

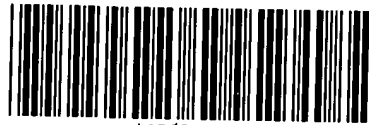
Registered number: 04103211

ZÜHLKE ENGINEERING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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ZÜHLKE ENGINEERING LIMITED

COMPANY INFORMATION

Directors	Dr W Emmerich F Ferrandina
Company secretary	E Jasvoin
Registered number	04103211
Registered office	25 Moorgate London EC2R 6AY
Independent auditor	Nexia Smith & Williamson Chartered Accountants & Statutory Auditor Onslow House Onslow Street Guildford GU1 4TL

ZÜHLKE ENGINEERING LIMITED

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ZÜHLKE ENGINEERING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their Strategic Report for the year ended 31 December 2021.

Strategy

Mission

Empowering ideas – that is our mission. We enable our clients to achieve business innovation, from first idea to success in their markets.

Strategy

The board elaborates together with the leadership team every three to five years a strategy or a strategy-review. The actual strategy is set out for 2020-2022 and includes the following pillars:

- Talent
- Offering
- Corporate development

Talent

The Zühlke Group strategy defines the Zühlke Journey as a strategic goal. In the UK, we aim to contribute to this goal by refocussing our investment in training with a view to accelerate the careers of our staff. Completeness of our employee development programs result in lower churn rate and is valued by our clients as an integral part of what makes Zühlke, Zühlke.

A “delivery ecosystem” is a network of trusted companies and associates that we cooperate with for acquiring and delivering client engagements. The main purpose of the delivery ecosystem is to add non-core or not yet core competencies to expand our services, strengthen our positioning and enhance our effectiveness and efficiency in acquiring and delivering client projects. A secondary purpose is to enable us to staff new projects when a full Zühlke team is not available when the client needs them.

Offering

The Zühlke Group has a goal to expand the business consulting capability in order to gain entry at an early stage of the development of a new product or service, to ensure that our projects provide real business value and also to advise the business functions of our clients. Zühlke UK aims to support the Group goal building a customer experience practice that delivers a subset of the overall business consulting portfolio.

In the past three years we have built a Solution portfolio that addresses particular market needs. We now need to focus on creating value for Zühlke UK from this portfolio and expand it as new methodological and technological innovations become available. This includes using novel technologies to enable new Solutions and for more effective delivery to existing solutions. Clients come to us for innovative engagements rather than for standard business systems.

Corporate development

A goal of the Zühlke Group strategy 2025 is to turn the group into a global company. In particular, this means exploiting synergies to improve revenue and reduce costs. There are a number of areas where Zühlke UK is leading in the group and the aim of this goal is to anchor in the Zühlke UK strategy that we want to aid the adoption of those areas by other group companies or the Group as a whole.

ZÜHLKE ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Business environment

Important trends and factors

The strategy is based on the assumption that the following trends will be highly relevant in the time until 2025:

Talents: Shortage of STEM professionals will continue. Young professionals will not stay with a company as long as the previous generation did. Staying for a single project will be the new norm for many young professionals. Also, work-life balance and purpose of our work will become even more important in the future.

Our market: The demand for professional services for business innovation that is driven or at least enabled by technology will be stable or even increase. At the same time, there will be no relief of the pressure on cost for R&D and IT. Speed of execution and flexibility on the side of service providers will become even more important.

Globalisation of innovation: The old metaphor that innovation happens in the west and manufacturing is done in Asia is no longer true. Innovation takes place where markets grow and where talents are available, specifically in Southeast Asia and China.

Competition: As we grow, we will increasingly compete with established global players. Another new class of competitors will be networks of independent professionals and networks of smaller companies, that team up for particular projects. "Coopetition" will become widespread in the professional services industry.

Technology: The ability to assess the potential of new technologies early on to advise our clients how they can use these technologies for the benefit of their own business will remain very important.

Economy: We expect that there will be an economic downturn that will slow down the growth of the group but it will not threaten its survival.

Principal risks and uncertainties

Climate change, feeding a growing population, reducing carbon emissions, and a widening gap between the extremely poor and the very rich are all challenges that can only be mastered by innovation: by innovating the transportation infrastructure, by innovating energy production and distribution, by innovating food production, and by innovating education, to name just a few. We are in the "innovation business" and thus contribute to solve relevant problems, one project at a time.

There are also a number of UK-specific challenges that our strategic goals need to consider around the anticipated departure of the UK from the EU. The departure will cause impediments and detractions on inbound talent and the economic consequences of a potentially hard and sudden departure of the UK from the EU.

Project risks

The main risk is not meeting the customer's requirements or not meeting them in a timely manner and having to work unpaid hours or pay a penalty for that. In order to minimize or prevent the risk, a stringent process is implemented as part of the project management and reviewed by supervisors. The project progress and the non-billable hours that cannot be charged are monitored on an ongoing basis.

Another project risk is that the customer stops the project and does not want to pay for the outstanding services. To minimize the impact of this risk Zühlke's offer to invoicing process is aligned and no project starts without a signed contract. Service hours are billed on a monthly basis.

Market and client's risks

Client's satisfaction and key account management are as important as high quality in delivery and stringent project management to reduce generic market and client's risks.

ZÜHLKE ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Foreign exchange rate risks

The following exchange rate risks can affect our profitability:

Transaction risks

Transactions in foreign currency that directly affect the profit and loss statement (currency gains and losses). If substantial, these risks may be mitigated through different kinds of hedging strategies. Considering the difficulty of estimating transactions in foreign currency (due to planning uncertainties) and the external hedging costs, our main strategy is the natural hedging of foreign currency in and outflows.

Translation risks

These risks are encountered during the consolidation process. The exchange rate differences do not affect the profit and loss statement and are considered directly in the balance sheet. While materialisation of the translation risk results in lower contribution of our non-CHF companies, it does not affect our margins. We therefore pursue no strategy to mitigate these risks.

Economic exposure

This kind of currency risk is the most critical one, resulting in higher competition from countries that directly benefit from the drop in our main exchange rates. The Group strategy and the distributed delivery model contribute to the mitigation of this risk.

Data Security, Cyber risks, and compliance risks

Due to higher demand for digitalization projects as well as higher risk for data protection and information security Zühlke initiated in 2020 and prepared in 2021 the certification of ISO270001. In November the audit was successful, and we achieved the certification. A strong growing organization and in combination with the customers need for more global projects leads to further cybercrime risks as well as compliance risks. Therefore, in both areas we strengthen our skills, knowledge, and resources to mitigate these risks. In 2021 no incidents were counted in these areas of risks.

Other risks

There are no other risks that must be mentioned here and be considered in our accounts. In our opinion, the provisions in the Balance Sheet cover potential risks known at the time of preparing the year-end figures. Furthermore, there are no post balance sheet events that needed to be considered.

Financial key performance indicators

Monthly Management Reports cover the main KPI's:

- Sales
- Project Portfolio
- Capacity Growth
- Utilisation
- Financials

ZÜHLKE ENGINEERING LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

in kGBP (except where indicated differently)	2021		2020		Variance
	Actual	%	Actual	%	prev. year
					%
Net revenue	26,760	100.0	17,207	100.0	55.5
EBIT	6,131	22.9	3,245	18.9	88.9
Net Profit	4,080	15.2	2,270	12.1	95.5
Headcount (Ø)	FTE	138	90		53.3

In the assessment of the directors the Company has performed in accordance with expectations and the KPIs, are in line with the targets set for the business.

The Company has largely met its challenging targets for revenue growth in the year and at the balance sheet date the Company is in a strong position to meet the targets it faces for 2022.

This report was approved by the board and signed on its behalf.



Dr W Emmerich
Director

Date: 17/03/2022

ZÜHLKE ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £3,749,956 (2020 - £2,270,381).

No dividends were declared or paid during the year (2020 - £Nil).

Directors

The directors who served during the year were:

Dr W Emmerich
F Ferrandina
M Reimer (resigned 19 March 2021)

Future developments

We have a positive outlook for 2022. The Company is planning to reorganise operations along practices and market units along the same lines as the rest of the Zühlke Group and wants to develop projects with purpose from sustainable operations; the Company aims to be certified as carbon-neutral by the end of 2022.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Dr W Emmerich
Director

Date: 17/03/2022

ZÜHLKE ENGINEERING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜHLKE ENGINEERING LIMITED

Opinion

We have audited the financial statements of Zühlke Engineering Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2021 and of its profit 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's 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

ZÜHLKE ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜHLKE ENGINEERING LIMITED (CONTINUED)

Other information

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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 Directors' Responsibilities Statement set out on page 6, 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.

ZÜHLKE ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜHLKE ENGINEERING LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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 understand that the Company complies with the framework through:

- Outsourcing accounts preparation and tax compliance to external experts.

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the Company's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with all members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Manipulation of the financial statements, especially revenue, via fraudulent journal entries.

The procedures we carried out to gain evidence in the above areas included:

- Substantive work on material areas affecting profits; and
- Testing journal entries, focusing particularly on postings to unexpected or unusual accounts.

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.

ZÜHLKE ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜHLKE ENGINEERING LIMITED (CONTINUED)

Use of our report

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

Jeffrey Selden

Jeffrey Selden (Mar 17, 2022 15:25 GMT)

Jeffrey Selden (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants

Statutory Auditor

Onslow House

Onslow Street

Guildford

GU1 4TL

Date: 17/03/2022

ZÜHLKE ENGINEERING LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	26,760,200	17,207,339
Cost of sales		(16,591,968)	(10,059,884)
Gross profit		10,168,232	7,147,455
Distribution costs		(110,069)	(66,330)
Administrative expenses		(5,397,909)	(4,777,353)
Other operating income	5	36,322	31,461
Operating profit	6	4,696,576	2,335,233
Interest receivable and similar income		262	1,277
Profit before tax		4,696,838	2,336,510
Tax on profit	9	(946,882)	(66,129)
Profit for the financial year		3,749,956	2,270,381

There was no other comprehensive income for 2021 (2020 - £Nil).

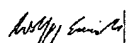
The notes on pages 14 to 25 form part of these financial statements.

ZÜHLKE ENGINEERING LIMITED
REGISTERED NUMBER:04103211

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	10	368,613	379,841
		<u>368,613</u>	<u>379,841</u>
Current assets			
Debtors: amounts falling due after more than one year	11	181,926	181,926
Debtors: amounts falling due within one year	11	5,142,649	5,679,905
Cash at bank and in hand		3,248,096	1,371,767
		<u>8,572,671</u>	<u>7,233,598</u>
Creditors: amounts falling due within one year	12	(4,121,221)	(3,545,895)
Net current assets		<u>4,451,450</u>	<u>3,687,703</u>
Total assets less current liabilities		<u>4,820,063</u>	<u>4,067,544</u>
Provisions for liabilities			
Deferred tax	13	(36,458)	(33,895)
Net assets		<u><u>4,783,605</u></u>	<u><u>4,033,649</u></u>
Capital and reserves			
Called up share capital	14	10,000	10,000
Profit and loss account	15	4,773,605	4,023,649
Shareholders' funds		<u><u>4,783,605</u></u>	<u><u>4,033,649</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Dr W Emmerich
Director

Date: 17/03/2022

The notes on pages 14 to 25 form part of these financial statements.

ZÜHLKE ENGINEERING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2020	10,000	1,753,268	1,763,268
Comprehensive income for the year			
Profit for the year	-	2,270,381	2,270,381
At 1 January 2021	10,000	4,023,649	4,033,649
Comprehensive income for the year			
Profit for the year	-	3,749,956	3,749,956
Dividends: Equity capital	-	(3,000,000)	(3,000,000)
At 31 December 2021	10,000	4,773,605	4,783,605

ZÜHLKE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Zühlke Engineering Ltd. is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 04103211). The registered office address is 25 Moorgate, London, EC2R 6AY.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Zühlke Technology Group AG as at 31 December 2021 and these financial statements may be obtained from Wiesenstrasse 10a, Schlieren, 8952, Switzerland.

2.3 Going concern

The financial statements have been prepared on a going concern basis.

The directors have carefully reviewed the future prospects of the Company and its future cash flows, by preparing detailed profit and loss forecasts and cash flow projections. On the basis of this assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being at least the next 12 months from signing of these financial statements.

ZÜHLKE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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 period 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Operating leases: the Company as lessee

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

2.7 Interest income

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

ZÜHLKE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.8 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, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	10%
Fixtures and fittings	-	33%
Office equipment	-	33%

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.

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company 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 Company in independently administered funds.

2.10 Employee benefits

A liability is recognised to the extent of any unused holiday per entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company 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 Company 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.

ZÜHLKE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.12 Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured on initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Amounts paid to landlords for rental deposits are accounted for as basic financial instruments. The directors consider the market interest rate on such deposits to be 0%, and accordingly no discount is recognised in applying the amortised cost and effective interest method. The deposits are shown within other debtors.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. 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 operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

ZÜHLKE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.14 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 the shareholders at an annual general meeting.

3. Judgements in applying accounting policies and 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 amount 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 ongoing 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 the revision and future periods if the revision affects both current and future periods.

Trade and other current receivables

Trade and other receivables are recognized initially at nominal value and subsequently at fair value, less allowances for doubtful receivables. An allowance for doubtful receivables is recorded for specific items with an inherent potential risk of loss. Cash discount deductions and general risks of the residual receivables may be covered by a general impairment allowance. exercises judgement in its assessment of the potential bad debt risk.

ZÜHLKE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Judgements in applying accounting policies (continued)

Accrued project works ("Accrued income")

Unbilled project services are valued according to the Percentage of Completion (PoC) method. Contract revenues and costs are recognized by reference of the stage of completion of contract activity if the outcome can reliably be estimated. To consider the inherent risk of this position, general impairments on project portfolio level may be accrued. Management exercises judgement in its assessment of the level of accrued income to be recognised according to its judgement as to the percentage of completion.

4. Turnover

The whole of the turnover is derived from the Company's principal activity.

5. Other operating income

	2021 £	2020 £
Other operating income	<u>36,322</u>	<u>31,461</u>

6. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Research & development charged as an expense	10,720,768	6,785,296
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	27,775	17,997
Exchange differences	(55,220)	66,763
Other operating lease rentals	<u>363,852</u>	<u>363,852</u>

ZÜHLKE ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	11,811,768	7,608,291
Social security costs	1,279,488	737,618
Cost of defined contribution scheme	584,436	340,393
	<u>13,675,692</u>	<u>8,686,302</u>

The average monthly number of employees, including directors, during the year was 138 (2020 - 90).

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	542,972	579,398
Company contributions to defined contribution pension schemes	17,579	16,933
	<u>560,551</u>	<u>596,331</u>

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £384,086 (2020 - £289,623).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,140 (2020 - £11,400).

ZÜHLKE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

9. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	895,689	389,112
Adjustments in respect of previous periods in respect of R&D claim	48,630	(379,087)
Total current tax	944,319	10,025
Deferred tax		
Origination and reversal of timing differences	(8,141)	58,717
Changes to tax rates	10,704	(2,613)
Total deferred tax	2,563	56,104
Taxation on profit on ordinary activities	946,882	66,129

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	4,696,838	2,336,510
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	892,399	443,937
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	1,024
Fixed asset differences	(2,897)	2,619
Adjustments to tax charge in respect of prior periods	48,630	(379,087)
Other short-term timing differences	-	(2)
Remeasurement of deferred tax for changes in tax rates	8,750	(4,648)
Deferred tax not recognised	-	2,286
Total tax charge for the year	946,882	66,129

ZÜHLKE ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Taxation (continued)

Factors that may affect future tax charges

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The full anticipated effect of these changes is reflected in the above deferred tax balances.

10. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At 1 January 2021	460,095	182,487	249,454	892,036
Additions	-	-	132,264	132,264
Disposals	-	-	(1,993)	(1,993)
At 31 December 2021	<u>460,095</u>	<u>182,487</u>	<u>379,725</u>	<u>1,022,307</u>
Depreciation				
At 1 January 2021	237,400	182,487	92,308	512,195
Charge for the year	43,102	-	98,287	141,389
Disposals	-	-	110	110
At 31 December 2021	<u>280,502</u>	<u>182,487</u>	<u>190,705</u>	<u>653,694</u>
Net book value				
At 31 December 2021	<u>179,593</u>	<u>-</u>	<u>189,020</u>	<u>368,613</u>
At 31 December 2020	<u>222,695</u>	<u>-</u>	<u>157,146</u>	<u>379,841</u>

ZÜHLKE ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Debtors

	2021 £	2020 £
Due after more than one year		
Other debtors	181,926	181,926
	<u>181,926</u>	<u>181,926</u>
Due within one year		
Trade debtors	3,486,640	4,881,639
Amounts owed by group undertakings	81,120	41,393
Other debtors	10,113	10,113
Prepayments and accrued income	1,564,776	746,760
	<u>5,142,649</u>	<u>5,679,905</u>

12. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	215,294	69,623
Amounts owed to group undertakings	481,088	510,697
Corporation tax	354,556	250,377
Other taxation and social security	878,457	1,357,050
Other creditors	104,901	68,978
Accruals and deferred income	2,086,925	1,289,170
	<u>4,121,221</u>	<u>3,545,895</u>

ZÜHLKE ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Deferred taxation

	2021 £	2020 £
At beginning of year	33,895	(22,209)
Charged to profit or loss	2,563	56,104
At end of year	36,458	33,895

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Fixed asset timing differences	62,683	47,001
Short-term timing differences	(26,225)	(13,106)
	36,458	33,895

14. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
10,000 Ordinary shares of £1.00 each	10,000	10,000

15. Reserves

Profit and loss account

This reserve related to the cumulative profits and losses less amounts distributed to shareholders.

16. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £584,436 (2020 - £340,393). Contributions totalling £104,901 (2020 - £68,978) were payable to the fund at the reporting date.

ZÜHLKE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

17. Commitments under operating leases

At 31 December the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	363,852	496,154
Later than 1 year and not later than 5 years	1,026,760	1,493,291
	<u>1,390,612</u>	<u>1,989,445</u>

18. Related party transactions

Total remuneration paid to key management personnel during the year was £1,133,013 (2020 - £596,331).

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

There are no other related party transactions which require disclosure.

19. Post balance sheet events

There are no post balance sheet events that require disclosure.

20. Controlling party

The immediate and ultimate parent undertaking is Zühlke Technology Group AG, a company registered in Switzerland.

The largest and smallest group of undertakings for which group accounts for the year ended 31 December 2021 have been drawn up, is that headed by Zühlke Technology Group AG. The registered office address of Zühlke Technology Group AG is Wiesenstrasse 10a, Schlieren, 8952, Switzerland. Copies of the group accounts are available from this address.

The directors do not consider there to be an ultimate controlling party.