

**Company registration number 08012215 (England and Wales)**

**WAE TECHNOLOGIES LIMITED  
(FORMERLY WILLIAMS ADVANCED ENGINEERING LIMITED)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2022**

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# WAE TECHNOLOGIES LIMITED

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# WAE TECHNOLOGIES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	C Wilson R Finch R M Hutchinson E T Ward	(Appointed 16 January 2023) (Appointed 12 March 2023) (Appointed 12 March 2023)
<b>Secretary</b>	R Finch	(Appointed 28 February 2022)
<b>Company number</b>	08012215	
<b>Registered office</b>	Grove Wantage Oxfordshire OX12 0ST	
<b>Independent Auditor</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH	
<b>Bankers</b>	HSBC UK Bank PLC Thames Valley Corporate Hanborough House Wallbrook Court North Hinksey Lane Oxford OX2 0QS	

# WAE TECHNOLOGIES LIMITED

## STRATEGIC REPORT FOR THE PERIOD ENDED 30 JUNE 2022

The Directors present the strategic report for the 18 month period ended 30 June 2022.

### Principal activities

The Company provides engineering consultancy services, in the area of battery technology, to the motorsport, automotive and off-highway end market sectors. Key activities include feasibility studies, design and development and prototype manufacture.

### Strategy

On the 28 February 2022 Fortescue Metals Group Ltd (FMG) (ASX: FMG) acquired 100 per cent of Joule Jersey Topco Limited, the ultimate controlling Company of WAE Technologies Limited (WAE), from private equity firm EMK Capital LLP and Williams Grand Prix Engineering Limited (WGPE).

The strategic rationale for the acquisition was to i) leverage the critical technology and battery systems expertise of the Company to support FMG's goal to decarbonise its mining operations by the end of the decade; and ii) establish the Company as an important new global tier 1 battery power systems manufacturer.

In support of this strategy the Company is already developing battery electric solutions for FMG's rail, mobile haul fleet and other heavy mining equipment, to accelerate the rapid abatement of diesel usage.

### Financial performance

Key Performance Indicators	2022	2020
£m	18 months ending 30 June	12 months ending 31 December (as restated)
Revenue	77.5	41.2
Gross Margin	2%	-10%
EBITDA	(15.0)	(12.6)
Cash / (Overdraft)	2.7	(2.5)

Revenue for the period has increased by 88% mainly driven by the additional 6 months of the reporting period. The key drivers aside from the longer period are an increase in revenue from FMG of £8.1m in the period compared to £0.1m in 2020, and the non-recurrence of a negative revenue adjustment in 2020 associated with the early termination of a customer contract. This is also the main reason for the gross margin differential between the periods. In 2020, in addition to the terminated contract, EBITDA was also impacted by costs associated with Covid-19. The current period EBITDA is negative mainly due to upfront costs incurred on significant projects which will see the positive impacts in future years. In addition, the current period saw one off costs of an IT incident in February 2022, refinancing costs and the final settlement of a customer programme impacted by the Covid-19 pandemic. Cash in the current periods reflects the loss position offset by reduction in net working capital and £3m of funding from FMG.

Regarding the restatements within the 12 month period ended 31 December 2020, please refer to note 27.

### Financial outlook

Following acquisition, the Directors consider that the future for the Company is bright, with a strong orderbook, a committed and well-funded owner and a clear strategic vision. Key forecast metrics are revenue, gross margin percentage, EBITDA and operating cashflow.

Revenue growth is critical to show that the Company is growing in line with the strategic vision. The Directors are confident in strong revenue growth in the near term based upon the current orderbook, a healthy opportunity pipeline and the expected success ratio. Gross margin percentage is expected to remain steady in the short term, with inflationary cost pressures passed on through escalation clauses where appropriate. Additional headcount costs and operating costs associated with future manufacturing facilities is likely to dampen EBITDA margins in the short term until these become revenue generating. Similarly, additional funding will be required from FMG to support the Company's growth phase.

## **WAE TECHNOLOGIES LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022**

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#### **Covid-19 pandemic**

Like the vast majority of companies, on a reducing basis over the 18-month period, the Company was affected by the Covid-19 pandemic. The Company successfully and proactively adapted its working practices, with some staff working from home for periods of time. Given the nature of the Company's activities, some staff needed to maintain presence onsite where possible, and Covid-compliant measures were introduced and enhanced to ensure the safety of all staff and business operations.

The Company took prudent actions to reduce costs and conserve cash from the start of the pandemic at the beginning of 2020, but the impact reduced to be negligible at the end of June 2022. The Company used the Coronavirus Large Business Interruption Loan Scheme to support the business with its cash management efforts, the loan was repaid in full in early 2022.

#### **Principal risks and uncertainties**

The Board considers that it is important to identify key risks and put in place appropriate internal controls. The Board provides strategic direction on risk-related decision making to ensure that the appropriate policies are adopted within the Company and is responsible for ensuring that risks are appropriately identified, managed by senior management with appropriate controls in place and operating effectively.

Senior managers have responsibility for identifying and evaluating risks relating to their areas of responsibility. They are also responsible for implementing and monitoring effective controls to manage these risks. Where necessary they will bring in expertise from outside the Company to ensure matters are addressed appropriately.

The key risks to the Company are highlighted below.

#### ***Revenue generation***

Revenue from the Company's activities is derived from the provision of services in a competitive market with fast moving technology. To minimize this risk, the Company regularly monitors opportunity pipeline health, reviews trends in end market sectors, and invests in research and development to maintain its competitive advantage.

#### ***Expenditure control***

The costs of the Company arise from research, development, materials and production activity. Each customer project is subject to regular margin reviews to ensure costs are in line with expectations. Where costs are higher than expected alternative options are discussed to reduce costs in other areas. Overhead costs are reviewed by department against latest forecasts.

#### ***Cash management***

The Company closely monitors its cash flows. Income and expenditure on projects are not always linear, and careful monitoring of working capital is therefore essential, while meeting supplier payment obligations. Where necessary, mitigation plans are put in place to ensure the cash health of the business is kept in check, for instance by carefully timing capital equipment expenditure.

#### ***Talent retention and recruitment***

The recruitment, retention and development of talented people is important for the Company's success. Management designs reward schemes to be competitive and puts in place training and development plans to help retain talented people.

#### ***Cyber attack***

To protect against the risk of a cyber attack, the Company has an IT security framework in place with third-party experts to ensure: regular software and system patches are applied, firewalls are maintained and external attack surface is minimised, End-point Detection and Response is deployed across the IT estate, best practice access controls are utilised including Multi-Factor Authentication and complex passwords, and regular backups of Company systems and data are made.

These risks, as well as the financial risks discussed in the Directors' Report, will continue to be monitored by the Company in FY23 and beyond. Mechanisms include regular financial and operational reviews and the thorough evaluation of budgets and forecasts.

#### ***Brexit***

The Board is continuing to monitor the impact of the UK leaving the European Union ('Brexit'). The Company is headquartered in the UK and the vast majority of revenue is derived through the supply of services to both UK and international customers. The Company makes many purchases that originate from suppliers who are based in the

# WAE TECHNOLOGIES LIMITED

## STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

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European Union. There have been no material impacts relating to Brexit on the ability of the Company to continue to deliver its short-term objectives and operate its strategy.

### Going concern

The Company's loss for the period was £16.7m (2020: restated loss for the period of £14.5m). As at 30 June 2022 the Company had net liabilities of £5.5m (2020: restated net assets of £11.2m) and net current liabilities of £8.7m (2020: restated net current assets of £14.1m). The financial statements have been prepared on the going concern basis which the Directors consider appropriate for the reasons set out below.

In February 2022, the Company was acquired by FMG, one of the largest listed companies in Australia. As part of the acquisition all external debt was repaid, and a prepayment for rent of the current Grove site was made to cover lease payments until 2040.

The strategic rationale for the acquisition was to leverage the unique capabilities of the Company and in doing so create a global tier one manufacturer of battery systems. As part of this the Company will play a key role in FMG's public commitment to decarbonise its operational activities by 2030.

FMG has provided additional funding of £3.0m during the year and, from 1 July 2022 to date. Furthermore, the Company has obtained a letter of support from FMG stating that they will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due. The Directors have prepared cash flow forecasts out to the end of 30 September 2024 to provide FMG with transparency of future funding requirements.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### Events after the balance sheet date

The impact of the Russian invasion of Ukraine continues to have an impact on supply chain pricing and lead times, however the pricing impact that was observed directly after the initial invasion has dissipated. In response Directors have ensured that all price escalation clauses are utilised on current contracts and pursue such clauses for inclusion in all material future contracts.

Acceleration of the planned global manufacturing footprint has led to strategic reviews of sites in other locations which would support the future manufacturing growth plans. This includes the signing of a ten year lease on a facility based in Banbury in September 2022 to manufacture both off highway truck batteries and infinity train prototypes, and the signing of a ten year lease on a battery test facility and offices in Kidlington UK.

### Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a Company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

Key decisions taken during, and subsequent to, the reporting period was the sale of the Company to FMG Limited in February 2022, and the leasing of additional office space in Kidlington and a manufacturing warehouse in Banbury. For each of these decisions, alternative options were considered which included an understanding of the impact on key stakeholders listed above. Similarly, once the decision had been made, communication of the decision was made to key stakeholders explaining the rationale for the decision taken. This information was distributed in a range of different formats including in reports and presentations on the Company's financial and operational performance, non-financial key performance indicators, risk, environmental, social and corporate governance matters, and the outcomes of specific pieces of engagement. As a result of this, the Company has had an overview of engagement with stakeholders and other relevant factors which allows it to understand the nature of the stakeholders' concerns and to comply with its section 172 duty to promote success of the Company.

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## WAE TECHNOLOGIES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

In addition the table below sets out the interests of our key stakeholders and the consideration provided to these groups through different methods of engagement.

	Their Interest	How we engage
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Training and Development</li> <li>• Health and Safety</li> <li>• Diversity and Inclusion</li> <li>• Fair pay and benefits</li> <li>• Working Conditions</li> </ul>	<ul style="list-style-type: none"> <li>• People experience survey</li> <li>• Employee forum to represent all aspects of the workforce</li> <li>• Monthly Town Hall</li> <li>• Regular Workforce communications, email, posters</li> <li>• Employee onboarding portal with guide to key tools and policies</li> <li>• Annual appraisal process</li> <li>• Monthly presentation and review of employee issues by Executive Team</li> <li>• Weekly touchpoints to address urgent employee issues</li> <li>• Mentoring system for young talent</li> <li>• Mental Health First Aiders &amp; Employee Assistance Programme</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Ontime Delivery</li> <li>• Safety</li> <li>• Innovative solutions and Technical expertise</li> <li>• Reputation</li> <li>• Fair commercial terms</li> <li>• Supply chain stability</li> </ul>	<ul style="list-style-type: none"> <li>• Customer networking at motorsport race events</li> <li>• Attending exhibitions and trade shows</li> <li>• Interactive social media presence</li> <li>• Partnership approach to customers supports strong, long term relationships</li> <li>• Regular communication between Project Managers and current customers, reviewing performance to date</li> <li>• Monthly presentation and review of projects by Executive Team</li> <li>• Weekly touchpoints for Executive Team to address urgent customer issues</li> <li>• Approval of new customer contracts follows delegation of authority and review by Directors</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Future order visibility</li> <li>• Fair commercial terms</li> <li>• Long term partnerships</li> <li>• Payment terms</li> </ul>	<ul style="list-style-type: none"> <li>• Feedback sharing with key suppliers</li> <li>• Resolution of issues in a timely manner</li> <li>• Providing long term partnership intentions</li> <li>• Adherence to payment terms</li> <li>• Monthly presentation and review of projects by Executive Team</li> <li>• Weekly touchpoints for Executive Team to address urgent supplier issues</li> <li>• Leading (groupwide) position on an ethical supply chain with a focus on Modern Slavery</li> <li>• Virtual and in-person audits</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>• Delivery of the growth plan</li> <li>• Financial performance</li> <li>• Accurate funding forecasts</li> </ul>	<ul style="list-style-type: none"> <li>• External audit</li> <li>• Monthly review of financial performance with the strategic advisory group</li> <li>• Regular review of cash flow forecasts</li> <li>• Shareholder review of financial statements followed by Board review and approval</li> <li>• Annual review of performance against balanced scorecard of objectives</li> </ul>
<b>Corporate Social Responsibility</b>	<ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Recycling and waste management</li> <li>• Energy usage and carbon emissions</li> <li>• Road safety</li> <li>• Human rights</li> <li>• Education</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Environmental Social and corporate Governance (ESG) forum to raise issues and focus efforts</li> <li>• Recycling facilities throughout the office, no general waste to landfill, HQ buildings run on 100% green electricity</li> <li>• Staff led approach to support range of charities</li> <li>• Working with local schools, colleges, and universities to offer placements and employment at all stages of careers</li> <li>• Partnership with Girls on Track (FIA &amp; Formula E) to promote girls into engineering and motorsport globally</li> <li>• Tracking of carbon emissions, carbon calculation for Formula E battery packs in partnership with the FIA and series promoter</li> </ul>

## WAE TECHNOLOGIES LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and relationships with employees, customers and suppliers. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

The Company delegates authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing the execution of the business strategy and related policies. The Company delegates to executive management to review the Company's financial and operational performance, risk and compliance, and health and safety matters.

#### SECR disclosure

##### Scope definition

Scope 1 emissions are those that the Company makes directly. Across both the current and prior reporting period the Company has leased premises which do not include control of a boiler. In addition, and again across both periods, the Directors consider the number of vehicles (less than ten) immaterial. Scope 1 emissions are therefore reported as zero for both periods.

Scope 2 emissions are those that the Company makes indirectly. As the Company uses leased premises and receives a charge for energy consumption from landlord, as such, it does not have the full authority to introduce and implement operating policies in relation to energy usage. Therefore, energy consumption is reported under Scope 3 emissions below.

Scope 3 emissions are those that the Company makes up and down its value chain that it is not directly responsible for. For reasons noted above, energy consumption is reported within Scope 3. In addition, Land based transport for business purposes in assets not owned or directly operated by a business is reported within Scope 3.

##### Calculation methodology

The Company uses UK Government GHG Conversion Factors for Company reporting to convert both energy use and mileage into tonnes of CO<sub>2</sub>e in the table below. The Company uses the intensity ratio based on turnover.

During 2021, the freeholder of the Company's leased premises switched to procurement of electricity from fully renewable energy sources. As the Renewable Energy Guarantees of Origin (REGOs) are in the freeholders name, the Company does not meet the criteria to use a zero conversion factor.

Energy Use and Greenhouse gas emissions	18 month period ending June 30 2022		Year ending December 31 2020	
	Energy Use kWh	Tonnes CO <sub>2</sub> e	Energy Use kWh	Tonnes CO <sub>2</sub> e
Scope 1	-	-	-	-
Scope 2	-	-	-	-
Scope 3 - Energy	2,216,192	418.9	993,702	211.6
Scope 3 - Land Based Transport	-	37.3	-	0.6
<b>Total</b>	<b>2,216,192</b>	<b>456.2</b>	<b>993,702</b>	<b>212.2</b>
Chosen Intensity Measurement (CO <sub>2</sub> e/£m)		5.9		5.2

##### Energy efficiency actions and consideration taken during the year

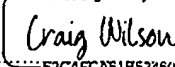
The Company's products and services have a direct impact on reducing the impact of climate change, with battery technology a key enabler in the shift away from reliance on fossil fuels. To support this, the Company recognises that its operations should also be aligned to mitigate the impact of climate change. During the year the Company has installed recycling facilities throughout its premises and is considering the introduction of a staff electric car scheme. As part of the search for new premises the Company is prioritising those with a high Energy Performance Certificate and Building Research Establishment Environmental Assessment Method rating.

# WAE TECHNOLOGIES LIMITED

## STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

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By order of the Board

DocuSigned by:  
  
.....52CAFCA61B52460  
C Wilson  
Director

Date: 18<sup>th</sup> August 2023

## WAE TECHNOLOGIES LIMITED

### DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2022

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The Directors present their annual report and audited financial statements for the 18 month period ended 30 June 2022.

On 11 November 2022 the Company changed its name from Williams Advanced Engineering Limited to WAE Technologies Limited.

#### **Results and dividends**

The results for the period are set out on page 15.

No ordinary dividends were paid during the period (2020: nil). The Directors do not recommend payment of a final dividend.

#### **Directors**

The Directors who held office during the period and up to the date of signature of the financial statements were as follows:

M W Joseph	(Resigned 28 February 2022)
E A Lazarus	(Resigned 28 February 2022)
Z Freud	(Resigned 28 February 2022)
N D T Armstrong	(Resigned 28 February 2022)
C Wilson	
M L C Savage	(Resigned 28 February 2022)
D A Fultz	(Resigned 28 February 2022)
R Finch	(Appointed 16 January 2023)
G L Tually	(Appointed 28 February 2022 and resigned 12 March 2023)
I D Wells	(Appointed 28 February 2022 and resigned 16 January 2023)
J M Gales	(Appointed 14 April 2021 and resigned 28 February 2022)
R M Hutchinson	(Appointed 12 March 2023)
E T Ward	(Appointed 12 March 2023)

#### **Qualifying third party indemnity provisions**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the period. These provisions remain in force at the reporting date.

#### **Political donations**

The Company did not make any political contributions in the period (2020: nil).

#### **Financial risk management**

The business is subject to certain financial risks, but has procedures and controls in place to mitigate these risks:

##### **Liquidity risk**

The Company has support from FMG which ensures that it has sufficient access to both short and long term funding to meet liquidity requirements.

##### **Interest rate risk**

External borrowings were repaid in the period, but debt provided by FMG is floating and therefore interest rate fluctuation remains a risk.

## **WAE TECHNOLOGIES LIMITED**

### **DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022**

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#### ***Foreign exchange risk***

Translation and transaction exchange risk can be mitigated through currency matching.

#### ***Credit risk***

Credit risk is mitigated through assessing the credit quality of each commercial partner.

#### ***Price risk***

The Company is exposed to commodity price risk as a result of its operations and routinely reviews market trends and indicators, including material escalation clauses in contracts as appropriate.

#### ***Research and development***

The activities of the Company are directed towards engineering projects in relation to developing technologies within the electrification and light-weighting markets.

#### ***Disabled persons***

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### ***Employee involvement and engagement***

The Company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

The Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principals decisions taken by the Company during the financial period.

Full details of the engagement with employees can be found within the Section 172 statement contained within the strategic report.

#### ***Significant events in the period***

##### ***Russian invasion of Ukraine***

The Company saw immediate impact on supply chain lead times and prices as a result of the conflict which began in February 2022. Material price escalation clauses were included in all key contracts, so the impact on margins has been limited. Price escalation clauses are sought for all new contracts.

##### ***Covid 19***

The Company did not furlough any employees during the pandemic, and transitioned to hybrid working environment which had limited impact on the Company's output and overall performance.

##### ***Acquisition by FMG***

In February 2022 FMG acquired the entire share capital of the Company from EMK Capital LLP. The long term vision of the new owner is to rapidly grow the business, leveraging the engineering expertise honed in the motorsport sector, to support FMG's decarbonisation goals and become a leading global battery manufacturer.

## WAE TECHNOLOGIES LIMITED

### DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

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#### Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under Company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

#### Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### Strategic report

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' report. It has done so in respect of the Energy and Carbon reporting requirements.

#### Future developments

The Directors intend to continue to operate the Company with its existing activities, whilst taking advantage of opportunities as they arise. Future developments are discussed further in the Strategic Report on page 2 within the Future Outlook section.

## WAE TECHNOLOGIES LIMITED

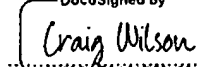
### DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

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#### Going concern

The Directors have considered the impact of the current inflationary environment upon the Company's ability to continue as a going concern and are satisfied with the basis, having reviewed forecasts and future cashflows. Further details of going concern review can be seen within the Strategic Report.

By order of the Board

DocuSigned by:  
  
.....82CAFC681B52460.....  
C Wilson  
Director

Date: 18<sup>th</sup> August 2023

## WAE TECHNOLOGIES LIMITED

# Independent auditors' report to the members of WAE Technologies Limited (formerly Williams Advanced Engineering Limited)

## Report on the audit of the financial statements

### Opinion

In our opinion, WAE Technologies Limited (formerly Williams Advanced Engineering Limited)'s financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its loss for the 18 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2022; the statement of comprehensive income and the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

# WAE TECHNOLOGIES LIMITED

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

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 30 June 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### Auditors' 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 auditors' 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment law and health and safety regulations, and we considered the extent to which non-

# WAE TECHNOLOGIES LIMITED

compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of results through posting of fraudulent journals as well as adjustments between the trial balance and the financial statements. Audit procedures performed by the engagement team included:

- Obtaining an understanding of the legal and regulatory framework applicable to the company and how the company is complying with that framework;
- Enquiry of management and directors around known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meetings with the Board of Directors;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations in respect of revenue and unusual users; and
- Assessing reasonableness of accounting estimates, and incorporating elements of unpredictability to the nature and extent of audit procedures performed by us.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.


## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Hassan Ahmed (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
18 August 2023

# WAE TECHNOLOGIES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2022

	Notes	Period ended 30 June 2022 £'000	Year ended 31 December 2020 as restated £'000
Turnover	3	77,540	41,194
Cost of sales		(75,962)	(45,184)
<b>Gross profit/(loss)</b>		<b>1,578</b>	<b>(3,990)</b>
Administrative expenses		(21,448)	(12,830)
Other operating income		3,746	3,113
<b>Operating loss</b>	<b>4</b>	<b>(16,124)</b>	<b>(13,707)</b>
Interest payable and similar expenses	8	(547)	(334)
<b>Loss before taxation</b>		<b>(16,671)</b>	<b>(14,041)</b>
Tax on loss	9	-	(501)
<b>Loss for the financial period</b>		<b>(16,671)</b>	<b>(14,542)</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The figures presented for the year ended 31 December 2020 have been restated to reflect adjustments detailed in note 27. The impact of these adjustments on the statement of comprehensive income are as follows;

- Restatement relating to stock absorption has reduced turnover by £829k, cost of sales by £1,157k and administrative expenses by £262k. This reduces the operating loss, loss before taxation, and loss for the financial period by £590k.
- Restatement relating to revenue recognition methodology on specific contracts has reduced turnover by £558k. This increases the operating loss, loss before taxation, and loss for the financial period by £558k.
- The impact of the two adjustments above has reduced operating loss, loss before taxation, and the loss for the financial period by £32k

The notes on pages 18 to 35 form an integral part of these financial statements.

There is no other comprehensive income in the period ended 30 June 2022 (2020: nil).

**WAE TECHNOLOGIES LIMITED****STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2022**

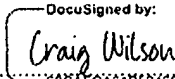
		As at 30		As at 31
		June	June	December
		2022	2022	2020
				as restated
	Notes	£'000	£'000	£'000
<b>Fixed assets</b>				
Investments in subsidiaries and related undertakings	10	-	-	-
Intangible assets	11	1,225		98
Tangible assets	12	5,020		1,421
		6,245		1,519
<b>Current assets</b>				
Stocks	13	15,252		10,055
Debtors falling due within one year	14	39,074		30,713
Debtors falling due after more than one year	14	5,136		5,603
Cash at bank and in hand		2,726		-
		62,188		46,371
<b>Creditors: amounts falling due within one year</b>	15	(70,899)		(32,310)
<b>Net current (liabilities)/assets</b>			(8,711)	14,061
<b>Total assets less current liabilities</b>			(2,466)	15,580
<b>Creditors: amounts falling due after more than one year</b>	16		(3,000)	(4,375)
<b>Net (liabilities)/assets</b>			(5,466)	11,205
<b>Capital and reserves</b>				
Called up share capital	20	20,143		20,143
Other reserves	21	6,226		6,226
Profit and loss account		(31,835)		(15,164)
<b>Total equity</b>			(5,466)	11,205

The figures presented for the year ended 31 December 2020 have been restated to reflect adjustments detailed in note 27. The impact of these adjustments on the statement of financial position are as follows;

- Restatement relating to stock absorption has increased stock by £1,683k.
- Restatement relating to long term prepayments has reclassified £5,603k from fixed assets to debtors falling due after more than one year.
- Restatement relating to revenue recognition methodology on specific contracts has reduced debtors falling due within one year by £848k, increased creditors falling due within one year by £802k.
- Restatement in relation to incorrect treatment of cash balances held by a wholly owned subsidiary has increased debtors falling due within one year by £325k and increased creditors falling due within one year by £325k.

The notes on pages 18 to 35 form an integral part of these financial statements.

The financial statements on pages 1 to 35 were approved by the Board of Directors on 18th August 2023 and signed on its behalf by:

DocuSigned by:  
  
 E22CAFCA61B52460  
 C Wilson

**Director**  
**Company Registration No. 08012215**

## WAE TECHNOLOGIES LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022

	Share capital	Other reserves	Profit and loss reserves as restated	Total
	£'000	£'000	£'000	£'000
<b>As restated for the period ended 31 December 2020:</b>				
<b>Balance at 1 January 2020</b>	20,143	6,226	(622)	25,747
<b>Year ended 31 December 2020:</b>				
Loss and total comprehensive expense for the year	-	-	(14,574)	(14,574)
<b>Balance at 31 December 2020</b>	20,143	6,226	(15,196)	11,173
Effect of restatements identified for prior period			32	32
<b>Balance at 31 December 2020</b>	20,143	6,226	(15,164)	11,205
<b>Period ended 30 June 2022:</b>				
Loss and total comprehensive expense for the year	-	-	(16,671)	(16,671)
<b>Balance at 30 June 2022</b>	20,143	6,226	(31,835)	(5,466)

The figures presented for the year ended 31 December 2020 have been restated to reflect adjustments detailed in note 27. The impact of these adjustments on the statement of changes in equity is an increase to profit and loss reserves of £32k.

The notes on pages 18 to 35 form an integral part of these financial statements.

# WAE TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2022

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### 1 Accounting policies

#### Company information

WAE Technologies Limited, formerly Williams Advanced Engineering Limited is a private Company limited by shares incorporated in the United Kingdom and registered in England and Wales. The registered office is Grove, Wantage, Oxfordshire, OX12 0ST.

The Company provides technical innovation, engineering, testing and manufacturing services to a diverse customer base. These results arise from a single class of operations.

#### 1.1 Reporting period

These financial statements cover the period of 18 months from 1 January 2021 to 30 June 2022 (2022), whilst the comparatives cover the 12 month period ended 31 December 2020 (2020), meaning the comparative amounts presented in these financial statements are not entirely comparable. The Company changed its financial reporting date in order to align with its ultimate parent undertaking.

#### 1.2 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in pounds sterling, which is the functional currency of the Company. Monetary amounts in these financial statements where applicable are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. These policies have been consistently applied to all the years presented, unless stated otherwise. The principal accounting policies adopted are set out below.

This Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures': Compensation for key management personnel and related party transactions.
- From the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures.

The Company is a wholly owned subsidiary of WAE Technologies HoldCo Pty Ltd (formerly Fortescue Green Fleet Pty Ltd) and of its ultimate parent, Fortescue Metals Group Limited. It is included in the consolidated financial statements of Fortescue Metals Group Limited which are publicly available.

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Fortescue Metals Group Limited. The address of the parent's registered office is Level 2, 87 Adelaide Terrace, East Perth, Western Australia, 6004.

Until December 2022, the Company was a wholly owned subsidiary of Joule Bidco Limited, a Company incorporated in the United Kingdom and registered in England and Wales (registration number 12363611). From December 2022, the intermediate owner of the Company was changed to WAE Technologies HoldCo Pty Ltd (formerly Fortescue Green Fleet Pty Ltd) which is a Company registered in Australia. Full details of the ownership of the Company can be found in note 26 to these accounts.

# WAE TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

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### 1 Accounting policies (continued)

#### 1.3 Going concern

The Company's loss for the period was £16.7m (2020: restated loss for the period of £14.5m). As at 30 June 2022 the Company had net liabilities of £5.5m (2020: restated net assets of £11.2m) and net current liabilities of £8.7m (2020: restated net current assets of £14.1m). The financial statements have been prepared on the going concern basis which the Directors consider appropriate for the reasons set out below.

In February 2022, the Company was acquired by FMG, one of the largest listed companies in Australia. As part of the acquisition all external debt was repaid, and a prepayment for rent of the current Grove site was made to cover lease payments until 2040.

The strategic rationale for the acquisition was to leverage the unique capabilities of the Company and in doing so create a global tier one manufacturer of battery systems. As part of this the Company will play a key role in FMG's public commitment to decarbonise its operational activities by 2030.

FMG has provided additional funding of £3.0m during the year. Furthermore, the Company has obtained a letter of support from FMG stating that they will provide financial support to the Company such that the Company is able to operate as a going concern and to settle its liabilities as they fall due. The Directors have prepared cash flow forecasts out to the end of 30 September 2024 to provide FMG with transparency of future funding requirements.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 1.4 Turnover

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes.

##### *i. Rendering of services*

Revenue for provision of services is recognised when it is probable that an economic benefit will flow to the entity and the revenue and costs can be reliably measured.

##### *Long term services contracts - percentage of completion method*

Where the outcome of a long term services contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a long term service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, deferred costs (included within prepayments and accrued income) or other assets depending on their nature, and provided it is probable they will be recovered.

# WAE TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

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### 1 Accounting policies (continued)

#### *Long Term services contracts – straight line method*

Where a percentage of completion method is not suitable for measuring the progress of the contract the straight line method is used. This considers the total length of the contract and recognises revenue in a linear profile over the life of the contract.

Where the outcome of a long term services contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a long term service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period.

#### *ii. Sale of goods*

The Company recognises revenue from sale of goods when (a) the significant risks and rewards of ownership have been transferred to the buyer, (b) the Company retains no continuing involvement or control over the goods, (c) the amount of revenue can be measured reliably, (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of Company's sales channels have been met.

Income from the sale of goods is recognised when the risks and rewards of the goods have passed to the customer. On these sale of goods, International Commercial Terms (INCO) are when the goods are despatched to the customer unless they are otherwise agreed with the customer and revenue is recognised at the point of which risk and reward transfers.

#### *iii. Government grants*

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. Amounts recognised in the profit and loss are presented under the heading turnover.

#### *iv. Royalty income*

The Company earns royalties from other manufacturers in relation to the sale of products designed by the Company. Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

#### **Deferred income**

Deferred income on sales of services comprises amounts relating to services that will be delivered in the future, which have been invoiced to a customer in advance but not yet due. Deferred income on sales of goods comprises the value of goods invoiced to a customer but not yet delivered to the customer or made available per the contract incoterms.

#### **Accrued income**

Accrued income on sales of services comprises amounts relating to services that have been delivered to the customer but which have not yet been invoiced. Accrued income on sales of goods comprises the value of goods not yet invoiced to a customer but that have been delivered or made available per the contract incoterms.

# WAE TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

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### 1 Accounting policies (continued)

#### 1.5 Intangible fixed assets other than goodwill

Intangible assets comprise software which is initially recorded at cost. Amortisation is calculated so as to write off the cost or valuation of assets less their residual values over their useful economic lives on the following bases:

Software over three years

#### 1.6 Tangible assets

All property, plant and equipment is initially recorded at cost. Depreciation is calculated so as to write off the cost of an asset, over the useful economic life of that asset as shown below.

Assets classified as plant and machinery, motor vehicles and computer hardware are presented as separate asset categories in the notes to the accounts. Freehold land does not depreciate. Assets under construction are stated at cost and are not depreciated until they are available for use. Upon completion of construction, such assets will be transferred to appropriate asset categories and depreciated accordingly.

Plant and machinery	6 years straight line
Fixtures and fittings	6 years straight line
Computer hardware	3 years straight line
Motor vehicles	3 years straight line
Leased batteries	average of 4 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.7 Investment in subsidiaries and related undertakings

Investments in subsidiary companies are held at cost less accumulated impairment losses. A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.8 Impairment of fixed assets

At each reporting period end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## WAE TECHNOLOGIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

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#### 1 Accounting policies (continued)

##### 1.9 Stocks

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

Stocks are valued using the first in first out (FIFO) method.

##### 1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

##### 1.11 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### *Other financial assets*

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### *Impairment of financial assets*

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### *Other financial liabilities*

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge in which case the change in fair value is recognised in Other Comprehensive Income

# WAE TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

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### 1 Accounting policies (continued)

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### *Derecognition of financial liabilities*

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

### 1.12 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

### 1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### 1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### 1.15 Retirement benefits

The Company operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contributions payable by the Company during the period. The Company does not operate any defined benefit retirement arrangements.

## WAE TECHNOLOGIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

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#### 1 Accounting policies (continued)

##### 1.16 Research and development and related government grants

The Company is heavily committed to research and development activities so as to maintain its position as a market leader in electrification and light-weighting. Research expenditure is expensed as incurred.

The Company claims Research and Development Expenditure Credits (RDEC) in respect of its research and development expenditure. The Company recognises the value of the RDEC net of tax as other operating income in the year in which the underlying research and development expenditure was incurred.

##### 1.17 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the transaction date. All profits and losses on exchange are recognised within the statement of comprehensive income.

##### 1.18 Trade payables and receivables

Trade payables and trade receivables are not interest bearing and are payable or receivable within one year. They are recorded at their nominal value less any allowance for estimated irrecoverable amounts. Any losses arising from impairment are recognised in the income statement.

Prepayments and accrued income includes the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date (see accounting policy at note 1.3) less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Long term service contracts are presented as part of debtors in the balance sheet. If payments received from customers exceeds the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

#### 2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements.

##### Revenue recognition for long term contracts

The Company enters into long term contracts to deliver advanced engineering services to customers. These contracts may have a fixed price and extend across a significant period of time. Revenue from these contracts is recognised when the outcome of the contract can be estimated reliably and the relevant services have been performed. Performance is measured by reference to the costs that have been incurred to date as a percentage of the total expected costs for the contract. The revenue recognised could be impacted by future changes in delivery or contract costs that were not considered when the completion of the contract was assessed.

# WAE TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

### 2 Judgements and key sources of estimation uncertainty (continued)

The key areas of judgement for revenue recognition surround determining whether variable consideration is to be included within the overall transaction price when looking at stage of completion. Significant judgement is also required to determine whether the contract states that performance obligations are met at a defined point in time or whether they are satisfied over a period of time. Where the latter applies, judgement is required to ensure that the appropriate method is used to calculate the revenue to be recognised.

### 3 Turnover

	2022 £'000	2020 £'000 as restated
<b>Turnover analysed by class of business</b>		
Rendering of services	70,282	34,319
Grant income	1,319	1,371
Royalty	307	557
Sale of goods	5,632	4,947
	<u>77,540</u>	<u>41,194</u>
	2022 £'000	2020 £'000 as restated
<b>Turnover analysed by geographical market</b>		
United Kingdom	46,900	35,381
United States of America	8,398	3,965
Australia	8,417	92
Europe	10,119	1,756
Rest of the world	3,706	-
	<u>77,540</u>	<u>41,194</u>

#### Long Term Service Contracts – percentage of completion method

As at the balance sheet date, the Company has amounts due from customers in relation to ongoing service contracts amounting to £6,779k (2020: restated £10,044k). These amounts are included within prepayments and accrued income.

As at the balance sheet date, the Company has amounts due to customers in relation to ongoing service contracts amounting to £22,404k (2020: restated £10,603k) These amounts are included within accruals and deferred income.

#### Grant income

The grant programmes relate to government grants with the aim of improving and developing the national standard of advanced engineering, with particular focus on battery technology.

There are no unfulfilled conditions or contingencies relating to this income outside the scope of programme delivery. There are no other forms of government assistance outside of those already disclosed.

The figures above presented for the year ended 31 December 2020 have been restated to reflect adjustments detailed in note 27. The impact of these adjustments has reduced turnover by £1,387k.

## WAE TECHNOLOGIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

<b>4</b>	<b>Operating loss</b>	<b>2022</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
	Operating loss for the period is stated after charging/(crediting):		
	Exchange (gains)/losses	(287)	108
	Research and development costs	2,777	511
	Depreciation of owned tangible fixed assets	936	886
	Research and development expenditure credit	(3,752)	(2,561)
	Amortisation of intangible assets	144	177
	Operating lease charges	467	102
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Auditors remuneration</b>	<b>2022</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
	Fees payable to the Company's auditors and associates:		
	<b>For audit services</b>		
	Audit of the financial statements of the Company	232	97
		<u>          </u>	<u>          </u>
	<b>For other services</b>		
	Other assurance services	-	21
		<u>          </u>	<u>          </u>
<b>6</b>	<b>Directors' remuneration</b>	<b>2022</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
	Remuneration for qualifying services	1,238	432
	Company pension contributions to defined contribution schemes	9	5
		<u>          </u>	<u>          </u>
		1,247	437
		<u>          </u>	<u>          </u>

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to one (2020: one).

12 of the Directors (2020: 6) provided the majority of their services to other group companies and therefore they are excluded from all information in the details above. These Directors are paid by other group companies and there is no recharge for their remuneration (2020: no recharge)

Remuneration disclosed above include the following amounts paid to the highest paid Director:

	<b>2022</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Remuneration for qualifying services	1,238	432
Company pension contributions to defined contribution schemes	9	5
	<u>          </u>	<u>          </u>

## WAE TECHNOLOGIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

#### 7 Employees

The average monthly number of persons (including Directors) employed by the Company during the period was:

	2022 Number	2020 Number
Administration and support	26	19
Research and development	290	269
<b>Total</b>	<b><u>316</u></b>	<b><u>288</u></b>

Their aggregate remuneration comprised:

	2022 £'000	2020 £'000
Wages and salaries	28,190	16,332
Social security costs	3,090	1,947
Other pension costs (Note 19)	1,203	739
	<b><u>32,483</u></b>	<b><u>19,018</u></b>

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately to those of the Company in independently administered funds. Pension costs represents contributions paid or payable by the Company to the funds.

#### 8 Interest payable and similar expenses

	2022 £'000	2020 £'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	238	67
Interest on amounts owed to related parties	212	262
Interest payable on other loans	97	5
<b>Total interest payable and similar charges</b>	<b><u>547</u></b>	<b><u>334</u></b>

#### 9 Tax on loss

	2022 £'000	2020 £'000 as restated
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	501
	<b><u>-</u></b>	<b><u>501</u></b>

# WAE TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

### 9 Tax on loss

(Continued)

The actual (credit)/charge for the period can be reconciled to the expected credit for the period based on the profit or loss and the standard rate of tax as follows:

	2022 £'000	2020 £'000 as restated
Loss before taxation	(16,671)	(14,041)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(3,167)	(2,674)
Impact of restatement on expected tax credit (19%)	-	6
Tax effect of expenses that are not deductible in determining taxable profit	80	180
Unutilised tax losses carried forward	-	2,538
Remeasurement of deferred tax for changes in tax rates	(1,894)	-
Group relief	16	(49)
Research and development expenditure credits	(2)	-
Permanent fixed asset differences	(52)	-
Adjustment in research and development tax credit	-	500
Deferred tax not recognised	5,019	-
Taxation charge for the period	-	501

In the 2020 Budget, the UK government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will proceed.

The loss before taxation presented for the year ended 31 December 2020 has been restated to reflect adjustments detailed in note 27. The impact of these adjustments has reduced operating loss by £32k.

### 10 Investments in subsidiaries and related undertakings

Investment in subsidiaries at 31 December 2020 and 30 June 2022 was £200.

Details of the Company's subsidiaries at 30 June 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
WAE Ventures Limited	England and Wales	Engineering	Ordinary	100.00
WAE Joint Ventures Limited	England and Wales	Engineering	Ordinary	100.00

The Company owns 100% of the ordinary share capital of WAE Ventures Limited, formerly known as Williams Technology Ventures Limited, a Company incorporated in England and Wales. As at 30 June 2022, WAE Ventures Limited had net liabilities of £407k (2020: £478k) with a profit for the period to 30 June 2022 of £71k (2020: loss of £84k).

The Company also owns 100% of the ordinary share capital of WAE Joint Ventures Limited, formerly known as Williams Advanced Engineering Technology Limited a Company incorporated in England and Wales. The total share capital and reserves of WAE Joint Ventures at 30 June 2022 was £101 (2020: £101) with no gain and no loss for the period to 30 June 2022 (2020: nil).

# WAE TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

### 11 Intangible assets

	Software £'000
<b>Cost</b>	
At 1 January 2021	1,730
Additions	1,271
At 30 June 2022	<u>3,001</u>
<b>Amortisation and impairment</b>	
At 1 January 2021	1,632
Amortisation charged for the period	144
At 30 June 2022	<u>1,776</u>
<b>Carrying amount</b>	
At 30 June 2022	<u>1,225</u>
At 31 December 2020	<u>98</u>

### 12 Tangible assets

	Plant and machinery	Fixtures and fittings	Computer hardware	Motor vehicles	Leased batteries	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At 1 January 2021	3,456	442	823	30	-	-	4,751
Additions	814	11	444	-	-	3,278	4,547
Transfers	-	-	-	-	1,254	(1,254)	-
Disposals	(1,256)	(160)	(404)	-	-	-	(1,820)
At 30 June 2022	<u>3,014</u>	<u>293</u>	<u>863</u>	<u>30</u>	<u>1,254</u>	<u>2,024</u>	<u>7,478</u>
<b>Depreciation and impairment</b>							
At 1 January 2021	2,282	309	730	10	-	-	3,331
Depreciation charged for the period	654	65	154	15	48	-	936
Disposals	(1,251)	(154)	(404)	-	-	-	(1,809)
At 30 June 2022	<u>1,685</u>	<u>220</u>	<u>480</u>	<u>25</u>	<u>48</u>	<u>-</u>	<u>2,458</u>
<b>Carrying amount</b>							
At 30 June 2022	1,329	73	383	5	1,206	2,024	5,020
At 31 December 2020	1,174	134	93	20	-	-	1,421

## WAE TECHNOLOGIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

#### 13 Stocks

	2022	2020 as restated
	£'000	£'000
Stock and work in progress	<u>15,252</u>	<u>10,055</u>

There is no significant difference between the replacement cost of the inventory and its carrying amount.

Stocks are stated after provisions for impairment of £1,792k (2020: £645k).

Stock and work in progress presented for the year ended 31 December 2020 has been restated to include labour and overhead costs previously excluded. The impact of these adjustments has increased stock by £1,683k. Further detail is included in note 27.

#### 14 Debtors

	2022	2020 as restated
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade debtors	8,360	7,924
Amounts owed by related parties	18,704	962
Other debtors	847	1,448
Prepayments and accrued income	7,577	18,403
Research and development expenditure credit receivable	3,586	1,976
	<u>39,074</u>	<u>30,713</u>
<b>Amounts falling due after more than one year:</b>		
Other long term prepayments	<u>5,136</u>	<u>5,603</u>
<b>Total debtors</b>	<u>44,210</u>	<u>36,316</u>

The long term prepayment balance above relates to the Grove site which is being amortised over a 20 year period.

Trade debtors are stated after provisions for impairment of £437k (2020: £160k).

Amounts owed by related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Debtors falling due within one year for the year ended 31 December 2020 has been restated to reflect the following adjustments:

- Restatement in relation to incorrect treatment of cash balances held by a wholly owned subsidiary has increased amounts owed by related parties by £385k, decreased accrued income by £60k and increased loans and overdrafts by £325k.

# WAE TECHNOLOGIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

### 14 Debtors (Continued)

- Restatement relating to revenue recognition methodology on specific contracts has reduced Prepayments and accrued income by £848k
- Restatement relating to £1,976k of R&D tax credit receivable previously included within prepayments and accrued income, now separately shown in the note.

Debtors falling due after more than one year for the year ended 31 December 2020 has been restated to reflect the reclassification of long term prepayments of £5,603k from fixed assets. Further detail is available in note 27.

### 15 Creditors: amounts falling due within one year

	Notes	2022 £'000	2020 as restated £'000
Bank loans and overdrafts	17	-	2,518
Trade creditors		7,110	4,285
Amounts owed to related parties		22,948	1,849
Taxation and social security		1,066	997
Other creditors		548	2,042
Accruals and deferred income		39,227	20,619
		<u>70,899</u>	<u>32,310</u>

Bank loans and overdrafts of £2,518k in 2020 included £2,193k related to a CBILS loan which was repaid during the period. There was no security for this loan. Interest on this loan was charged at a rate of 2.2%.

Amounts owed to related parties above are unsecured, have no fixed date of repayment and are repayable on demand but are bearing of interest at an arm's length rate. Interest was charged on the loans from Joule Jersey Topco Limited and its subsidiaries at the rate of 12% through until settlement in February 2022. Interest was charged on the loans from FMG at a floating rate (term SONIA 1M or 3M) plus 2%.

Other creditors includes amounts owing for pension liabilities, VAT, and other miscellaneous liabilities.

Accruals and deferred income of £39,227k (2020: £20,619) can be split as deferred income £22,502k (2020: £10,677k) and accruals of £16,725k (2020: £9,942k).

The deferred income amounts relate to project income which has been deferred in the normal course of business and in accordance with the accounting policies.

Creditors falling due within one year for the year ended 31 December 2020 has been restated to reflect the change in revenue recognition methodology on specific contracts. This has increased accruals and deferred income by £783k and other creditors by £19k. An error in the classification of some accruals was also found, resulting in an adjustment to increase accruals and deferred income by £9,598k and decrease other creditors by the same amount. Further detail is available in note 27.

16 Creditors: amounts falling due after more than one year	Notes	2022 £'000	2020 £'000
Bank loans and overdrafts	17	-	4,375
Loans from related parties	17	3,000	-

## WAE TECHNOLOGIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

17 Loans and overdrafts	2022	2020 as restated
	£'000	£'000
Bank loans	-	5,000
Bank overdrafts	-	1,893
Loans from related parties	25,903	1,849
	<u>25,903</u>	<u>8,742</u>
Payable within one year	22,903	4,367
Payable after one year	<u>3,000</u>	<u>4,375</u>

Prior period bank loans and overdrafts were settled in February 2022 as part of the acquisition of WAE Technologies Limited by FMG.

Loans and overdrafts payable within one year as presented above for the year ended 31 December 2020 has been restated to reflect cash held by a wholly owned subsidiary. This has increased bank overdrafts and loans payable within one year by £325k. Further detail is available in note 27.

#### 18 Deferred taxation

There were no deferred tax movements in the period.

Deferred tax assets have not been recognised in respect of unutilised tax losses of £7,837k (2020: £13,400k) and temporary differences of £53k (2020: £2,400k) as it is not probable that there will be sufficient future taxable profits available against which the Group can use the benefits therefrom.

#### 19 Retirement benefit schemes

	2022	2020
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes (Note 7)	<u>1,203</u>	<u>739</u>

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

#### 20 Called up share capital

	2022	2020	2022	2020
	Number	Number	£'000	£'000
Ordinary share capital issued and fully paid				
Ordinary shares of £1 each	<u>20,142,938</u>	<u>20,142,938</u>	<u>20,143</u>	<u>20,143</u>

There is a single class of ordinary shares which carry no right to fixed income.

On the 28 February 2022 Fortescue Meta's Group Ltd (ASX: FMG) acquired 100 per cent of Joule Bidco Limited, the immediate parent company of WAE Technologies Limited, from private equity firm EMK Capital LLP and Williams Grand Prix Engineering Limited (WGPE). There were no changes to the issued shares of the Company as a result of this transaction. WAE Technologies HoldCo Pty Ltd is now the immediate parent company, and Joule Bidco Limited has been voluntarily struck off on 27 June 2023.



## WAE TECHNOLOGIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

The largest group of undertakings for which group accounts are drawn up for the current period is that headed by FMG. These group accounts are available from the ultimate parent undertaking at Level 2, 87 Adelaide Terrace, East Perth, Western Australia, 6004.

The largest group of undertakings for which group accounts have previously been drawn up is that headed by EMK Capital LLP (company registration number OC403928) by virtue of their significant majority investment in Joule Jersey Topco Limited. These group accounts are available from the former ultimate parent undertaking at Lex House 2nd Floor, 17 Connaught Place, London, W2 2ES.

#### 27 Prior period adjustment

The prior period restatements relate to the following:

##### **Restatement of stocks**

Absorption of labour and overhead costs had incorrectly been omitted from stock values for the current and prior accounting periods. This has led to an understatement in stock, an overstatement in cost of sales and consequentially an overstatement of turnover for related projects which are accounted for as construction contracts on a POC basis.

The total prior year adjustment to stock is an increase £1,683k which results in an opposing decrease to cost of sales of £1,421k and a decrease to overheads of £262k. The turnover adjustment relating to this error is a decrease of £829k, an increase in cost of sales of £265k, an increase to accruals and deferred income of £783k, a decrease to accrued income by £291k and an increase to other creditors of £19k.

##### **Restatement of long term prepayments**

The Company has a long term prepayment in relation to the Grove site (as disclosed in note 14) which was previously shown within the Fixed Asset section of the balance sheet. This has been re-classified to the Current Assets section of the balance sheet in accordance with accounting standards.

This restatement has no impact on previously reported profit or reserves figures but does change the previously reported net current assets figure by £5,603k.

##### **Restatement of position on long term service contracts**

The Company has restated the comparative figures due to errors identified in relation to the recognition of construction contracts in the year ended 31 December 2020. The effect of this restatement has been to decrease turnover in the period by £558k, resulting in an opposing decrease in accrued income of the same value.

##### **Restatement with respect to inter-company transactions with subsidiary**

The Company has identified that a cash balance of £325k was included within the comparative figures incorrectly, as the account related to a wholly owned subsidiary. This restatement also resulted in an increase in amounts owed by related parties of £385k and a decrease in accrued income of £60k.

##### **Restatement of accruals, deferred income, other creditors and R&D tax credit receivable**

An error in the classification of specific accruals was identified in the 2020 disclosure note, resulting in an adjustment which increases accruals and deferred income by £9,598k and decreases other creditors by the same amount.

An error in the classification of R&D tax credit receivable in note 14 was also identified. £1,976k of R&D tax credit was included in prepayments & accrued income in error. This has now been separated within the note, thus decreasing prepayments and accrued income by the same value.

## WAE TECHNOLOGIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2022

#### 27 Prior period adjustment

(Continued)

Changes to the statement of financial position	As previously reported £'000	Adjustment £'000	As restated at 31 Dec 2020 £'000
<b>Fixed assets</b>			
Long term prepayment	5,603	(5,603)	-
<b>Current assets</b>			
Stocks	8,372	1,683	10,055
<b>Debtors due within one year</b>			
Amounts owed by related parties	577	385	962
Prepayments and accrued income	21,288	(2,885)	18,403
Research and development expenditure credit receivable	-	1,976	1,976
<b>Debtors falling due after more than one year</b>			
Other long term prepayments	-	5,603	5,603
<b>Creditors due within one year</b>			
Loans and overdrafts	(2,193)	(325)	(2,518)
Other creditors	(11,621)	9,579	(2,042)
Accruals and deferred income	(10,238)	(10,381)	(20,619)
<b>Net assets</b>	<u>11,173</u>	<u>32</u>	<u>11,205</u>
<b>Capital and reserves</b>			
Profit and loss reserves	(15,196)	32	(15,164)

#### Reconciliation of changes in equity

	1 January 2020 £'000	31 December 2020 £'000
<b>Adjustments to prior period</b>		
Absorption of labour and overhead into stock	-	590
Change in treatment of long term service contracts	-	(558)
Total adjustments	-	32
Equity as previously reported	25,747	11,173
Equity as adjusted	<u>25,747</u>	<u>11,205</u>
<b>Analysis of the effect upon equity</b>		
Profit and loss reserves	-	32

#### Changes to the statement of comprehensive income

	As previously reported £'000	Adjustment £'000	As restated at 31 Dec 2020 £'000
Turnover	42,581	(1,387)	41,194
Cost of sales	(46,341)	1,157	(45,184)
Administrative expenses	(13,092)	262	(12,830)
Loss for the financial period	<u>(14,574)</u>	<u>32</u>	<u>(14,542)</u>