

Engineered Arts Limited

Annual Report and Financial Statements Year Ended 30 November 2020

Registration number: 05265468

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Engineered Arts Limited

Company Information

Directors W S Jackson
 T D Rasburn
 N Desmarais

Registered office Lowin House
 Tregolls Road
 Truro
 Cornwall
 TR1 2NA

Bankers Lloyds Bank
 7 Boscawen Street
 Truro
 Cornwall
 TR1 2QT

Auditors PKF Francis Clark
 Registered Auditor
 Lowin House
 Tregolls Road
 Truro
 Cornwall
 TR1 2NA

Engineered Arts Limited

Balance Sheet

30 November 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	4	1,167,437	434,482
Tangible assets	5	872,976	877,940
		<u>2,040,413</u>	<u>1,312,422</u>
Current assets			
Stocks	6	87,186	83,947
Debtors	7	434,932	328,371
Cash at bank and in hand		705,389	1,838,359
		<u>1,227,507</u>	<u>2,250,677</u>
Creditors: Amounts falling due within one year	8	<u>(279,196)</u>	<u>(452,304)</u>
Net current assets		<u>948,311</u>	<u>1,798,373</u>
Total assets less current liabilities		<u>2,988,724</u>	<u>3,110,795</u>
Creditors: Amounts falling due after more than one year	8	<u>(59,005)</u>	<u>(123,053)</u>
Provisions for liabilities		<u>(76,133)</u>	<u>(93,543)</u>
Net assets		<u>2,853,586</u>	<u>2,894,199</u>
Capital and reserves			
Called up share capital	10	3	3
Share premium reserve		2,333,332	2,333,332
Profit and loss account		<u>520,251</u>	<u>560,864</u>
Total equity		<u>2,853,586</u>	<u>2,894,199</u>

These financial statements have been prepared and delivered in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and the option not to file the Profit and Loss Account has been taken.

Approved and authorised by the Board on Jun 15, 2021 and signed on its behalf by:

Will Jackson

Will Jackson (Jun 15, 2021 14:45 GMT+1)

W S Jackson
Director

Company Registration Number: 05265468

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

1 General information

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

The address of its registered office is:

Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

The principal place of business is:

E1-3
Church View Business Park
Bickland Water Road
Falmouth
Cornwall
TR11 4FZ

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of Section 1A of FRS102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in pounds sterling which is the functional currency of the company.

Monetary amounts in these financial statements are rounded to the nearest pound.

Basis of preparation

These financial statements have been prepared using the historical cost convention.

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

Going concern

In preparing and approving these financial statements the directors have given due consideration to going concern risks, and in particular the ongoing impact of the Coronavirus pandemic. The pandemic has led to widespread, profound economic shocks and Engineered Arts Limited has experienced a downturn in revenue as a result. However, the directors are satisfied that the going concern basis of preparation remains appropriate.

In reaching this conclusion the directors, having made all necessary enquiries, have considered the level of cash reserves at the balance sheet date, and post year end. The company continues to invest in development projects in order to drive future sales, and has sufficient cash to fund both this development and cover its other operational expenditure as and when they fall due. The company is also able to leverage government support schemes including CJRS in order to support cash, and have also secured a "bounce back" loan from the bank with favourable terms.

After due consideration of these factors the Directors are satisfied that the company will be able to operate within their available facilities and continue as a going concern for the foreseeable future - being a period no less than 12 months from the date of approval of these financial statements.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable in respect of:

- The sale of humanoid and semi humanoid robots, including custom commissions and installations;
- The rental of humanoid and semi humanoid robots;
- The provision of software solutions and upgrades.

Turnover is shown net of value added tax, returns, rebates and discounts. Revenue in respect of the sale of units is recognised when units are dispatched. Revenue in respect of the provision of services is recognised over the term to which it relates.

Revenue in respect of product warranties is recognised over the period to which it relates. Revenue not relating to a period is deferred and recognised within accruals.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful life of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

In the year, the company also received Coronavirus Job Retention Scheme ("CJRS") grant income from the Government, designed to mitigate the impact of Covid 19. The company has elected to account for such grants under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in "other income" within the profit and loss in the same period as the related expenditure.

Other grants

Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

Tangible assets

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

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

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold properties	Straight line over the life of the lease
Plant and machinery	15% reducing balance
Fixtures, fittings and equipment	15% reducing balance
Motor vehicles	15% reducing balance

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. In the event that an internally generated intangible asset arises from the company's development activities then it may be recognised only if all of the following conditions are met:

- it is technically feasible to complete the asset so that it is available for use;
- management intends to complete the asset and use or sell it;
- there is an ability to use or sell the asset;
- adequate technical, financial, and other resources to complete the development and to use or sell the product are available;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Development costs	10%

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the average cost (AVCO) method. In prior years, the first-in, first-out (FIFO) method had been used.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

Share based payments

The company provides share based payments to certain employees.

Equity settled arrangements are measured at the fair value (excluding the effect on non market based vesting conditions) at the date of the grant. The fair value is expensed on a straight line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to an employee there is no change to the charge for share based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in profit and loss.

The company has no cash settled arrangements.

Financial instruments

Classification

The company holds the following financial instruments:

- Short term trade and other debtors and creditors; and
- Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement

The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

Critical judgements and estimation uncertainty

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

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In the opinion of the Directors the following areas are where significant estimates or judgements have been made in the financial statements:

Recognition of development expenditure (note 4)

During the year development expenditure of £797,311 (2019 - £470,233) has been recognised as an intangible asset in the financial statements. Management have considered the requirements of Section 18 of FRS102 and are satisfied that the necessary conditions have been met in regards to the works performed. The company continues to invest in further development projects for launch in future periods.

Recognition of share based payment arrangements (note 11)

The cost of share-based payments plans (our warrant plans) are calculated on the basis of the fair value of the equity instrument at grant date. Determining the fair value assumes choosing the most suitable valuation model for these equity instruments, which in this instance has involved the application of the Black - Scholes model. The application of this model requires input of relevant judgments, such as the estimated expected life and the volatility. Expected life assessments include consideration of when, or if an exit event would occur.

Management have considered a range of scenarios in regards to the valuation and have assessed the impact of the share based payment arrangement as being immaterial to the financial statements.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year was 29 (2019 - 22).

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

4 Intangible assets

	Development costs £	Total £
Cost or valuation		
At 1 December 2019	470,233	470,233
Additions	797,311	797,311
At 30 November 2020	1,267,544	1,267,544
Amortisation		
At 1 December 2019	35,751	35,751
Amortisation charge	64,356	64,356
At 30 November 2020	100,107	100,107
Carrying amount		
At 30 November 2020	1,167,437	1,167,437
At 30 November 2019	434,482	434,482

The aggregate amount of research and development expenditure recognised as an expense during the period is £199,327 (2019 - £117,558), and is included in administration costs.

The amortisation of development costs recognised in the year is £64,356 (2019 - £35,751) and is included in administration costs.

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

5 Tangible assets

	Land and buildings £	Fixtures and fittings £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation					
At 1 December 2019	271,494	159,243	26,433	853,418	1,310,588
Additions	-	2,644	-	114,375	117,019
At 30 November 2020	271,494	161,887	26,433	967,793	1,427,607
Depreciation					
At 1 December 2019	13,587	46,375	4,527	368,159	432,648
Charge for the year	22,624	17,201	3,286	78,872	121,983
At 30 November 2020	36,211	63,576	7,813	447,031	554,631
Carrying amount					
At 30 November 2020	235,283	98,311	18,620	520,762	872,976
At 30 November 2019	257,907	112,868	21,906	485,259	877,940

Leased assets

Included within the net book value of tangible fixed assets is £262,319 (2019 - £308,611) in respect of assets held under finance leases and similar hire purchase contracts.

Depreciation for the year on these assets was £46,292 (2019 - £54,461).

6 Stocks

	2020 £	2019 £
Work in progress	87,186	83,947

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

7 Debtors

	2020 £	2019 £
Trade debtors	82,638	110,766
Other debtors	337,210	195,463
Prepayments	15,084	22,142
	<u>434,932</u>	<u>328,371</u>

8 Creditors

Creditors: amounts falling due within one year

	Note	2020 £	2019 £
Due within one year			
Loans and borrowings	9	63,516	88,134
Trade creditors		26,144	37,663
Social security and other taxes		30,657	24,060
Outstanding defined contribution pension costs		3,716	2,202
Other creditors		91,332	205,346
Accrued expenses		63,299	94,274
Deferred income		532	625
		<u>279,196</u>	<u>452,304</u>

Creditors: amounts falling due after more than one year

	Note	2020 £	2019 £
Due after one year			
Loans and borrowings	9	55,993	119,509
Deferred income		3,012	3,544
		<u>59,005</u>	<u>123,053</u>

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

9 Loans and borrowings

	2020 £	2019 £
Current loans and borrowings		
HP and finance lease liabilities	<u>63,516</u>	<u>88,134</u>
	2020 £	2019 £
Loans and borrowings due after one year		
HP and finance lease liabilities	<u>55,993</u>	<u>119,509</u>

The amounts shown as being due under finance lease are secured against the assets to which they relate.

10 Share capital

Allotted, called up and fully paid shares

	No.	2020 £	No.	2019 £
Ordinary shares of £0.00 each	9,429	1.60	9,429	1.60
Ordinary A shares of £0.00 each	<u>7,713</u>	<u>1.29</u>	<u>7,713</u>	<u>1.29</u>
	<u>17,142</u>	<u>3</u>	<u>17,142</u>	<u>3</u>

Rights of share classes

The holders of Ordinary shares are entitled to full and equal rights to vote; participate in dividend, full and equal entitlement to A Ordinary shares; participate in a capital distribution including on winding up ranking behind A Ordinary shares; non-redeemable and class right to appoint a director.

The holders of the A Ordinary shares are entitled to full and equal rights to vote; participate in dividend, full and equal entitlement to Ordinary shares; participate in a capital distribution including on winding up in priority to Ordinary shares capped at the greater of amount paid for the A Ordinary shares or the amount that would have been received if the A Ordinary shares had been converted to Ordinary shares; non-redeemable; class right to appoint a director and conversion to Ordinary shares in the event of the death of the ultimate beneficial owner of the A Ordinary shares.

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

11 Share based payments

During the year the company established a share based payment arrangement, in which options were issued to certain employees on 1 June 2020.

The options can be exercised in the event of certain conditions as outlined in the scheme rules, which relate to the occurrence of an exit event. Employees are required to remain in employment with the company until exercise, or else the options will lapse. Employees are not entitled to dividends on the options until they are exercised.

During the year:

- 978 share options were granted to 8 employees;
- No options have lapsed;
- No exit events were triggered;
- 978 options remain outstanding at the balance sheet date.

The exercise price of each share option is £64.21, which was determined at the date of grant.

12 Financial commitments, guarantees and contingencies

Amounts not provided for in the balance sheet

The company is a lessee of the property from which it operates. The total financial commitment pertaining these operating lease rentals not included in the balance sheet is £700,600 (2019 - £768,400).

Year Ended 30 November 2020

Advances to directors

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Engineered Arts Limited

Notes to the Financial Statements

Year Ended 30 November 2020

14 Audit report

The financial statements for the year ended 30 November 2020 were audited by:

PKF Francis Clark, statutory auditor
Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

The senior statutory auditor was Thomas Roach BSc FCA.

An unqualified and unmodified auditors' report on the financial statements for the year ended 30 November 2020 has been issued on 16/6/21