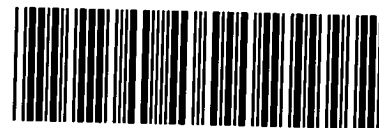


Registration number: 00751804

FAUN ZOELLER (UK) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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FAUN ZOELLER (UK) LIMITED

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FAUN ZOELLER (UK) LIMITED

COMPANY INFORMATION

Directors	S Hyde
	R Horton
	S Gregory
Company secretary	R Horton
Registered office	Units 4 & 5 Colemeadow Road Moons Moat North Industrial Estate Redditch Worcestershire B98 9PB
Bankers	Barclays Bank plc PO Box 5960 6th Floor Snowhill Snowhill Queensway Birmingham B4 6GN
Auditors	Hazlewoods LLP Staverton Court Staverton Cheltenham GL51 0UX

FAUN ZOELLER (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activity

The principal activity of the company is that of the sale and service of refuse collection vehicles.

Fair review of the business and future developments

Although order intake was in line with expectation, delays in the supply chain meant a number of orders due to be delivered in the second half of the year were delayed until 2023. Without that delay the business would have reported increased turnover and profit, but these profits will now be included in our 2023 results.

Aftersales business saw growth in revenue and gross margin, and the 1st HFCEV BLUEPOWER was delivered during the year and is in full operation at the client.

Overheads and administrative expenses increased in line with our growth plan, and we have invested in additional personnel in customer support and service. Marketing, demonstration and travel costs all increased and are in line with normal pre-pandemic levels.

The Company's decarbonisation programme is well underway with significant orders received for zero emission vehicles and further investments have been made by the group to support this growth.

Given the strong pipeline and order book combined with the delays from 2022, the trading and performance outlook for 2023 is very positive.

Principal risks and uncertainties

The execution of the company's strategy is subject to a number of risks. The process of identifying and managing risk is overseen by the directors and management.

The key business risks and uncertainties affecting the company are summarised as:

COVID-19

The company continues to adhere to the government guidelines in relation to COVID-19. The investments and changes made in 2020 have meant no disruption to our service was noted in 2022 or expected in the future. We are continually monitoring the government's guidelines as the situation evolves to ensure we are able to safely support our customers.

Liquidity risk

The directors' aim is to ensure the company has sufficient liquid resources to meet its operational requirements. This is closely monitored to minimise the exposure to risk.

Interest rate risk

Certain of the company's borrowings bear interest rates linked to the bank base rate. The company is therefore subject to interest rate risk. The company has close dialogue with its lenders and closely monitors the interest rate charge to minimise the exposure to this risk.

Credit risk

The company offers its customers credit. Before credit terms are agreed, an assessment of the customer's credit rating is undertaken to ensure there is not a major credit risk to the company. Credit limits are set accordingly.

Price and foreign exchange rate risk

The company has a significant number of non-sterling currency transactions. As a result, exchange rate fluctuations impact on the results and cash flows of the company. The company utilises natural hedges to minimise this risk.

Impact of Brexit

We continue to work with our supply chain and advisers to ensure minimal disruption to the movement of goods from the EU into the UK, and to ensure we are compliant with all the rules governing imports and exports. Currency fluctuations, trading arrangements, employment issues and other risks that become apparent over time will be monitored by management and mitigation put in place where possible.

FAUN ZOELLER (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

ESG report

Impact on the environment

The Company's products naturally have a positive impact on the environment, both with regards to waste collection and recycling. Over the last few years the Company has in conjunction with group suppliers launched the first hydrogen waste vehicle in the UK market, and continues to push carbon free vehicles.

The Directors and Senior leadership team are working to continue reducing the Company's carbon footprint and have systems in place to monitor and report on carbon usage. Our data for 2022 and 2021 is reported below.

	FY2022	FY2021
Location based		
Measured carbon footprint	220.9 tCO ₂ e	233.1 tCO ₂ e
Measured carbon footprint per employee	5.2 tCO ₂ e	6.2 tCO ₂ e
Market based		
Measured carbon footprint	204.4 tCO ₂ e	231.2 tCO ₂ e
Measured carbon footprint per employee	4.8 tCO ₂ e	6.1 tCO ₂ e
Absolute carbon reduction.	5.2%	11.1%
Carbon reduction per employee	16.2%	9.9%

In addition to this the company has during the year replaced a number of its company car fleet with fully electric or hybrid vehicles.

Social matters

Health & Safety remains a key priority for the business, and a working group meets formally once per quarter to discuss, review and minimise risk to any employee or stakeholder. Employees receive relevant training and "tool-box" talks to ensure they recognise risks and follow procedures.

The directors and Senior leadership team see the development of employees as critical to the success of the business and having achieved IIP Silver award in 2022 are now targeting Gold in the near future. We have appointed a people forum, and improved development plans for all staff. The business is also actively recruiting apprentices.

Employees are expected to uphold the highest level of ethics and integrity and our values, which are Honesty, Innovative, Corporate Family, Continual Improvement, Quality. These values are actively communicated and form part of our development reviews.

In the local community, the Company are actively participating in a number of local initiatives including the Redditch Business Leaders, and POWER UP Mentor Scheme for Worcestershire County and are firmly committed to supporting schools in the local community.

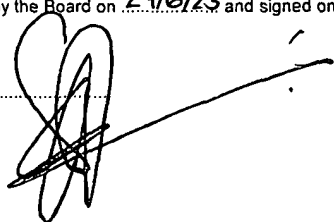
Governance

The Company has recently formed an Internal Audit Committee with the purpose of providing assurance to the adequacy and effectiveness of governance and risk management.

The Company regularly reviews its' succession & progression plans, and following the last review the Company is investing in its future leaders through the Institute of Leadership and Management (ILM) level 3 and level 5 training programs.

Approved by the Board on 29/6/23 and signed on its behalf by:

S Hyde
Director



FAUN ZOELLER (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

Directors of the company

The directors who held office during the year were as follows:

S Hyde

R Horton

S Gregory

Going concern

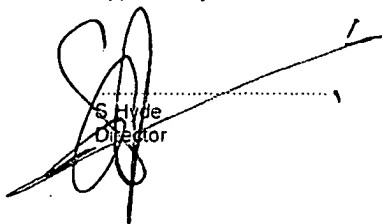
At the year end the company has net assets of £1,250,569 (2021 - £2,238,466). The intermediate parent company, Faun Umwelttechnik GmbH & Co Kg, have confirmed that they will, if required, continue to provide financial support.

The directors have prepared detailed cash flow forecasts for the company for more than 12 months from the approval of these financial statements. These forecasts indicate the company is able to operate within its facilities and meet its liabilities as they fall due. On the basis of the points above, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 29/6/23 and signed on its behalf by:


S Hyde
Director

FAUN ZOELLER (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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.

FAUN ZOELLER (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAUN ZOELLER (UK) LIMITED

Opinion

We have audited the financial statements of FAUN Zoeller (UK) Limited (the 'company') for the year ended 31 December 2022, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter

We draw attention to note 2 to the financial statements which describes an uncertainty relating to the recoverability of the amounts owed by the company's subsidiary undertaking, FAUN Trackway Limited. Our opinion is not qualified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

FAUN ZOELLER (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAUN ZOELLER (UK) LIMITED

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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.

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 considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in and identified the key laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements, including the UK Companies Act and tax legislation, and, those that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

FAUN ZOELLER (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAUN ZOELLER (UK) LIMITED

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgments made in accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud;
- enquiring of management concerning actual and potential litigation and claims and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 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 this 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.



Paul Fussell (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court
Staverton
Cheltenham
GL51 0UX

Date: 29/6/23

FAUN ZOELLER (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	3	19,465,742	24,975,782
Cost of sales		<u>(16,169,530)</u>	<u>(20,943,446)</u>
Gross profit		3,296,212	4,032,336
Administrative expenses		(4,176,691)	(3,579,509)
Other operating income	4	<u>-</u>	<u>4,500</u>
Operating (loss)/profit	5	<u>(880,479)</u>	<u>457,327</u>
Other income	8	158,091	124,269
Interest payable and similar charges	9	<u>(265,509)</u>	<u>(243,412)</u>
		<u>(107,418)</u>	<u>(119,143)</u>
(Loss)/profit before tax		(987,897)	338,184
Taxation	11	<u>-</u>	<u>-</u>
(Loss)/profit for the financial year		<u><u>(987,897)</u></u>	<u><u>338,184</u></u>

The above results were derived from continuing operations.

The company has no other comprehensive income for the year.

The notes on pages 12 to 22 form an integral part of these financial statements.

FAUN ZOELLER (UK) LIMITED

**(REGISTRATION NUMBER: 00751804)
BALANCE SHEET AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	12	977,926	1,184,494
Investments	13	<u>10,099</u>	<u>10,099</u>
		<u>988,025</u>	<u>1,194,593</u>
Current assets			
Stocks	14	6,993,560	3,169,671
Debtors	15	9,573,176	7,500,905
Cash at bank and in hand		<u>243,792</u>	<u>165,412</u>
		16,810,528	10,835,988
Creditors: Amounts falling due within one year	16	<u>(16,356,336)</u>	<u>(9,616,890)</u>
Total assets less current liabilities		1,442,217	2,413,691
Provisions for liabilities	17	<u>(191,648)</u>	<u>(175,225)</u>
Net assets		<u>1,250,569</u>	<u>2,238,466</u>
Capital and reserves			
Called up share capital	18	750,000	750,000
Retained earnings		<u>500,569</u>	<u>1,488,466</u>
Total equity		<u>1,250,569</u>	<u>2,238,466</u>

Approved and authorised by the Board on 29/6/23 and signed on its behalf by:



R Horton
Director

The notes on pages 12 to 22 form an integral part of these financial statements.

FAUN ZOELLER (UK) LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share capital £	Retained earnings £	Total £
At 1 January 2022	750,000	1,488,466	2,238,466
Loss for the year	-	(987,897)	(987,897)
At 31 December 2022	<u>750,000</u>	<u>500,569</u>	<u>1,250,569</u>

	Share capital £	Retained earnings £	Total £
At 1 January 2021	750,000	1,150,282	1,900,282
Profit for the year	-	338,184	338,184
At 31 December 2021	<u>750,000</u>	<u>1,488,466</u>	<u>2,238,466</u>

The notes on pages 12 to 22 form an integral part of these financial statements.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is:

Units 4 & 5 Colemeadow Road
Moons Moat North Industrial Estate
Redditch
Worcestershire
B98 9PB

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is UK £, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest £.

Summary of disclosure exemptions

Faun Zoeller (UK) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a statement of cash flows and remuneration of key management personnel.

Exemption from preparing group accounts

The financial statements contain information about Faun Zoeller (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Kirchoff GmbH & Co Kg, a company incorporated in Germany.

Going concern

At the year end the company has net assets of £1,250,569 (2021 - £2,238,466). The intermediate parent company, Faun Umwelttechnik GmbH & Co Kg, have confirmed that they will, if required, continue to provide financial support.

The directors have prepared detailed cash flow forecasts for the company for more than 12 months from the approval of these financial statements. These forecasts indicate the company is able to operate within its facilities and meet its liabilities as they fall due. On the basis of the points above, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

Judgements

Included within receivables from group undertakings in note 15 of these financial statements is £6,290,374 (2021 - £5,301,342) owed by FAUN Trackway Limited, the company's subsidiary undertaking. At the balance sheet date, FAUN Trackway Limited had net assets of £2,493 (2021 - net assets of £208,796), which include an amount of £3,072,633 (2021 - £4,130,711) owed by the company's subsidiary undertaking, FAUN Trackway USA Inc. The amount owed by FAUN Trackway USA Inc mainly relates to sales and marketing costs incurred by FAUN Trackway USA Inc to develop its business in the USA, which FAUN Trackway Limited has funded. FAUN Trackway USA Inc is actively pursuing US contracts, which if won are expected to generate sufficient profits to enable the company to settle amounts owing to FAUN Trackway Limited, which would then allow that company to settle the amount owing to FAUN Zoeller (UK) Limited. If FAUN Trackway USA Inc. is unsuccessful in obtaining new profitable contracts, the amounts owed to FAUN Trackway Limited would be irrecoverable, which would potentially impact on the recoverability of amounts owed by FAUN Trackway Limited of £6,290,374 (2021 - £5,301,342) to FAUN Zoeller (UK) Limited.

Significant judgements have been made by management in these financial statements in the preparation of the company's warranty and stock provisions. The company gives warranties on certain products which are manufactured and sold. The provision for warranty costs is calculated by management, and recognised for each type of product based on available past historical data and the levels of repairs and returns.

Key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Management have assessed stock lines and have estimated the value of stock that requires provision in order to reflect the true value of stock within the financial statements. The carrying amount is £296,027 (2021 - £286,757).

Management have assessed warranty costs and have estimated the value of a warranty provision in order to reflect future expected costs in the financial statements. The carrying amount is £191,648 (2021 - £175,225).

Revenue recognition

Sale of goods

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits can be reliably measured, and it is probable that future economic benefits will flow to the entity.

Rendering of services

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. When the outcome of a transaction for the rendering of services can be estimated reliably in terms of revenue, costs and its stage of completion, the company recognises revenue on the sales of services in the reporting period in which the services are rendered by reference to the stage of completion of the specific transaction at the end of the reporting period. The stage of completion is determined on the basis of the actual completion of a proportion of the total services to be rendered. When the outcome of a service contract cannot be estimated reliably the company only recognises revenue to the extent of the recoverable expenses recognised.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Asset class	Depreciation method and rate
Plant and machinery	10% - 50% per annum
Motor vehicles	20% - 25% per annum
Fixtures and fittings	10% - 33% per annum
Land	Land is not depreciated
Buildings/improvements	Over 25 years/10% - 20% per annum

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

Trade debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

Stocks and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to be completion and selling costs. Costs include all direct costs and an appropriate proportion of fixed and variable overheads.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provision has been made for estimated future claims by customers under warranties in respect of products sold during the year, where the claims made by customers cannot be taken up under warranties provided by the manufacturers of the products.

Hire purchase and leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Pensions

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies (continued)

Financial instruments

Classification

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other receivables and payables, loans from related parties and investments in non-puttable ordinary shares.

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Debt instruments like loans and other receivables and payables are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms of financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Recognition and measurement

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit or loss account. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an assets carrying value and the present value of estimated cash flows discounted at the assets original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an assets carrying amount and the best estimate, which is an approximation, of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount recognised in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

At each reporting date non-financial assets not carried at fair value, such as property, plant and equipment are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less costs to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in the profit and loss account.

3 Turnover

The analysis of the company's revenue for the year by class of business is as follows:

	2022 £	2021 £
Sale of goods	17,546,624	23,048,295
Rendering of services	1,919,118	1,927,487
	<u>19,465,742</u>	<u>24,975,782</u>

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover (continued)

The analysis of the company's turnover for the year by market is as follows:

	2022 £	2021 £
UK	19,464,249	24,949,821
Europe	<u>1,493</u>	<u>25,961</u>
	<u>19,465,742</u>	<u>24,975,782</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022 £	2021 £
Miscellaneous other operating income	<u>-</u>	<u>4,500</u>

5 Operating profit

Arrived at after charging/(crediting)

	2022 £	2021 £
Depreciation expense	250,646	240,794
Foreign exchange losses/(gains)	7,369	(447)
Operating lease expense - plant and machinery	279,641	213,639
Loss/(profit) on disposal of property, plant and equipment	<u>26,994</u>	<u>(2,299)</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022 £	2021 £
Wages and salaries	2,032,356	1,760,193
Social security costs	235,675	210,248
Pension costs, defined contribution scheme	<u>75,456</u>	<u>71,225</u>
	<u>2,343,487</u>	<u>2,041,666</u>

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

	2022 No.	2021 No.
Sales, supply chain & administration	22	20
Service	<u>19</u>	<u>17</u>
	<u>41</u>	<u>37</u>

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022	2021
	£	£
Remuneration (including benefits in kind)	400,311	379,317
Contributions paid to money purchase schemes	<u>22,354</u>	<u>21,756</u>
	<u>422,665</u>	<u>401,073</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2022	2021
	No.	No.
Accruing benefits under money purchase pension scheme	<u>3</u>	<u>3</u>

In respect of the highest paid director:

	2022	2021
	£	£
Remuneration	150,911	135,953
Company contributions to money purchase pension schemes	<u>8,479</u>	<u>8,252</u>

8 Other interest receivable and similar income

	2022	2021
	£	£
Interest income from group undertakings	154,262	124,269
Interest income on bank deposits	<u>3,829</u>	<u>-</u>
	<u>158,091</u>	<u>124,269</u>

9 Interest payable and similar expenses

	2022	2021
	£	£
Interest on loans from group undertakings	<u>265,509</u>	<u>243,412</u>

10 Auditors' remuneration

	2022	2021
	£	£
Audit of the financial statements	<u>33,000</u>	<u>31,700</u>
Other fees to auditors		
Taxation compliance services	<u>6,000</u>	<u>5,500</u>

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11 Income tax

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2021 - the same as the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
(Loss)/profit before tax	(987,897)	338,184
Corporation tax at standard rate	(187,700)	64,255
Effect of expense not deductible in determining taxable profit (tax loss)	11,103	2,287
Deferred tax not recognised	178,651	483,499
Fixed asset differences	(3,795)	1,245
Tax increase (decrease) arising from group relief	-	(23,158)
Capital allowances in excess of depreciation	1,741	-
Remeasurement of deferred tax for changes in tax rates	-	(528,128)
Total tax charge/(credit)	-	-

Deferred tax

There are £10,131,038 of unused tax losses (2021 - £9,185,881) for which no deferred tax asset is recognised in the balance sheet.

12 Tangible assets

	Land and buildings and building improvements £	Fixtures and fittings £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation					
At 1 January 2022	1,016,390	211,261	316,664	478,135	2,022,450
Additions	4,187	8,905	-	77,730	90,822
Disposals	-	-	(144,169)	(139,358)	(283,527)
At 31 December 2022	1,020,577	220,166	172,495	416,507	1,829,745
Depreciation					
At 1 January 2022	332,516	72,666	204,774	228,000	837,956
Eliminated on disposal	-	-	(97,424)	(139,358)	(236,782)
Charge for the year	119,927	39,411	39,356	51,951	250,645
At 31 December 2022	452,443	112,077	146,706	140,593	851,819
Carrying amount					
At 31 December 2022	568,134	108,089	25,789	275,914	977,926
At 31 December 2021	683,874	138,595	111,890	250,135	1,184,494

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13 Investments

	2022 £	2021 £
Investments in subsidiaries	<u>10,099</u>	<u>10,099</u>

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2022	2021
Subsidiary undertakings				
Zoeller Waste Systems Limited	Units 4 & 5 Colemeadow Road, Moons Moat North Industrial Estate, Redditch, Worcestershire, B98 9PB United Kingdom	Ordinary	100%	100%
Faun Trackway Limited	Unit 6 Bryn Cefni Industrial Estate, Llangefni, Isle of Anglesey, LL77 7XA United Kingdom	Ordinary	99%	99%
FAUN Trackway USA, Inc.	805 15th St New Ste 1101 Washington, DC 2005 USA	Ordinary	100%	100%

The principal activity of Zoeller Waste Systems Limited is that of a dormant company.

The principal activity of Faun Trackway Limited is assembly, installation, sale and service of mobile transportation units.

The principal activity of FAUN Trackway USA, Inc. is assembly, installation, sale and service of mobile transportation units. FAUN Trackway USA, Inc. is a 100% owned subsidiary of Faun Trackway Limited.

Subsidiaries

£

Cost and carrying amount

At 31 December 2021 and 31 December 2022	<u>10,099</u>
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14 Stocks

	2022 £	2021 £
Raw materials	5,525,832	1,283,310
Work in progress	71,609	40,903
Finished goods and held for resale	<u>1,396,119</u>	<u>1,845,458</u>
	<u>6,993,560</u>	<u>3,169,671</u>

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

15 Debtors

	2022 £	2021 £
Trade debtors	2,831,932	1,981,025
Receivables from group undertakings	6,305,588	5,301,342
Other receivables	172,116	2,375
Prepayments and accrued income	263,540	216,163
	<u>9,573,176</u>	<u>7,500,905</u>

16 Creditors

	2022 £	2021 £
Due within one year		
Trade creditors	859,997	749,529
Amounts due to group undertakings	14,533,268	8,174,547
Social security and other taxes	255,561	355,401
Other payables	14,018	12,174
Accrued expenses	693,492	325,239
	<u>16,356,336</u>	<u>9,616,890</u>

17 Provisions

	Warranty provision £
At 1 January 2022	175,225
Additional provisions	<u>16,423</u>
At 31 December 2022	<u>191,648</u>

The company gives warranties on certain products manufactured and sold. A provision for warranty is calculated and recognised for each type of such product based on available past historical data on the levels of repairs and returns.

18 Share capital

Allotted, called up and fully paid shares

	2022 No.	£	2021 No.	£
750,000 Ordinary shares of £1 each	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>

19 Reserves

Called up share capital

This represents the nominal value of the issued share capital of the company.

Retained earnings

This represents the cumulative profits or losses, net of dividends paid and other adjustments.

FAUN ZOELLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £75,456 (2021 - £71,225).

Contributions totalling £14,018 (2021 - £12,174) were payable to the schemes at the end of the year and are included in creditors.

21 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2022 £	2021 £
Not later than one year	270,430	220,821
Later than one year and not later than five years	218,282	186,041
	<u>488,712</u>	<u>406,862</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £279,641 (2021 - £213,639).

22 Related party transactions

During the year Faun Zoeller (UK) Limited made sales of £nil (2021 - £nil) and purchases of £170 (2021 - £508) to Contena Ochsner, a group undertaking. At 31 December 2022, the company owed £nil (2021 - £nil) to Contena Ochsner.

During the year Faun Zoeller (UK) Limited made sales of £nil (2021 - £nil) and purchases of £310,959 (2021 - £125,776) to Semat S.A France, a group undertaking. At 31 December 2022, the company owed Semat S.A France £277,420 (2021 - £81,751).

During the year Faun Zoeller (UK) Limited recharged expenses of £7,591 (2021 - £5,274) to Faun Trackway Limited, a group undertaking. At 31 December 2022, the company was owed £6,290,375 (2020 - £5,301,342) by Faun Trackway Limited. Interest at a rate of 2.5% is charged on this balance. Interest of £154,262 (2021 - £124,269) was charged during the year ended 31 December 2022.

During the year Faun Zoeller (UK) Limited made sales of £382,834 (2021 - £8,534) to and purchases of £2,719 (2021 - £1,847) from Farid Hillend Engineering Limited, a group undertaking. At 31 December 2022, the company owed £477 (2021 - £nil) to Farid Hillend Engineering Limited.

23 Parent and ultimate parent undertaking

The company's immediate parent is FAUN Expotec GmbH, incorporated in Germany.

The ultimate parent is Kirchoff Ecotec GmbH, incorporated in Germany.

These financial statements are available upon request from Iserlohn, Stefanstraße 2, 58638 Iserlohn, Germany