233,332 £0.0001 Ordinary Shares at an issue price of £0.06, raising a gross total of £4.0 million for the Company (before related professional expenses totalling £0.1 million); and
- On 16 February 2024, the Company issued 1,836,696 Ordinary Shares at an issue price of £0.06, raising a gross total of £0.1 million for the Company.
- The combined expenses attached to the 14 and 16 February 2024 share issues amounted to £265,000.

The movements in relation to Share Capital during the prior year were as follows:

- On 28 July 2022, the Company issued 88,235,294 £0.0001 Ordinary Shares at an issue price of £0.0425, following the conversion of a loan note;
- On 28 July 2022, the Company issued 198,823,529 £0.0001 Ordinary Shares at an issue price of £0.0425, raising a total of £8.4 million for the Company (before expenses);
- On 29 July 2022, the Company issued 36,470,586 £0.0001 Ordinary Shares at an issue price of £0.0425, raising a total of £1.6 million for the Company (before expenses);
- On 31 January 2023, the Company issued 23,626,996 £0.0001 Ordinary Shares at an issue price of £0.05, raising a total of £1.2 million for the Company (before expenses); and
- On 1 February 2023, the Company issued 101,073,004 Ordinary Shares at an issue price of £0.05, raising a total of £5.1 million for the Company (before expenses)

15. Earnings per share

Basic loss per share of 0.95 pence (2023: 0.60 pence) is calculated based on the following data:

	2024	2023
	£'000	£'000
Earnings used in calculation of total earnings per share:		
Earnings on total losses attributable to equity holders of the parent	(9,200)	(4,831)
Weighted average number of ordinary £0.0001 shares in issue	969,972,685	811,174,508
Basic (loss) per share, in pence	**(0.95) p/share**	(0.60) p/share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group, being loss making in both this year and the comparative year would mean that any exercise would be anti-dilutive. The diluted earnings per share is therefore the same as the basic earnings per share.

16. Reserves

Share premium

The share premium account represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

Other reserves

Brought forward other reserves comprise the amount attributable to the owners of the Company following the issue of shares in the subsidiary at a premium to non-controlling interests in previous financial years.

Other reserves

Brought forward other reserves derived from a reduction in capital which resulted in the cancellation of 5,000,000 £1 B ordinary shares during the year ended 31 May 2022, when £5,000,000 was credited against the proceeds of this issue.

Share-based payments reserve

Used to reflect the assessed fair value of the equity settled options issued as share-based payments.

Profit and loss account

Profit and loss account represents cumulative profits and losses net of dividends and other adjustments.

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