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ZÜHLKE ENGINEERING LIMITED

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REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023



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ZÜHLKE ENGINEERING LIMITED

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COMPANY INFORMATION

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Directors	Dr W Emmerich F Ferrandina
Company secretary	T Grutzmann
Registered number	04103211
Registered office	45 Gresham Street London United Kingdom EC2V 7BG
Independent auditor	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditor Onslow House Onslow Street Guildford GU1 4TL

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ZÜHLKE ENGINEERING LIMITED

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REVISED STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023

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## Introduction

The directors present their revised strategic report for the year ended 31 December 2023.

The revised strategic report replaces the original strategic report for the financial year ended 31 December 2023. The revised strategic report has been prepared as at the date of the original strategic report and not as at the date of revision and accordingly does not deal with events between those dates. The strategic report did not comply fully with the requirements of S414c of the Companies Act in that certain information respecting the strategic management of the company did not fully reflect the current situation. Significant amendments were therefore made to the Strategy and Business Environment sections of the strategic report.

An amended audit report has therefore been issued.

## Strategic Management

### *Mission & Vision*

Our Mission is that "We empower clients to have a positive and sustainable impact on their business, society, and the planet through innovation and technology."

Our Long-term Vision is "We're the company of choice for transforming organisations for a sustainable future. Globally."

### *Strategy*

Our long term vision drives the six pillars of our global strategy:

- Impact on people and planet
- Talent magnet
- Strategic partner network
- Recurrent revenue business models
- Global presence
- Strong global brand

### *Impact on people and planet*

We commit to tackling societal and planetary challenges through our client engagements and corporate initiatives. To improve life for future generations, we contribute to health initiatives and help protect the planet by designing sustainable products and services. Through our projects, we make a substantial positive impact for people and planet, and we lead by example in reducing our own emissions.

### *Talent magnet*

We're the employer of choice for people who want to make an impact. To lead the company into a bright future, and ensure client success, we require diverse colleagues – with different capabilities, mindsets, and experiences. We are a first-choice employer for the talent we seek, and a place people want to return to – as employees, clients, or partners.

### *Strategic partner network*

We harness our strategic partner network to maximise value for clients, contributing to our non-organic growth. To manage complex and large-scale transformation initiatives, we complement our own skills, core competencies, and services with those of our strategic partners. We strive to be an enabler or key contributor in various ecosystems, leveraging external capabilities to complement our own, including strategic joint ventures and acquisitions.

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## ZÜHLKE ENGINEERING LIMITED

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### REVISED STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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#### *Recurrent revenue business models*

We deliver sustained, profitable growth through recurring and predictable revenue models. To strengthen our position as a trusted service provider and an invaluable partner to clients, we foster enduring client relationships through recurring revenue business models. We evolve our service portfolio from 'ideation and build' to strategy, ideation, build, and operations to realise and accelerate our clients' transformation initiatives.

#### *Global presence*

We pursue opportunities to augment our capabilities, expand into new markets, and grow our global reach. To make a positive impact globally, we need to be present in the places where we can find the best talent and the organisations we want to engage across our focus industries. We establish our presence in relevant business hubs and talent hotspots.

#### *Strong global brand*

We're recognised as a strategic partner that helps organisations deliver positive change. For people, planet & business. To win large transformation initiatives, we need to position ourselves prominently in the minds of potential clients, colleagues, and partners. Across our target markets, we're top of mind and considered for larger-scale transformation programmes and initiatives.

#### *Zühlke UK goals*

In line with the group strategy Zühlke UK has defined five goals for 2024:

- Achieve profitable growth with a strong focus on revenue growth with high utilisation.
- We will future proof our workforce by leading in AI assisted engineering.
- We will fully integrate into Zühlke's global organisation structures.
- We will continue to advance our thought leadership in data, AI and cloud.
- We will achieve recurrent revenue from managed service and dedicated team engagements.

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## ZÜHLKE ENGINEERING LIMITED

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### REVISED STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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#### *Business model*

Zühlke employ consultants as full-time or part-time employees, to work directly with clients to provide specialised engineering and consulting services in complex projects and ill-defined problem spaces. We maintain a highly skilled local workforce with the strong focus on learning and development, and utilise our global delivery centres in Serbia, Bulgaria, Portugal, and Vietnam to provide large cost-effective engineering teams for our clients.

Our services are primarily delivered on a time and materials basis, but we also contract fixed-price outcome-based projects and SLA based subscription models for managed services and dedicated near-shore delivery teams.

We are structured in a matrix model with capabilities managed in technical practices, and value creation delivered through industry specific market units. Our local practices and market units sit within group practice and market units that provide global alignment and scale.

Zühlke UK has a local CEO and country leadership team that manages the day-to-day operations of the Zühlke UK operating company.

#### *Markets, products and services*

Our market units operate in the following industry verticals: financial services and insurance, healthcare, public sector, retail, energy, and others.

Our technical practices are grouped into the following domains: software engineering, digital experience, cloud & devops, data & AI, devices, and digital consulting.

We provide the following services to our customers:

- Strategy & Business innovation - developing effective strategies and innovations that create sustainable added value for our clients and their customers.
- Digital solutions and application services - designing, building and maintaining digital products and services from ideation into productions and operation at scale.
- Data & AI Solutions - building and maintaining data platforms and ecosystems, machine learning solutions and the ethical use of AI.
- End-to-end Cloud Infrastructure Services – taking our clients on their journey to cloud and cloud optimisation and modernisation in Azure, AWS and GCP.
- Device & Systems Engineering – design and development of physical and connected smart devices.

REVISED STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

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**Business environment**

*Important trends and factors*

The strategy assumes 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.

**Environmental Issues:** 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.

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## ZÜHLKE ENGINEERING LIMITED

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### REVISED STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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#### Principal risks and uncertainties

##### *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, in 2023 the specific action steps have been:

- Security Audit (Cyber essential plus audit) run each year to help assess cyber risks and provide preventative measures.
- ISO27001 certification training provided in the group.

#### Post Balance Sheet Events

In the opinion of the directors, there are no post balance sheet events that needed to be considered.

#### Business review (incorporating Key Performance indicators)

##### *Key performance indicators (KPI's)*

in kGBP (except where indicated differently)	2023 Actual	2022 Actual
Turnover	26,358	19,226
Operating loss	(5,015)	(1,915)
Net loss	(5,058)	(2,055)

#### Profit and loss

In 2023 net revenue increased by 37.1%. This was driven by an increase in sales volumes. Zühlke won large contracts and also expanded our customer base by winning work with new clients. The increase in the company's operating loss was driven by an increase in energy costs through the additional floor in the London office; an increase in room costs; an increase in administration costs (partly through an increase in employee numbers); higher depreciation; one off costs through restructuring and redundancies. In 2022 Zühlke was in receipt of an RDEC refund which was not received in 2023.


#### Balance Sheet

The notable changes in the Company's balance sheet can be attributed to the following: (i) an increase in intercompany trade payables due to cash flow issues during the year which resulted in delayed payments at year end; (ii) provisions for restructuring; (iii) volume discount provisions increased from prior year; (iv) the extension of the intercompany loan required to meet ongoing payment obligations.

#### Future developments

There are no significant future developments to report. Management continues to focus on delivering against the Group Strategy 2025 and grow revenue and profitability in the UK during 2024.

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

  
Wolfgang Emmerich (Mar 22, 2024 14:31 GMT)

Dr W Emmerich  
Director

Date: 22/03/2024



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## ZÜHLKE ENGINEERING LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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The directors present their report and the financial statements for the year ended 31 December 2023.

#### Principal activity

The Company's principal activity continues to be the provision of product and software engineering, and management consulting.

#### Results and dividends

The loss for the year, after taxation, amounted to £5,058,428 (2022 - £2,055,189).

During the year, dividends declared and paid amounted to £Nil (2022 - £1,000,000).

#### Directors

The directors who served during the year were:

Dr W Emmerich  
F Ferrandina

#### Future developments

We have a positive outlook for 2024. We have strengthened our Management Team to enhance our Market Experience and increase our sales funnel. We also think more as a group, supporting other countries and getting many important services on a shared basis from the group.

#### Research and development activities

Expenditure incurred by the Company on the research and development of new products is written off as incurred. All research and development expenditure is regarded as part of the Company's continuing operations and is required to maintain its position in the marketplace.

#### Matters covered in the Revised Strategic Report

Future developments, principal activity and risks have been disclosed in the Revised Strategic Report and therefore have not been repeated here.

#### 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.

#### Post balance sheet events

There have been no significant events affecting the Company since the year end.

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ZÜHLKE ENGINEERING LIMITED

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DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

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**Auditor**

The auditor, CLA Evelyn Partners Limited, 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.

  
Wolfgang Emmerich (Mar 22, 2024 14:31 GMT)

Dr W Emmerich  
Director

Date: 22/03/2024

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## ZÜHLKE ENGINEERING LIMITED

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### DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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The directors are responsible for preparing the Revised 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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

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### Opinion

We have audited the financial statements of Zühlke Engineering Limited (the 'Company') for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows 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 2023 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'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.

### Emphasis of matter - Revised strategic report

We draw attention to page 1 of the revised Annual report which describes the need for revision of the strategic report due to the absence of certain information respecting the strategic management of the company. The original financial statements were approved on 12 March 2024 and our previous audit report was signed on that date. We have not performed a subsequent events review for the period from the date of our previous auditor's report to the date of this report. Our opinion is not modified in this respect.

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## ZÜHLKE ENGINEERING LIMITED

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

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#### 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.

#### Other information

The other information comprises the information included in the Revised 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 Revised 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 Revised 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 Revised Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements
- the original strategic report for the year ended 31 December 2023 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in page 1 to the revised annual report.

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## ZÜHLKE ENGINEERING LIMITED

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

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#### 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 Revised 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 9, 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.

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:

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.

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## ZÜHLKE ENGINEERING LIMITED

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

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We understand that the Company complies with the framework through:

- Outsourcing accounts preparation and tax compliance to external experts; and
- Subscribing to relevant updates from external experts and making changes to internal procedures and controls as necessary.

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:

- Testing the recognition of revenue, specifically in respect of accrued income and revenue cut off; and
- Manipulation of the financial statements, especially revenue, through manual journal entries.

These areas were communicated to the other members of the engagement team not present at the discussion.

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

- Testing a sample of revenue transactions and accrued income to underlying documentation to ensure included in the correct period and that the balances are accurately stated.
- Testing journal entries, selected based on specific risk assessments applied based on client processes and controls surrounding manual journals.

A further description of our responsibilities for the audit of revised financial statements is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

We are also required to report whether in our opinion the original strategic report failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors. The audit of the revised annual report includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

#### Use of our report

This report is made solely to the Company's members, as a body, in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008. 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.

*Peter Key*

Peter Key (Senior Statutory Auditor)  
for and on behalf of

**CLA Evelyn Partners Limited**

Chartered Accountants

Statutory Auditor

Onslow House

Onslow Street

Guildford

GU1 4TL

Date: 22/03/2024

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ZÜHLKE ENGINEERING LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023

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	Note	2023 £	2022 £
Turnover	4	26,358,400	19,226,092
Cost of sales		(19,878,173)	(15,918,389)
<b>Gross profit</b>		<b>6,480,227</b>	<b>3,307,703</b>
Distribution costs		(133,926)	(96,761)
Administrative expenses		(11,644,408)	(7,325,994)
Other operating income	5	283,509	2,199,789
<b>Operating loss</b>	6	<b>(5,014,598)</b>	<b>(1,915,263)</b>
Interest receivable and similar income	9	23,588	6,758
Interest payable and similar expenses	10	(69,452)	(9,340)
<b>Loss before tax</b>		<b>(5,060,462)</b>	<b>(1,917,845)</b>
Tax on loss	11	2,034	(137,344)
<b>Loss for the financial year</b>		<b>(5,058,428)</b>	<b>(2,055,189)</b>

There was no other comprehensive income for 2023 (2022 - £Nil).

The notes on pages 18 to 32 form part of these financial statements.




ZÜHLKE ENGINEERING LIMITED  
REGISTERED NUMBER:04103211

BALANCE SHEET  
AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
<b>Fixed assets</b>			
Tangible assets	12	769,407	287,808
		<u>769,407</u>	<u>287,808</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	13	199,167	199,167
Debtors: amounts falling due within one year	13	8,052,885	4,805,622
Cash at bank and in hand		1,461,560	1,395,055
		<u>9,713,612</u>	<u>6,399,844</u>
Creditors: amounts falling due within one year	14	(13,137,095)	(4,881,215)
<b>Net current (liabilities)/assets</b>		<u>(3,423,483)</u>	<u>1,518,629</u>
<b>Total assets less current liabilities</b>		<u>(2,654,076)</u>	<u>1,806,437</u>
Creditors: amounts falling due after more than one year	15	(567,795)	(67,846)
<b>Provisions for liabilities</b>			
Deferred tax	16	(8,141)	(10,175)
Provisions	17	(100,000)	-
<b>Net (liabilities)/assets</b>		<u><u>(3,330,012)</u></u>	<u><u>1,728,416</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	10,000	10,000
Profit and loss account	19	(3,340,012)	1,718,416
<b>Shareholders' (deficit)/funds</b>		<u><u>(3,330,012)</u></u>	<u><u>1,728,416</u></u>

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

  
Wolfgang Emmerich (Mar 22, 2024 14:31 GMT)

**Dr W Emmerich**  
Director

Date: 22/03/2024

The notes on pages 18 to 32 form part of these financial statements.

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ZÜHLKE ENGINEERING LIMITED

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STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

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	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2022	10,000	4,773,605	4,783,605
Comprehensive loss for the year			
Loss for the year	-	(2,055,189)	(2,055,189)
Contributions by and distributions to owners			
Dividends: Equity capital	-	(1,000,000)	(1,000,000)
At 1 January 2023	10,000	1,718,416	1,728,416
Comprehensive loss for the year			
Loss for the year	-	(5,058,428)	(5,058,428)
At 31 December 2023	10,000	(3,340,012)	(3,330,012)

ZÜHLKE ENGINEERING LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £	2022 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(5,058,428)	(2,055,189)
<b>Adjustments for:</b>		
Depreciation of tangible assets	168,637	163,444
Interest received	(23,588)	(6,758)
Taxation charge	(2,034)	(26,283)
Increase in debtors	(3,247,263)	(34,770)
Increase/(decrease) in creditors	2,755,829	(817,604)
Increase in provisions	100,000	-
<b>Net cash used in operating activities</b>	<b>(5,306,847)</b>	<b>(2,777,160)</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(650,236)	(82,639)
Interest received	23,588	6,758
<b>Net cash used in investing activities</b>	<b>(626,648)</b>	<b>(75,881)</b>
<b>Cash flows from financing activities</b>		
New unsecured loans with parent undertaking	6,000,000	2,000,000
Dividends paid	-	(1,000,000)
<b>Net cash generated from financing activities</b>	<b>6,000,000</b>	<b>1,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>66,505</b>	<b>(1,853,041)</b>
Cash and cash equivalents at beginning of year	1,395,055	3,248,096
<b>Cash and cash equivalents at the end of year</b>	<b>1,461,560</b>	<b>1,395,055</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	1,461,560	1,395,055

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ZÜHLKE ENGINEERING LIMITED

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ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2023

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	At 1 January 2023 £	Cash flows £	Loans due to parent undertaking £	At 31 December 2023 £
Cash at bank and in hand	1,395,055	66,505	-	1,461,560
Debt due within 1 year	(2,000,000)	-	(6,000,000)	(8,000,000)
	<u>(604,945)</u>	<u>66,505</u>	<u>(6,000,000)</u>	<u>(6,538,440)</u>

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## ZÜHLKE ENGINEERING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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#### 1. General information

Zühlke Engineering Limited. is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 04103211). The registered office address is 45 Gresham Street, London, United Kingdom, EC2V 7BG.

#### 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 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. The parent company has provided the Company with a £10m long-term credit facility (of which £8m has been drawn to date) and a support letter ensuring it can continue to trade and meet its liabilities as they fall due for a period of at least one year from the signing of these accounts. As such, and having due regard to the parent company's financial position, the directors are satisfied with the Company's ability to continue in operational existence for the foreseeable future being at least the next 12 months from signing of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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2. Accounting policies (continued)

2.3 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'.

2.4 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.

2.5 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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**2. Accounting policies (continued)**

**2.6 Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**2.7 Interest income**

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

**2.8 Finance costs**

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

**2.9 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	- 12.5%
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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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2. Accounting policies (continued)

2.10 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.

2.11 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.

2.12 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.

A liability is recognised to the extent of any termination benefits for which the Company has a present obligation at the balance sheet date. This is measured at the undiscounted cost of the benefit.

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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2. Accounting policies (continued)

2.13 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. Where the impact of the market rate of interest on such deposits is material, a discount is recognised in applying the amortised cost and effective interest rate 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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2. Accounting policies (continued)

2.14 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.

Research and Development Expenditure Claims ("RDEC") are recognised in Other operating income once the value of the claim can be reliably estimated and the recoverability of the claim is considered to be when the claim is received in cash.

2.15 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.

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## ZÜHLKE ENGINEERING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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#### 3. Judgments in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates of the carrying value of certain assets or liabilities where uncertainty could have a material impact on the value in the next financial year.

##### *Bad debt provisions*

The trade debtors balance of £5,413,082 recorded in the Company's balance sheet comprises a relatively small number of large balances. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible. Management, however, is satisfied that adequate provision has been made against this balance.

##### *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.

	2023 £	2022 £
United Kingdom	19,973,225	16,536,674
Rest of Europe	4,953,777	1,586,669
Rest of the world	1,431,398	1,102,749
	<u>26,358,400</u>	<u>19,226,092</u>

#### 5. Other operating income

	2023 £	2022 £
Research & Development Expenditure Credit	16,474	2,111,660
Provision of intercompany support services	267,035	88,129
	<u>283,509</u>	<u>2,199,789</u>

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ZÜHLKE ENGINEERING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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6. Operating loss

The operating loss is stated after charging:

	2023 £	2022 £
Research & development charged as an expense	10,543,360	7,690,400
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	50,762	36,109
Exchange differences	315,182	94,844
Operating lease rentals	834,732	445,864
	<u>11,744,036</u>	<u>8,267,217</u>

7. Employees

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

	2023 £	2022 £
Wages and salaries	15,657,240	13,231,207
Social security costs	1,881,274	1,703,333
Cost of defined contribution scheme	893,985	755,015
	<u>18,432,499</u>	<u>15,689,555</u>

Included within wages and salaries is an amount of £533,846 in respect of termination benefits payable to employees.

The average monthly number of employees, including directors, during the year was 195 (2022 - 163).

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ZÜHLKE ENGINEERING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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8. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	439,368	490,007
Company contributions to defined contribution pension schemes	17,966	17,443
	<u>457,334</u>	<u>507,450</u>

During the year retirement benefits were accruing to 1 director (2022 - 1) in respect of defined contribution pension schemes.

During the year the highest paid director received remuneration which totalled £457,334 (2022 - £507,450).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £17,966 (2022 - £17,443).

9. Interest receivable and similar income

	2023 £	2022 £
Other interest receivable	<u>23,588</u>	<u>6,758</u>

10. Interest payable and similar expenses

	2023 £	2022 £
Bank interest payable	8	118
Interest payable to group undertakings	69,444	9,222
	<u>69,452</u>	<u>9,340</u>

# ZÜHLKE ENGINEERING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### 11. Taxation

	2023 £	2022 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	-	157,916
<b>Total current tax</b>	-	157,916
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,034)	92,654
Changes to tax rates	-	(113,226)
<b>Total deferred tax</b>	(2,034)	(20,572)
<b>Tax on loss</b>	(2,034)	137,344

### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - *higher than*) the standard rate of corporation tax in the UK of 23.52% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Loss on ordinary activities before tax	(5,060,462)	(1,917,845)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022 - 19%)	(1,190,221)	(364,391)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	18,773
Fixed asset differences	(1,039)	(7,218)
Adjustments to tax charge in respect of prior periods	-	157,916
Remeasurement of deferred tax for change in tax rates	(74,942)	(113,226)
Unrecognised deferred tax asset on trading losses	1,263,873	445,490
Excess management expenses adjustment	295	-
<b>Total tax (credit)/charge for the year</b>	(2,034)	137,344

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ZÜHLKE ENGINEERING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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11. Taxation (continued)

**Factors that may affect future tax charges**

Finance Act 2021 included legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The effects of this increase are reflected in the above. There were no factors that may affect future tax charges.

An undisclosed deferred tax asset of £1,259,506 (2022 - £445,490) arising on taxable losses of £8,021,669 (2022 - £1,781,960) has not been recognised due to uncertainty over the timing of future profits against which the asset could be recovered.

The RDEC income has not been recognised in relation to the year ended 31 December 2023 as the claim has not been approved and therefore the value of the claim and the total profit or loss charge for the year cannot be reliably estimated.

12. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
<b>Cost</b>				
At 1 January 2023	460,095	182,487	462,364	1,104,946
Additions	-	532,649	117,587	650,236
Disposals	-	-	(13,835)	(13,835)
At 31 December 2023	460,095	715,136	566,116	1,741,347
<b>Depreciation</b>				
At 1 January 2023	323,604	182,487	311,047	817,138
Charge for the year	43,102	13,591	111,944	168,637
Disposals	-	-	(13,835)	(13,835)
At 31 December 2023	366,706	196,078	409,156	971,940
<b>Net book value</b>				
At 31 December 2023	93,389	519,058	156,960	769,407
At 31 December 2022	136,491	-	151,317	287,808

ZÜHLKE ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

13. Debtors

	2023 £	2022 £
<b>Due after more than one year</b>		
Other debtors	199,167	199,167
	2023 £	2022 £
<b>Due within one year</b>		
Trade debtors	5,413,082	3,096,779
Amounts owed by group undertakings	797,843	270,789
Other debtors	78	7,017
Prepayments and accrued income	1,841,882	1,431,037
	8,052,885	4,805,622

Amounts owed by group undertakings comprise balances which are unsecured, interest free and are repayable on demand.

14. Creditors: Amounts falling due within one year

	2023 £	2022 £
Loans due to parent undertaking	8,000,000	2,000,000
Trade creditors	404,987	270,998
Amounts owed to group undertakings	2,532,693	312,314
Other taxation and social security	1,220,735	728,447
Other creditors	171,618	124,426
Accruals and deferred income	807,062	1,445,030
	13,137,095	4,881,215

Included within loans due to parent undertaking is an unsecured loan facility with the parent company. The facility increased by £7,000,000 to a maximum of £10,000,000 (2022 - £3,000,000), of which £8,000,000 was drawn at year end (2022 - £2,000,000). It is unsecured, with a fixed interest rate of 2.0% (2022 - 2.0%) per annum and is technically repayable on demand. The credit facility is valid until 31 December 2025.

Included within Amounts owed to group undertakings is accrued interest of £69,444 (2022 - £Nil). These balances are unsecured, interest free with no fixed date of repayment and are repayable on demand.



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ZÜHLKE ENGINEERING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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

	2023 £	2022 £
Other creditors	206,366	67,846
Accruals and deferred income	361,429	-
	<u>567,795</u>	<u>67,846</u>

Other creditors comprises a group long-term incentive scheme in which one of the directors participates. The balance is payable in 2025. Accruals and deferred income comprise amounts arising in respect of operating lease incentives which will be released to the profit and loss account over the term of the relevant lease.

16. Deferred taxation

	2023 £	2022 £
At beginning of year	10,175	36,458
Credited to profit or loss	(2,034)	(26,283)
<b>At end of year</b>	<u><b>8,141</b></u>	<u><b>10,175</b></u>

The provision for deferred taxation is made up as follows:

	2023 £	2022 £
Fixed asset timing differences	51,046	41,282
Short-term timing differences	(42,905)	(31,107)
	<u><b>8,141</b></u>	<u><b>10,175</b></u>

Fixed asset timing differences are expected to be reversed in line with each corresponding fixed asset class and the classes depreciation rates, as noted in the accounting policies.

Short-term timing differences are expected to reverse over the next 12 months.

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ZÜHLKE ENGINEERING LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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17. Provisions

	Provisions £
Charged to profit or loss	100,000
At 31 December 2023	<u>100,000</u>

A provision has been recognised for management's best estimate of returning leased premises to their original condition as specified in the terms of the lease agreement. The provisions are expected to crystallise on the conclusion of the leases in 2028 and 2033.

Where a provision is recognised that relates to a specific asset, for example the cost of removing some partitioning, then it is appropriate to treat this as a decommissioning cost and include it as part of the cost of that asset. Instead of charging the provision to the profit and loss account in the year the partitioning is installed, it is capitalised as an asset. Where the cost relates to general wear and tear it is charged to the profit and loss account on a periodic basis.

18. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
10,000 Ordinary shares of £1.00 each	<u>10,000</u>	<u>10,000</u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights, they do not confer any rights of redemption.

19. Reserves

Profit and loss account

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

20. 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 £893,985 (2022 - £755,015). Contributions totalling £171,618 (2022 - £124,426) were payable to the fund at the reporting date.

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## ZÜHLKE ENGINEERING LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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#### 21. 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:

	2023 £	2022 £
Not later than 1 year	870,806	639,620
Later than 1 year and not later than 5 years	2,538,573	2,945,954
	<u>3,409,379</u>	<u>3,585,574</u>

The Company has entered into a long-term lease agreement which expires in 2033 with a five year break clause in 2027.

#### 22. Related party transactions

Total remuneration paid to key management personnel during the year was £1,177,297 (2022 - £1,134,732)

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

#### 23. 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 2023 have been drawn up, is that headed by Zühlke Technology Group AG. These accounts are not publicly available.

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