

**Engineered Arts Limited
Annual Report and Financial Statements
Year Ended 31 December 2023**

Registration number: 05265468

Engineered Arts Limited

Contents

Balance Sheet

1

Notes to the Financial Statements

2 to 15

Engineered Arts Limited

Balance Sheet

31 December 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	<u>4</u>	1,727,357	2,209,746
Tangible assets	<u>5</u>	1,078,000	1,084,736
		<u>2,805,357</u>	<u>3,294,482</u>
Current assets			
Stocks	<u>7</u>	658,511	89,297
Debtors	<u>8</u>	1,022,370	596,821
Cash at bank and in hand		2,903,140	2,993,959
		<u>4,584,021</u>	<u>3,680,077</u>
Creditors: Amounts falling due within one year	<u>9</u>	<u>(3,258,420)</u>	<u>(2,947,024)</u>
Net current assets		<u>1,325,601</u>	<u>733,053</u>
Total assets less current liabilities		<u>4,130,958</u>	<u>4,027,535</u>
Creditors: Amounts falling due after more than one year	<u>9</u>	<u>(33,144)</u>	<u>(96,058)</u>
Provisions for liabilities		<u>(292,930)</u>	<u>(28,147)</u>
Net assets		<u>3,804,884</u>	<u>3,903,330</u>
Capital and reserves			
Called up share capital	<u>11</u>	3	3
Share premium reserve		2,333,332	2,333,332
Profit and loss account		1,471,549	1,569,995
Total equity		<u>3,804,884</u>	<u>3,903,330</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 29 August 2024 and signed on its behalf by:

.....
W S Jackson
Director

Company Registration Number: 05265468

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 31 December 2023

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:

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 31 December 2023

Going concern

In preparing and approving these financial statements the directors have given due consideration to going concern risks.

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 has experienced its highest level of sales to date in the year ended 31 December 2023, and has made significant sales post year end and has more large orders in the pipeline.

The directors are satisfied that the business is trading profitably whilst continuing to invest in research and development activities.

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.

Key sources of estimation uncertainty

Held within other loans due in less than one year are balances in relation to funds received under a Simple Agreement for Future Equity (SAFE) agreement.

It has been considered whether this should be classified for as an equity or liability.

Under FRS102 S.22.3B(i), a financial liability is a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own instruments.

On the basis that the number of shares to be issued will vary depending on the outstanding amount at that time and the applicable conversion rate, it is understood that the balance should be classified as a liability. The carrying amount is £2,444,801 (2022 - £2,357,790).

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 the items are dispatched or made available for collection by customers. 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.

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 31 December 2023

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.

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 31 December 2023

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% straight-line

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

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.

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 31 December 2023

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 31 December 2023

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 £nil (2022 - £454,187) 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.

Development costs that are capitalised in accordance with the requirements of FRS 102 are not treated, for dividend purposes, as a realised loss.

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 36 (2022 - 29).

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 31 December 2023

4 Intangible assets

	Development costs £	Total £
Cost or valuation		
At 1 January 2023	2,522,146	2,522,146
At 31 December 2023	2,522,146	2,522,146
Amortisation		
At 1 January 2023	312,400	312,400
Amortisation charge	101,901	101,901
Impairment	380,488	380,488
At 31 December 2023	794,789	794,789
Carrying amount		
At 31 December 2023	1,727,357	1,727,357
At 31 December 2022	2,209,746	2,209,746

The aggregate amount of research and development expenditure recognised as an expense during the period is £51,907 (2022 - £27,144), and is included in administration costs.

The amortisation of development costs recognised in the year is £101,901 (2022 - £110,392) and is included in administration costs.

The impairment charge recognised in the year is £380,488 (2022 - £nil) and is included in administration costs. Impairment relates to projects yet to yield economic benefits and which require more research and development.

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 31 December 2023

5 Tangible assets

	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation					
At 1 January 2023	307,238	173,093	26,433	1,397,728	1,904,492
Additions	46,592	3,405	-	122,959	172,956
Disposals	-	-	-	(8,974)	(8,974)
At 31 December 2023	353,830	176,498	26,433	1,511,713	2,068,474
Depreciation					
At 1 January 2023	84,635	93,330	13,178	628,615	819,758
Charge for the period	27,930	12,172	1,988	132,020	174,110
Eliminated on disposal	-	-	-	(3,394)	(3,394)
At 31 December 2023	112,565	105,502	15,166	757,241	990,474
Carrying amount					
At 31 December 2023	241,265	70,996	11,267	754,472	1,078,000
At 31 December 2022	222,605	79,763	13,255	769,113	1,084,736

Leased assets

Included within the year end net book value of tangible fixed assets is £151,125 (2022 - £180,375) in respect of assets held under finance leases and similar hire purchase contracts.

Depreciation for the year on these assets was £29,250 (2022 - £14,625).

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 31 December 2023

6 Investments

On 11 April 2023, Engineered Arts Limited became the Member responsible for Engineered Arts LLC, a company formed in the United States of America. The LLC has no stock or share capital, therefore the investment value in Engineered Arts Limited is £nil.

7 Stocks

	2023	2022
	£	£
Work in progress	496,546	89,297
Finished goods and goods for resale	161,965	-
	<u>658,511</u>	<u>89,297</u>

The Company has changed its bases of valuing stock to ensure it includes wage costs incurred in producing work in progress and finished goods. The bases now also includes work in progress of part finished incomplete robots. This new bases of valuation is applied from the year ended 31 December 2023 onwards.

8 Debtors

	Note	2023	2022
		£	£
Trade debtors		230,132	462,887
Amounts due from group undertakings	<u>14</u>	553,281	-
Other debtors		59,378	27,919
Prepayments		179,579	106,015
		<u>1,022,370</u>	<u>596,821</u>

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 31 December 2023

9 Creditors

Creditors: amounts falling due within one year

	Note	2023 £	2022 £
Due within one year			
Loans and borrowings	<u>10</u>	2,436,702	2,420,377
Trade creditors		33,113	87,151
Social security and other taxes		60,010	59,446
Other creditors		5,478	92,400
Accrued expenses		282,820	199,963
Deferred income		440,297	87,687
		<u>3,258,420</u>	<u>2,947,024</u>

Creditors: amounts falling due after more than one year

	Note	2023 £	2022 £
Due after one year			
Loans and borrowings	<u>10</u>	31,294	93,882
Deferred income		1,850	2,176
		<u>33,144</u>	<u>96,058</u>

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 31 December 2023

10 Loans and borrowings

	2023 £	2022 £
Current loans and borrowings		
HP and finance lease liabilities	62,587	62,587
Other borrowings	2,374,115	2,357,790
	<u>2,436,702</u>	<u>2,420,377</u>

Other borrowings relate to funds received through a Simple Agreement for Future Equity (SAFE) arrangement. This is understood to meet the definition of a liability because the number of shares to be issued will vary depending on the outstanding amount at that time and the applicable conversion rate.

The balance is categorised as due in less than one year on the basis that there is no set date for the conditions to be met and the loan converted to equity.

	2023 £	2022 £
Loans and borrowings due after one year		
HP and finance lease liabilities	31,294	93,882

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

11 Share capital

Allotted, called up and fully paid shares

	No.	2023 £	No.	2022 £
Ordinary shares of £0.00 each	9,429	2	9,429	2
Ordinary A shares of £0.00 each	7,713	1	7,713	1
	<u>17,142</u>	<u>3</u>	<u>17,142</u>	<u>3</u>

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 31 December 2023

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.

12 Share based payments

The company utilises a share based payment arrangement, in which certain employees hold options. At the start of the year, 978 share options were held between 8 employees.

During the year an additional 120 share options were issued to 1 employee.

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. The exit events are as follows:

- A share sale;
- An asset sale;
- A listing.

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:

- No options have lapsed;
- No exit events were triggered;
- 1,098 options were outstanding at the balance sheet date.

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

13 Financial commitments, guarantees and contingencies

Amounts not provided for in the balance sheet

The total amount of financial commitments not included in the balance sheet is £Nil (2022 - £493).

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 £790,171 (2022 - £949,641).

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 31 December 2023

14 Related party transactions

Transactions with directors

	At 1 January 2023 £	Advances to director £	Repayments by director £	Other payments made to company by director £	At 31 December 2023 £
2023					
W S Jackson					
Interest free directors loan repayable on demand	(40,789)	-	40,815	-	26
N Desmarais					
Interest free directors loan repayable on demand	5,835	-	-	-	5,835
T D Rasburn					
Interest free directors loan repayable on demand	(42,245)	-	42,245	-	-
		At 31 December 2021 £	Advances to director £	Repayments by director £	At 31 December 2022 £
2022					
W S Jackson					
Interest free directors loan repayable on demand		(40,879)	(70)	160	(40,789)
N Desmarais					
Interest free directors loan repayable on demand		5,835	-	-	5,835
T D Rasburn					
Interest free directors loan repayable on demand		(42,245)	-	-	(42,245)

Engineered Arts Limited

Notes to the Financial Statements

Year Ended 31 December 2023

15 Audit report

The Independent Auditors' Report was qualified. At the year end date we conducted a year end stock take. This comprised testing the stock listing and vouching existence of stock. However, the stock listing did not include all batches of stock of part finished incomplete robots. In prior years this had been deemed to be part of the development of products, however now that the business is consistently selling more products these form part of goods for commercial sale. Consequently our sample sizes did not cover the full spectrum of products held.

We were unable to satisfy ourselves by alternative means concerning the exact inventory quantities held at 31 December 2023. We do note that we were shown some examples of stock existence at year end including work in progress data across time, and have seen evidence of sales occurring post year end. The audit report qualification is required solely because we cannot satisfy ourselves that we can reliably test the exact value of stock at the year end. The name of the Senior Statutory Auditor who signed the audit report was Thomas Roach BSc FCA, who signed for and on behalf of PKF Francis Clark on 4 September 2024.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.