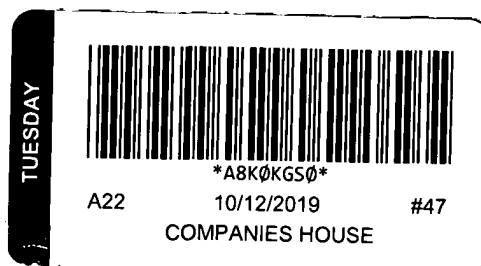


TT Electronics IoT Solutions Limited
(formerly Stadium Group Limited)

Annual report and financial statements
Registered number 236394
31 December 2018



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Directors

CSS Peppiatt
R Jain
S Partridge

Registered office

Fourth Floor
St Andrews House
West Street
Woking
GU21 6EB

Company number

236394

Auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

Strategic report

The directors present their Strategic Report for the year ended 31 December 2018.

Business review and future developments

TT Electronics IoT Solutions Limited's (the "Company"), formerly Stadium Group Limited, core business activities are providing integrated design-led technologies to Original Equipment Manufacturer (OEM) customers in the automotive, healthcare, security, industrial, aerospace and defence and smart-home markets and the holding of investments in subsidiaries.

On 18 April 2018, the Company announced that it had reached agreement on the terms of a recommended cash offer by TT Electronics plc valuing the entire issued share capital at approximately £45.8m. The Company changed its name from Stadium Group plc to Stadium Group Limited on 18 April 2018 and to TT Electronics IoT Solutions Limited on 26 February 2019.

Work continued from the strong base of prior years to improve all health and safety related issues including risk assessments, training, improved operating procedures and risk mitigation.

The Company is a component of the group of companies headed by TT Electronics plc ("the Group"). Further details of the objectives and future developments for the Group are disclosed in the TT Electronics plc Group consolidated financial statements for the year ended 31 December 2018.

Principal risks and uncertainties

The directors regularly review the risks facing the business and take appropriate action to manage these. The principal external risks to the business include ongoing advances in technologies, global price competition, economic conditions and security of supply of certain components. The Company manages and mitigates these risks by continuously developing its technical capabilities, including research projects and also by supplying a wide range of customers, territories and applications so as to avoid excessive dependence upon any one. The directors do not currently anticipate any significant impact on the Company's trading following the UK referendum on Brexit, given that trade between the UK and the EU accounts for about 11% of revenues and material purchases. Page 39 in the TT Electronics plc annual report gives more information on the Group's preparations for Brexit.

The Company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and these are summarised below. The policies have remained unchanged from previous periods.

The principal risks and uncertainties relate to those of its subsidiary undertakings, which support the value of the investment held by the Company.

Interest rate risk

The Company finances its operations through a mixture of retained profits, inter-company accounts and cash. The Company's exposure to interest rate fluctuations is managed on a Group basis.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts.

Currency risk

The Company is exposed to transaction and translation foreign exchange risk. Transaction exposures will be hedged when known, mainly using the forward hedge market.

Results and dividend

The loss for the year after taxation amounted to £3.9m (2017: profit £1.6m) after exceptional costs of £2.9m (2017: £0.6m) were incurred. These related to costs associated with the takeover by TT Electronics plc, restructuring and asset impairment and a GMP adjustment of £0.8m relating to the pension schemes. Revenue at £17.7m was 22% lower than the £22.8m achieved in 2017.

Strategic report *(continued)*

Results and dividend *(continued)*

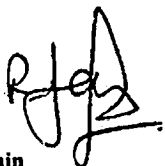
The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (2017: £1,126,000). During the year, a special dividend of 2.1p per share was paid in respect of the financial year ended 31 December 2017 as set out in the terms of the recommended offer for the Company by TT Electronics plc.

Corporate responsibility

The Group's corporate sustainability strategy and performance is published on its website at www.ttelectronics.com.

A summary of the year's activities is included in the TT Electronics plc consolidated financial statements for the year ended 31 December 2018, which is available on the Group's website: <http://www.ttelectronics.com/investor-overview>.

By order of the board



R Jain
Director

27 November 2019

Registered office:
Fourth Floor
St Andrews House
West Street
Woking
GU21 6EB

Directors' report

The directors present their annual report on the affairs of the Company, together with the audited Financial Statements and the independent auditor's report, for the year ended 31 December 2018.

As permitted by legislation, the following information and disclosures that are required under company law are included in the Strategic Report and are incorporated into this report by reference:

- Review of the performance and future developments of the Company
- Principal risks and uncertainties
- The amount (if any) that the directors recommend by way of dividend.

Research and development

The Company commits significant resource to research and development, both internally by enhancing products and processes and externally with collaborative partners.

Directors

The directors who served during the year and up to the date of signing these Financial Statements are included in the table below:

C Peppiatt	
W North	resigned 31 July 2018
C Gill	resigned 18 April 2018
D Flint	resigned 18 April 2018
N Brayshaw	resigned 18 April 2018
R Jain	appointed 18 April 2018
S Partridge	appointed 18 April 2018

Directors' remuneration

Directors' remuneration has been disclosed in note 4 to the Financial Statements.

Political donations

The Company made no political donations and incurred no political expenditure during the year ended 31 December 2018 (2017: £0).

Share capital

Full details of the Company's issued share capital can be found in note 17 to the Financial Statements.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to auditor

The directors confirm that, as at the date this report was approved, to the best of each director's knowledge and belief, there is no audit information relevant to the preparation of the auditor's report of which the auditor is unaware and each director has taken all the steps which might be expected to be aware of such relevant information and to establish that the auditor is also aware of that information.

Directors' report *(continued)*

Post balance sheet event

On 26 April 2019, the net assets and trading activities of its subsidiary Stontronics Limited were transferred to the Company as part of a group restructure.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Financial Statements, notwithstanding net current liabilities of £11,773,000 as at 31 December 2018 and a loss for the year then ended of £3,931,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the reasons set out in Accounting policy, 1.2 Going concern.

Approved by the board of directors on 27 November 2019 and signed on its behalf by:



R Jain
Director

Registered office:
Fourth Floor,
St Andrews House
West Street
Woking
GU21 6EB

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities



Independent auditor's report to the members of TT Electronics IoT Solutions Limited

Opinion

We have audited the financial statements of TT Electronics IOT Solutions Limited ("the company") for the year ended 31 December 2018 which comprise the Income Statement and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of TT Electronics IoT Solutions Limited (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



David Mitchell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne NE1 3DX

5 December 2019

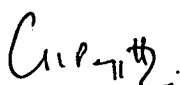
Income statement and other comprehensive income
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	2	17,722	22,834
Cost of sales		(15,926)	(19,618)
Gross profit		1,796	3,216
Distribution costs		(87)	(131)
Administrative expenses		(4,249)	(2,589)
Exceptional costs	6	(2,895)	(568)
Other income – dividends from subsidiaries		-	2,400
(Loss)/profit before interest and taxation	2-6	(5,435)	2,328
Interest payable and similar charges		(308)	(649)
(Loss)/profit before taxation		(5,743)	1,679
Tax on (loss)/profit	7	1,812	(33)
(Loss)/profit attributable to equity holders		(3,931)	1,646
Other comprehensive income			
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes		(4)	2,532
Tax on remeasurement of defined benefit schemes		74	(486)
Other comprehensive income for the year, net of income tax		70	2,046
Total comprehensive income for the year attributable to equity holders		(3,861)	3,692

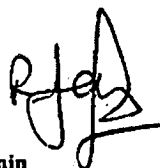
Statement of financial position
at 31 December 2018

	<i>Note</i>	2018 £000	£000	2017 £000	£000
Fixed assets					
Intangible assets	8		2,230		2,852
Investments	9		24,244		24,244
Tangible assets	10		1,294		1,485
			<u>27,768</u>		<u>28,581</u>
Current assets					
Stocks	11	4,727		4,044	
Debtors	12	10,878		17,431	
Cash at bank and in hand		553		152	
		<u>16,158</u>		<u>21,627</u>	
Creditors: amounts falling due within one year	13	<u>(27,931)</u>		<u>(20,638)</u>	
Net current (liabilities)/assets			<u>(11,773)</u>		<u>989</u>
Total assets less current (liabilities)/assets			<u>15,995</u>		<u>29,570</u>
Creditors: amounts falling due after more than one year	14	<u>(185)</u>		<u>(9,538)</u>	
Provisions for liabilities and charges	15	(145)		(145)	
Gross pension liability	16	<u>(4,344)</u>		<u>(3,903)</u>	
			<u>(4,674)</u>		<u>(13,586)</u>
Net assets			<u><u>11,321</u></u>		<u><u>15,984</u></u>
Capital and reserves					
Called up share capital	17		1,909		1,909
Share premium account			4,378		4,378
Merger reserve			1,559		1,559
Capital redemption account			88		88
Profit and loss account			3,387		8,050
Shareholders' funds			<u><u>11,321</u></u>		<u><u>15,984</u></u>

These financial statements were approved by the Board of directors on 27 November 2019 and were signed on its behalf by:



C Peppiatt
Director



R Jain
Director

Company registered number: 236394

Statement of changes in equity

	Called up share capital £000	Share Premium Account £000	Merger reserve £000	Capital redemption account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	1,909	9,673	1,559	88	326	13,555
Profit for the year	-	-	-	-	1,646	1,646
Other comprehensive income:						
Remeasurement of defined benefit pension schemes	-	-	-	-	2,532	2,532
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	(486)	(486)
Total other comprehensive income	-	-	-	-	2,046	2,046
Transactions with owners recorded directly in equity:						
Dividends paid	-	-	-	-	(1,126)	(1,126)
Equity settled share-based payment transactions	-	-	-	-	(96)	(96)
Capital reduction *	-	(5,295)	-	-	5,295	-
Capital reduction legal expenses	-	-	-	-	(41)	(41)
Balance at 1 January 2018	1,909	4,378	1,559	88	8,050	15,984
Loss for the year	-	-	-	-	(3,931)	(3,931)
Other comprehensive income:						
Remeasurement of defined benefit pension schemes	-	-	-	-	(4)	(4)
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	74	74
Total other comprehensive income	-	-	-	-	70	70
Transactions with owners recorded directly in equity:						
Dividends paid	-	-	-	-	(802)	(802)
Balance at 31st December 2018	1,909	4,378	1,559	88	3,387	11,321

* On 15 February 2017, the Court granted an order approving the reduction of the Company's share premium account. The purpose of the capital reduction was to create additional distributable reserves.

Notes

(forming part of the financial statements)

1 Accounting Policies

Company Information

TT Electronics IoT Solutions Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the Strategic report. The functional currency is sterling. The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

Financial reporting standard 102 – reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of TT Electronics plc as at 31 December 2018 and these financial statements may be obtained from Fourth Floor, St Andrews House, West Street, Woking GU21 6EB.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

1.2 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Financial Statements notwithstanding net current liabilities of £11,773,000 as at 31 December 2018 and a loss for the year then ended of £3,931,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its ultimate parent company, TT Electronics plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on TT Electronics plc and other Group companies not seeking repayment of the amounts currently due to the Group, which at 31 December 2018 amounted to £25,376,000, and providing additional financial support during that period. TTG Investments Limited has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. At 31 December 2018, the amount of £25,376,000 due to Group companies comprised £17,113,000 due to TTG Investments Limited and £8,263,000 to other Group companies. As with any company placing reliance on other Group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notes (continued)

1 Accounting Policies (continued)

1.2 Going concern (continued)

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 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency, the pound sterling, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account on a net basis as other operating income/(charges).

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The annual rates used are as follows:

- Freehold buildings 2%
- Plant and machinery 10% - 25%
- Fixtures and equipment 10% - 25%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes (continued)

1 Accounting Policies (continued)

1.6 Other intangible assets

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets. Intangible assets are amortised from the date they are available for use. The useful lives are as follows:

Goodwill	up to 20 years
Development costs	up to five years consistent with the revenue generation profile of the product
Software costs	three to ten years

Research and development costs:

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.7 Valuation of investments

Investments in subsidiary undertakings in the accounts of the Company are stated at cost less provision for impairment.

1.8 Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting Policies (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Pensions

Defined contribution scheme - the Company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the schemes. The assets of the scheme are held separately from those of the Company.

Defined benefit plans – a defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Notes (continued)

1 Accounting Policies (continued)

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.12 Turnover

The turnover shown in the profit and loss account represents amount invoiced for goods supplied during the period, exclusive of value added tax. Transactions are recorded as sales when delivery of products or performance of services takes place in accordance with contract terms of sale.

1.13 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Non-recurring administrative costs

Certain costs have been classified on the face of the income statement as 'non-recurring'. These are items which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence for the financial statements to give a true and fair view. These transactions are of a nature that will not be ongoing in the ordinary course of trading and the Company has classified in this manner costs incurred in restructuring and reorganising the business.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.15 Interest

Interest receivable and Interest payable - Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

Notes (continued)

1.16 Accounting estimates and judgements

In preparing these financial statements, management has made estimates, assumptions and judgements that affect the application of the Company's accounting policies and the reported amounts of assets and liabilities. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Assumptions and estimation uncertainties:

Key sources of estimation uncertainty are:

Asset useful life estimates – tangible and intangible assets are depreciated and amortised over their estimated useful lives. Risk arises on determining the actual period that the assets will continue to generate income and therefore the depreciation and amortisation charge appropriate to each financial reporting period.

Development costs and useful life estimates – development expenditure is stated at cost less accumulated amortisation. Development expenditure is capitalised as an internally generated intangible asset once criteria relating to the product's technical and commercial feasibility have been met. Risk arises in assessing the accuracy of technical and commercial feasibility and future period that matches the anticipated revenue generating profile of the product and therefore the amortisation charges appropriate to each financial reporting period.

Stock provisions - the stock provision is based on the age of stock to identify items for which there is no current demand or for which net realisable value is lower than cost.

Retirement benefit obligations – refer to note 16 for disclosures of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Judgements:

Key judgements relate to:

Exceptional costs – transactions and expenses classified as exceptional or non-recurring require judgement to be exercised in identifying which items are of a nature that they will not be expected to recur in the ordinary course of trade and are material for the financial statements to present a true and fair view.

2 Turnover

	2018 £000	2017 £000
By geographical market		
UK	14,160	18,508
Rest of Europe	2,056	1,650
North America	401	940
Rest of World	1,105	1,736
	<u>17,722</u>	<u>22,834</u>
By activity		
Technology products	10,982	15,045
Electronic assemblies	6,740	7,789
	<u>17,722</u>	<u>22,834</u>

Notes (continued)

3 Auditor's remuneration

	2018 £000	2017 £000
Audit of these financial statements	38	39

Amounts receivable by the Company's auditor, KPMG LLP and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, TT Electronics plc. The fees disclosed in respect of 2017 related to its previous auditor, BDO LLP.

4 Directors' remuneration

	2018 £000	2017 £000
Directors remuneration	606	614
Compensation for loss of office	74	-
Company contribution to defined contribution pension scheme	25	25
	705	639

There was one director in the Group's defined contribution scheme (2017: 1). Emoluments of the highest paid director were £403,000 (2017: £334,000). Company pension contributions of £25,000 (2017: £24,500) were made to the defined contribution scheme on his behalf.

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Direct production	122	130
Sales and administrative (including indirect production)	13	16
	135	146

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	3,376	3,751
Social security costs	309	346
Pension costs	120	524
	3,805	4,621

Notes (continued)

6 Exceptional costs

	2018 £000	2017 £000
GMP adjustment to pension scheme liabilities	804	-
Professional fees relating to acquisition by TT Electronics plc	854	-
Impairment of intangible assets	610	-
Other restructuring costs	627	568
	<u>2,895</u>	<u>568</u>

The Company was acquired by TT Electronics plc on 18 April 2018, incurring legal and other professional fees. A review of the carrying value of net assets resulted in the impairment of intangible assets and other costs were incurred in restructuring and reorganising the business. In addition, the Company has provided £804,000 towards implementing Guaranteed Minimum Pension (GMP) equalisation in the future – please refer to Note 16.

7 Taxation

Tax charged in the income statement

	2018 £000	2017 £000
Current tax:		
UK corporation tax		
Current tax on income for the period	(78)	33
Adjustments in respect of prior periods	(286)	-
Total current tax	<u>(364)</u>	<u>33</u>
Deferred tax:		
Origination and reversal of timing differences	(1,448)	-
Total tax (credit)/expense	<u>(1,812)</u>	<u>33</u>

Reconciliation of effective tax rate

	2018 £000	2017 £000
(Loss)/profit for the year	(3,931)	1,646
Total tax (credit)/expense	<u>(1,812)</u>	<u>33</u>
(Loss)/profit excluding tax	<u>(5,743)</u>	<u>1,679</u>
Tax using the UK corporation tax rate of 19.0% (2017: 19.25%)	(1,091)	323
Disallowable expenditure	408	-
Recognition of deferred tax asset for tax losses	(1,312)	-
Recognition of deferred tax asset on other balances	(136)	-
Adjustments in respect of prior periods	(286)	-
Losses utilised	-	(290)
Group relief	605	-
Total tax (credit)/expense	<u>(1,812)</u>	<u>33</u>

Notes (continued)

7 Taxation (continued)

A reduction in the UK Corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly.

In addition to the above, a deferred tax credit of £74,000 (2017: charge £486,000) was recognised within other comprehensive income relating to the defined benefit pension schemes.

A deferred tax asset at 31 December 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

Deferred tax

	2018 £000	2017 £000
The deferred tax asset comprises temporary differences attributed to:		
Post-employment benefits	738	664
Tax losses	1,312	-
Other assets	136	-
	<u>2,186</u>	<u>664</u>

8 Intangible assets

	Development costs £000	Software £000	Goodwill £000	Total £000
Cost				
Balance at 1 January 2018	1,289	646	1,551	3,486
Additions	966	159	-	1,125
Disposals	(45)	(63)	-	(108)
Balance at 31 December 2018	<u>2,210</u>	<u>742</u>	<u>1,551</u>	<u>4,503</u>
Amortisation and impairment				
Balance at 1 January 2018	(90)	(9)	(535)	(634)
Disposals	45	9	-	54
Impairment	-	(610)	-	(610)
Depreciation charge for the year	(948)	(34)	(101)	(1,083)
Balance at 31 December 2018	<u>(993)</u>	<u>(644)</u>	<u>(636)</u>	<u>(2,273)</u>
Net book value				
At 1 January 2018	<u>1,199</u>	<u>637</u>	<u>1,016</u>	<u>2,852</u>
At 31 December 2018	<u>1,217</u>	<u>98</u>	<u>915</u>	<u>2,230</u>

Notes (continued)

8 Intangible assets (continued)

Impairment testing

Management has assessed the carrying value of goodwill using detailed calculations of value in use for each significant cash generating unit and fixed assets where impairment indicators existed to ensure that the carrying values are supported by forecast future discounted cash flows.

Goodwill has been allocated to cash generating groups of cash generating units as follows:

	2018	2017
	£000	£000
Technology products	391	444
Electronic assemblies	524	572
	<u>915</u>	<u>1,016</u>

9 Investments

Investments in subsidiary companies at net book value:

	2018	2017
	£000	£000
At 1 January	24,244	25,581
Impairment in value	-	(42)
Deferred consideration no longer payable	-	(1,295)
	<u>24,244</u>	<u>24,244</u>

In the opinion of the directors the value of investments in subsidiaries is not less than the value at which they are included in the balance sheet. Note 20 gives more information on the investments.

10 Tangible assets

	Freehold land & buildings £000	Plant & machinery £000	Fixtures & equipment £000	Total £000
Cost				
Balance at 1 January 2018	1,825	3,046	631	5,502
Disposals	-	(303)	-	(303)
Additions	1	89	14	104
Balance at 31 December 2018	<u>1,826</u>	<u>2,832</u>	<u>645</u>	<u>5,303</u>
Amortisation and impairment				
Balance at 1 January 2018	(962)	(2,430)	(625)	(4,017)
Disposals	-	225	-	225
Depreciation charge for the year	(36)	(174)	(7)	(217)
Balance at 31 December 2018	<u>(998)</u>	<u>(2,379)</u>	<u>(632)</u>	<u>(4,009)</u>
Net book value				
At 1 January 2018	863	616	6	1,485
At 31 December 2018	<u>828</u>	<u>453</u>	<u>13</u>	<u>1,294</u>

Notes (continued)

11 Stocks

	2018 £000	2017 £000
Raw materials and consumables	2,998	2,339
Work in progress	565	396
Finished goods and goods for resale	1,164	1,309
	<u>4,727</u>	<u>4,044</u>

Stocks are shown net of inventory provisions of £0.2m (2017: £0.3m). Inventories recognised as cost of sales totalled £11.8m (2017: £15.3m).

12 Debtors

	2018 £000	2017 £000
Trade debtors	4,606	6,203
Amounts due from group companies	3,851	10,070
Deferred tax	2,186	664
Prepayments and accrued income	75	307
Other debtors	160	187
	<u>10,878</u>	<u>17,431</u>

Other debtors include £nil (2017: £82,000) falling due after more than one year. Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade debtors are shown net of impairment loss in respect of bad and doubtful amounts of £2,000 (2017: £20,000).

13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Current portion of secured bank borrowings	-	1,150
Invoice securitisation	-	2,805
Finance leases	109	110
Trade payables	1,493	3,995
Amounts owed to group companies	25,376	11,236
Tax and social security	487	784
Accruals and deferred income	466	558
	<u>27,931</u>	<u>20,638</u>

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Long-term portion of secured bank borrowings – between one and five years	-	9,250
Finance leases – between one and five years	185	288
	<u>185</u>	<u>9,538</u>

The net bank borrowings, including overdrafts and invoice securitisation, of Group companies were secured by fixed and floating charges over the assets of the group. These borrowings were repaid in April 2018 after the group was acquired by TT Electronics plc and the charges in favour of HSBC Bank plc were cancelled.

15 Provisions

	Warranty £000	Total £000
Balance at 1 January 2017	145	145
New provisions	54	54
Provisions released	(54)	(54)
Balance at 31 December 2018	<u>145</u>	<u>145</u>

Warranties are provided over the manufacturing quality of products in the normal course of business. Provisions are expected future costs are made based upon the historical level of the claim rate relative to the level of sales. The costs of such claims are generally incurred within 18 months of the original sale. The actual level of costs incurred in remedying a warranty claim could vary significantly from claim to claim, so the directors have applied current experience in assessing the appropriate level of provision.

16 Retirement benefit obligations

Pension arrangements for current employees are operated through a defined contribution scheme. Two group defined benefit schemes exist but are closed to new entrants.

The Stadium Group plc 1974 Pension Scheme and the Southern & Redfern Limited Scheme are final salary pension plans operating for qualifying employees of the Company and certain group subsidiaries (group). The Stadium Group plc 1974 plan was closed to new entrants in 1995 and to future accruals in 2011. The Southern & Redfern plan was closed to new entrants in 1997 and future accruals in 2001.

Both schemes provide employees with a pension on retirement equal to 1/60th per annum of the higher of either:

- their salary at leaving; or
- their salary at the date of closing to future accruals.

The Stadium Group plc 1974 plan provides employees with life insurance of nine times salary in employment.

Both schemes are legally separate from the Company and administered by separate funds. The board of the Stadium Group plc 1974 Scheme is made up of representatives of the group and former employees as well as an independent chair. The board of the Southern & Redfern Limited Scheme is made up of representatives of the group. By law, the boards are required to act in the best interests of the participants to the schemes and have the responsibility of setting investment, contribution and other relevant policies.

Notes (continued)

16 Retirement benefit obligations (continued)

The schemes are exposed to a number of risks, including:

- investment risk: movement of discount rate used (high-quality corporate bonds) against the return from plan assets;
- interest rate risk: decreases/increases in the discount rate used (high-quality corporate bonds) will increase/decrease the defined benefit obligation;
- longevity risk: changes in the estimation of mortality rates of current and former employees; and
- salary risk: increases in future salaries increase the gross defined benefit obligation.

The schemes are funded by the company. Employees do not contribute to the schemes. Contributions by the company are calculated by a separate actuarial valuation based on the funding policies detailed in the scheme agreement. The triennial valuation of the Stadium Group scheme as at April 2017 showed a deficit of £4.3m against the trustee's funding objective. The Company has agreed fixed contributions of £0.6m per annum through to 2025 with the Stadium Group scheme, based on the actuarial deficit at April 2017. The weighted average duration of the defined benefit obligation at 31 December 2018 was approximately 13 years. Employees not participating in the defined benefit scheme are eligible to join a defined contribution scheme.

A High Court judgement regarding the equalisation of GMP was published on 26 October 2018. Full details can be found in the TT Electronics plc Annual Report and Accounts page 135. The Group is currently working with the schemes' trustees regarding the implications of the High Court ruling on GMP equalisation. The Company's schemes include an allowance for the potential additional cost of implementing GMP equalisation in the future as a result of the increase to members' benefits that will be required, currently estimated to be £804,000. This allowance has been recognised in the income statement within items excluded from underlying operating profit.

The amounts recognised in the balance sheet are as follows:

	2018		2017	
	Southern & Redfern £000	Stadium Group 1974 £000	Southern & Redfern £000	Stadium Group 1974 £000
Present value of funded obligations	(946)	(32,552)	(953)	(35,106)
Fair value of plan assets	1,118	28,036	1,115	31,203
Funded status at end of year	172	(4,516)	162	(3,903)
Effect of asset ceiling	-	-	(162)	-
Defined benefit asset/(liability)	172	(4,516)	-	(3,903)

The amounts recognised in the profit and loss account are as follows:

	2018		2017	
	Southern & Redfern £000	Stadium Group 1974 £000	Southern & Redfern £000	Stadium Group 1974 £000
Post service cost (non-underlying)	-	(445)	-	-
Net interest cost	4	(119)	2	(169)
Total in profit and loss account	4	(564)	2	(169)

Notes (continued)

16 Retirement benefit obligations (continued)

Changes in the present value of the defined benefit obligations are:

	2018		2017	
	Southern & Redfern £000	Stadium Group 1974 £000	Southern & Redfern £000	Stadium Group 1974 £000
Opening defined benefit obligation	(953)	(35,106)	(1,294)	(37,842)
Current service cost	-	-	-	-
Interest cost	(27)	(905)	(33)	(960)
Past service cost – non-underlying	(14)	(938)	-	-
Included in profit and loss account	(41)	(1,843)	(33)	(960)
Experience gains and losses on liabilities	-	701	191	609
Changes in underlying assumption – financial	(16)	634	7	255
Changes in underlying assumption - demographic	2	1,280	119	981
Included in other comprehensive income	(14)	2,615	317	1,845
Other movements – benefits paid	62	1,782	57	1,851
Closing defined benefit obligation	(946)	(32,552)	(953)	(35,106)

Changes in the present value of plan assets are:

	2018		2017	
	Southern & Redfern £000	Stadium Group 1974 £000	Southern & Redfern £000	Stadium Group 1974 £000
Opening fair value of plan assets	1,115	31,203	1,394	31,075
Expected return	31	736	35	791
Included in profit and loss account	31	736	35	791
Actuarial return less expected return on assets	36	(2,641)	(251)	688
Included in other comprehensive income	36	(2,641)	(251)	688
Contribution by employer	4	570	(6)	500
Benefits paid	(68)	(1,832)	(57)	(1,851)
Other movements	(64)	(1,262)	(63)	(1,351)
Closing value of plan assets	1,118	28,036	1,115	31,203

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	2018		2017	
	Southern & Redfern	Stadium Group 1974	Southern & Redfern	Stadium Group 1974
Discount rate at 31 December	2.90%	2.90%	2.60%	2.60%
Inflation rate (RPI)	3.30%	3.30%	3.20%	3.20%
Increases to pensions in payment (LPI 5% pension increases)	3.30%	3.30%	3.20%	3.20%
Increases to deferred pensions (CPI)	2.30%	2.30%	2.20%	2.20%

The mortality tables applied by the actuaries at 31 December 2018 were S2 tables with 106% (male)/107% (female) weighting for pensioners and 109% (male)/106% (female) weighting for non-pensioners with a 1.5% long term rate of improvement in conjunction with the CMI 2017 projections. The assumptions are equivalent to life expectancies as follows:

Current pensioners aged 65: 87 years (male), 89 years (female)
Future retiree currently aged 40: 89 years (male), 91 years (female)

Notes (continued)

16 Retirement benefit obligations (continued)

Pension plan assets are made up as follows – Stadium Group 1974 scheme:

	2018	2017
	£000	£000
Insured pensions in payment	11,311	12,501
UK equities	4,081	4,635
Overseas equities	4,032	4,957
Property	2,399	2,219
LDI	2,296	2,872
Diversified growth funds	3,879	3,995
Cash	38	24
	28,036	31,203

Pension plan assets are made up as follows – Southern & Redfern scheme:

	2018	2017
	£000	£000
Insured pensions in payment	749	769
UK equities	65	56
Overseas equities	83	100
Property	39	22
LDI	98	100
Diversified growth funds	75	67
Cash	9	1
	1,118	1,115

Pension plan assets do not include any of the group's own shares or any property occupied by, or other assets used by, the group. Prices for equity securities and government bonds are quoted in active markets. Government and corporate bonds are issued from European governments and institutions (denominated in the same currency as the post-employment benefit obligations).

The overall expected rate of return on assets is the weighted average expected rate of return on each asset class, based upon long-term historical rates adjusted to take account of current market conditions.

Defined benefit pension plans – Stadium Group 1974 scheme:

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Defined benefit obligation	(32,552)	(35,106)	(37,842)	(33,692)	(35,692)
Plan assets	28,036	31,203	31,075	28,487	29,038
Net pension liability	(4,516)	(3,903)	(6,767)	(5,205)	(6,654)
Related deferred tax asset	768	664	1,150	1,041	1,330
Net liability (after taxation)	(3,748)	(3,239)	(5,617)	(4,164)	(5,324)

Defined benefit pension plans – Southern & Redfern scheme:

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Defined benefit obligation	(946)	(953)	(1,294)	(1,217)	(1,288)
Plan assets	1,118	1,115	1,394	1,353	1,390
Net pension asset	172	162	100	136	102
Effect of asset ceiling	-	(162)	(100)	(136)	(102)
Related deferred tax asset	(29)	-	-	-	-
Net asset (after taxation)	143	-	-	-	-

In order to improve governance and oversight, as well as drive cost efficiency, on 29 March 2019, the two Stadium pension schemes were merged into the main TT Electronics plc scheme.

Notes (continued)

17 Share capital

Share capital

In thousands of shares	Ordinary shares	
	2018	2017
On issue at 1 January	38,178	38,178
On issue at 31 December – fully paid	<u>38,178</u>	<u>38,178</u>
	2018	2017
	£000	£000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.05 each	1,909	1,909
	<u>1,909</u>	<u>1,909</u>

Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

The following dividends were recognised during the period:

	2018	2017
	£000	£000
2.1p (2017: 2.95p) per qualifying ordinary share	802	1,126
	<u>802</u>	<u>1,126</u>

Share based payments

The Company has operated two schemes offering share based incentives to employees. The Executive Share Option Scheme provided employees the option to buy shares, subject to certain performance criteria being met, between three and ten years from the date of grant. The scheme ceased to offer new grants of options in 2005. The Performance Share Plan offered employees the option to buy shares, subject to certain performance criteria being met, three years from the date of grant. The last grant of options under this scheme took place in May 2017.

With the acquisition of the Company by TT Electronics plc in April 2018, all outstanding share options were cancelled. There were no costs expensed in the income statement during the year in respect of share based payments (2017: £96,000).

Notes (continued)

18 Operating lease commitments

	2018 £000	2017 £000
Future minimum lease payments under non-cancellable operating leases:		
Within one year	38	38
From one to five years	41	23
	<u>79</u>	<u>61</u>

All leases are in respect of motor vehicles and equipment. During the year £37,000 (2017: £56,000) was recognised as an expense in the profit and loss account.

19 Finance lease commitments

	2018 £000	2017 £000
Gross finance lease liabilities – minimum lease payments:		
Not later than one year	109	116
Later than one year and not later than five years	185	292
	<u>294</u>	<u>408</u>
Future finance charges on finance leases	(8)	(10)
Present value of finance lease liabilities	<u>286</u>	<u>398</u>
The present value of finance lease liabilities is analysed:		
Not later than one year	110	110
Later than one year and not later than five years	176	288
	<u>286</u>	<u>398</u>

20 Ultimate parent company and related undertakings

TT Electronics plc, which is registered in England and Wales, is the Company's immediate and ultimate parent undertaking and controlling party. TT Electronics plc heads the largest and smallest group of undertakings for which the Group financial statements are drawn up and of which the Company is a member.

TT Electronics plc has its registered office at:
Fourth floor, St Andrews House
West Street
Woking
Surrey GU21 6EB

Copies of the annual report and financial statements for TT Electronics plc are available at www.ttelectronics.com/investor-overview or from the company secretary at the address above.

Notes (continued)

20 Ultimate parent company and related undertakings (continued)

The directly held subsidiaries of the Company are:

Name of Subsidiary Undertaking	Country of Incorporation	Proportion of Shares held	Share Class	Registered office/ principal place of business
Dongguan Arlec Electrical Products Company Limited	China	100.00%	Ordinary	(1)
Shanghai Hongbian Electronics Co. Limited	China	100.00%	Ordinary	(2)
Stadium Asia Limited	BVI	100.00%	Ordinary	(3)
Stadium Group Inc	USA	100.00%	Ordinary	(4)
Stadium IGT Limited	United Kingdom	100.00%	Ordinary	(5)
Stadium Power Limited	United Kingdom	100.00%	Ordinary	(5)
Stadium United Wireless Limited	United Kingdom	100.00%	Ordinary	(5)
Stontronics Limited	United Kingdom	100.00%	Ordinary	(5)
SGW Sweden AB	Sweden	100.00%	Ordinary	(6)
STMC Limited	Hong Kong	100.00%	Ordinary	(3)
Ying Si Ke Electrical Products Company Limited	China	100.00%	Ordinary	(1)
Ferrus Power Limited	United Kingdom	100.00%	Ordinary	(5)
Fox Industries Limited	United Kingdom	100.00%	Ordinary	(5)
Hale End Holdings Limited	United Kingdom	100.00%	Ordinary	(5)
Kingslo Limited	United Kingdom	100.00%	Ordinary	(5)
KRP Power Source (UK) limited	United Kingdom	100.00%	Ordinary	(5)
Stadium Electrical Holdings Limited	United Kingdom	100.00%	Ordinary	(5)
Stadium Electronics Limited	United Kingdom	100.00%	Ordinary	(5)
Stadium Wireless Devices Limited	United Kingdom	100.00%	Ordinary	(5)
Stadium Zirkon UK Limited	United Kingdom	100.00%	Ordinary	(5)
Valuegolden Limited	United Kingdom	100.00%	Ordinary	(5)
Zirkon Holdings Limited	United Kingdom	100.00%	Ordinary	(5)

- (1) 4th Building, F Zone, Zheng Wei Science Park, Dongkeng Town, Dongguan, China
- (2) Room 404 A69, East Of Building 1, 29 Jia Tai Road, China (Shanghai) Pilot Free Trade Zone
- (3) Room A, 3/F Bamboos Centre, 52 Hung To Road, Kwun Tong, Kowloon, Hong Kong
- (4) 1209 Orange Street, Wilmington, Delaware 19801, USA
- (5) 4th Floor, St Andrews House, West Street, Woking, Surrey GU21 6EB, UK
- (6) Gullfösgatan 3, 16440 Kista, Sweden

21 Subsequent events

On 28 April 2019, as part of a reorganisation of the Group's manufacturing and warehousing structure in the UK, the net assets and trade of the Company's subsidiary Stontronics Limited was transferred to TT Electronics IoT Solutions Limited.