Registered number 342798

Cross Manufacturing Company (1938) Limited

Annual report

for the year ended 31 March 2023

Cross Manufacturing Company (1938) Limited

Annual report for the year ended 31 March 2023

Contents

Cross Manufacturing Company (1938) Limited

Directors and advisors

Directors

R A Cross, MA (Cantab), CEng, MIMechE, MRAeS, (Chairman)
M E Bradley, MA (Cantab), ACA
E H Cross, BEng (Hons), AMIMechE
R C Cross, BEng (Hons), AMIMechE
P F Crudgington, BEng (Hons), CEng, FIMechE
M L James
D J Squire
P H Tozer, FCA

Company secretary and registered office

E Ingrey-Counter
Midford Road
Combe Down
Bath
BA2 5RR

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Temple Quay
Bristol
BS2 0FR

Registered number

342798

Cross Manufacturing Company (1938) Limited

Strategic report
for the year ended 31 March 2023

Review of business

The results for the year show a 12% increase in turnover to £67.9 million (2022: £60.8million) with growth experienced across all sectors. Profit before taxation decreased by 9% to £8.3 million (2022: £9.2 million). Significant increases in the cost of energy, wages and materials were experienced, leading to a 3% reduction in pre-tax profit margin, from 15% to 12%.

The defined benefit pension scheme was closed to future accrual with effect from 31 March 2021. During the year, the Trustees carried out their planned review of the scheme's funding position with a view to further reducing risk and volatility by insuring the scheme's liabilities (commonly referred to as a "buy-in"). The dramatic changes in long-term interest rates that occurred during 2022 resulted in a significant reduction in the cost of such a buy-in and the company committed to a contribution of £15 million to enable a transaction to go ahead. The company entered into a buy-in contract with an insurance company after the year end. Further details are provided in note 22.

Total equity amounts to £96.7 million (2022: £114.8 million). The reduction of £18.1 million is principally due to the company's commitment to support the pension scheme buy-in. This commitment meant that it was no longer appropriate to recognise the pension asset of £23.8 million included in last year's financial statements.

Net cash from operating activities (before taxation) was £3.5 million (2022: £5.1 million). Net cash from operating activities includes the effects of a £5.2 million contribution to the defined benefit pension scheme and increases in debtors and inventories of £2.5 million and £1.4 million respectively. £3.4 million was spent on purchasing tangible assets compared to a depreciation charge of £4.2 million.

Future outlook

The after-effects of the Coronavirus pandemic continue to be felt, with increasing demand across all sectors that the company supplies. The failure of central banks to react to inflationary pressures on a timely basis, combined with the energy crisis resulting from the war in Ukraine, have led to significant cost increases which have eroded margins. Although energy prices have subsided somewhat from their peak, they are likely to remain above the levels experienced before the invasion of Ukraine. There is a growing risk that inflation could become entrenched, which could be damaging for the company and the economy. Demand for raw materials, particularly the alloys used in the aerospace and power generation sectors, is very high, which has resulted in longer lead times as well as increases in cost.

Sales to the automotive sector continue to grow at a steady pace and we expect this to continue for the time being. The aerospace sector is growing strongly and there is a clear pent-up demand for air travel, which will be supportive in the short to medium term. Sales to the power generation sector continue to perform well, but it remains difficult to see how this sector will evolve.

The principal long-term risk facing the business continues to be the global shift away from the use of fossil fuels and the increased use of renewable energy for power generation and transportation. Although the extent and pace of change is uncertain, we expect the automotive and power generation markets to be affected first. We think that it will be much harder to de-carbonise the aerospace sector, particularly for long-haul travel and larger aircraft. Further comment is provided in the principal risks and uncertainties section below.

Key performance indicators

The principal performance indicators used by the Board are as follows:

	2023	2022
Increase in turnover	**12%**	5%
Pre-tax profit margin	**12%**	15%

Please refer to Review of business for comments on key performance indicators.

Section 172(1) statement

The Board's approach to section 172(1) and decision-making

The duty of the Board is to promote the success of the company for the benefit of its members as a whole, whilst having regard to

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

The duty to promote the success of the company and to act fairly as between the members of the company is fully understood by the Board and underpins all decisions. Cross Manufacturing is a private company, with a stable shareholder and customer base. The company's long-term ethos is evidenced by its track record of decisions. In addition, the market sectors it supplies demand continuity and a long-term approach.

The interests of employees have always been part of the Board's thinking, particularly in relation to health and safety, pay and benefits. This is demonstrated by an excellent safety record, very low staff turnover and a substantial number of staff with long service. The Board is committed to equal opportunities in employment, including for disabled people.

The need to foster good relationships with customers is a high priority and is evidenced by good customer retention rates. Due to the nature of the industries in which the company operates, there is very regular contact with customers and continual monitoring by them of our delivery and quality performance. This is further reinforced by regular audits carried out by customers and other bodies, to ensure compliance with customer and industry standards. Good relations with suppliers are also needed due to the specialised nature of materials purchased and the impact of any supplier quality or delivery failures on the company's business. The selection of suppliers and monitoring of their performance is built into the company's quality systems. We also ensure that our suppliers are paid promptly, and in line with best practice.

The company actively engages with the local community, and this includes hosting visits to our factories and museum. We also support a number of local charities. The Bath factory is in a residential area and the company has always consulted with neighbours when making changes that could affect them.

The company has held the environmental accreditation ISO 14001 for a number of years and is actively working towards the attainment of ISO 50001 certification. In the interim it remains committed to reducing its energy usage and environmental impact across all three of its sites.

The industries served by us demand high standards of business conduct and these are reflected in the company's policies on ethics, confidentiality and anti-bribery and corruption.

Principal risks and uncertainties

Climate change

There is an ever-increasing focus on the need to reduce greenhouse gas emissions by reducing the use of fossil fuels. This represents a significant challenge to the company as most of its products are related to fossil-fuel technology. Governments around the world have announced ambitious targets to reduce greenhouse gas emissions and this will result in the automotive sector moving away from fossil fuels and towards electric and hydrogen-powered vehicles. Similarly, the power generation sector will increase its use of renewable energy and the aerospace sector is looking towards alternative fuels and battery-powered transport. The company is actively exploring new markets for its technology whilst also looking to exploit existing markets to their fullest extent. Although change is inevitable, the pace of change is uncertain and the fact that the company's products are used to increase the efficiency of existing technology may help to mitigate the impact.

Pandemics

The Coronavirus pandemic had a significant effect on demand for the company's products due to: society-wide restrictions on activity reducing demand; and supply chain disruption causing bottlenecks which prevented our customers from increasing output when demand returned. In addition, production was made more difficult, because of the need to observe social distancing and hygiene restrictions. Although government assistance in the form of the Coronavirus job retention scheme provided very welcome support, this may not be available in the event of future pandemics. The company has a strong balance sheet and good levels of liquidity, which help it weather and adapt to this type of risk.

Political risk, including war

Russia's attack on Ukraine has had far-reaching effects, with a dramatic effect on energy and food prices and disruption to supply chains. Increased energy costs reduce the company's profitability, partly through direct impacts, such as the cost of heat treatment processes, but also indirectly, through increased raw material costs. Although there does not appear to have been a direct impact on demand for the company's products so far, this remains a possibility.

Inflation

Inflation rates around the world have increased dramatically, due to excessive monetary easing during the coronavirus pandemic, supply chain disruption and the war in Ukraine. This has increased the company's costs and reduced margins. Cost increases are most severe in relation to wages, energy, and materials. The ability of the company to pass on cost increases is restricted by the long-term nature of many of its contracts and customer resistance to price increases.

Supply chain disruption

The seismic changes brought about by the coronavirus pandemic and the war in Ukraine have highlighted the fragility of global supply chains. Another example, not directly connected to these two events, is the global shortage in semiconductors, which restricted automotive production worldwide, even when there was strong demand for vehicles. Supply chain disruption can affect the company in two ways: by limiting the ability of the company to produce parts; and by limiting demand for the company's products. The company ensures that it maintains appropriate levels of stock to limit the effect of disruption from its suppliers.

Exchange rate movements

A substantial part of the company's income is in currencies other than sterling. A sustained shift in exchange rates could have a significant impact on profitability. Where possible, we negotiate risk-sharing arrangements with significant customers. In addition, we enter into forward contracts for the sale of future currency receipts. Forward contracts typically cover about 60% of the next year's expected receipts and 20% of the following year's receipts. Where forward contracts meet the relevant requirements, they are accounted for as cash flow hedges.

Cross Manufacturing Company (1938) Limited

Strategic report for the year ended 31 March 2023 (continued)

Principal risks and uncertainties (continued)

Information systems

In common with most businesses, the company is increasingly reliant on its information technology systems. This increased reliance, coupled with an increase in threats, including cyber-attacks, is a key risk to the business, as it would be unable to operate if its systems were unavailable or compromised. There is a continual process of improving the company's resilience in this area and this topic is given a high priority by the Board.

Defined benefit pension scheme

Defined benefit pension schemes are subject to significant uncertainties, such as investment returns and pensioner mortality. The company's defined benefit pension scheme is now in the process of transferring risk to an insurance company.

Brexit

Brexit has resulted in an increase in the cost and complexity of doing business with Europe and this may encourage our European customers to give preference to suppliers located in the EU.

Competition

The loss of business to other companies, especially those based in low-wage economies, is a significant threat to the company. We are always looking for ways to improve efficiency and are alert to the threats posed by actual and potential competitors.

Technology

There is a risk that certain of our products may become obsolete at some time in the future, or that manufacturing methods or materials could be superseded. We therefore research and develop new products and techniques and work closely with our customers' engineers to ensure that we remain at the forefront of developments.

Facilities

As the company continues to grow, it requires additional manufacturing space and associated facilities and services, in particular power. The company mitigates this risk by planning ahead and seeking out opportunities for future expansion.

Quality

Failure to maintain the required level of quality for our products and processes could have significant financial repercussions and damage our reputation. The company has always prided itself on its quality standards. These standards are monitored through internal, customer and third-party quality audits.

Delivery

Failure to deliver goods when required by our customers can result in financial penalties, damage the company's reputation and ultimately result in the loss of business. The company actively monitors future orders, recruiting additional staff and investing in machinery and buildings as appropriate. Stocks of specialised raw materials are also held because of the very long lead times associated with the purchase of these materials.

On behalf of the board

Rodney A. Cross

R A Cross
Chairman
5 July 2023

Cross Manufacturing Company (1938) Limited

Directors' report
for the year ended 31 March 2023

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2023.

Registered number
The Company's registered number is 342798.

Principal activities
The principal activity of the company is the design, development and manufacture of engineering components.

Future developments
See details of future developments within the Strategic Report.

Financial risk management
In addition to the risks outlined in the section headed "Principal risks and uncertainties" in the Strategic Report above, the company addresses other financial risks as set out below.

Credit risk
Cash deposits are only placed with financial institutions having an investment grade credit rating. The company's banks currently have the following Standard & Poor's long term credit ratings:

National Westminster Bank Plc	A+
Lloyds Bank Plc	A+

Credit checks are carried out where appropriate for new and existing customers, and for suppliers to whom payments on account are made.

Liquidity risk
The company takes account of cash flow requirements when determining the period of time for which funds are placed on deposit with financial institutions.

Cash flow risk
The Board monitors the level of funds held within the business to ensure that there are sufficient funds available for working capital requirements, capital expenditure, funding of the defined benefit pension scheme, and the payment of tax liabilities and dividends. Consideration is also given to the impact of potential downturns in the level of business.

Directors' insurance
The company maintains Directors' and Officers' liability insurance policies on behalf of the Directors. These policies meet the Companies Act 2006 definition of a qualifying third-party indemnity provision.

The qualifying third-party indemnity provision was in force during the financial year and at the date of approval of the financial statements.

Cross Manufacturing Company (1938) Limited

Directors' report for the year ended 31 March 2023 (continued)

Results and dividends
Profit for the financial year amounted to £6.5 million (2022: £5.9 million) and total comprehensive (expense)/income was £(15.5) million (2022: £12.0 million).

Profits for the year were adversely affected by cost increases and the Directors decreased the interim dividend by 11% in anticipation. Given the improved trading outlook and signs that inflation is starting to ease, the Directors recommend maintaining the final dividend at last year's level of £7.85 per share. This will result in a total dividend for the year of £13.60 per share, a decrease of 5% on the previous year.

The Directors' recommendation is summarised below:

Dividend	Decrease	2023 £/share	2022 £/share	2023 £'000	2022 £'000
Interim - Paid 14 April 2023 / 11 April 2022	11%	**5.75**	6.45	**1,047**	1,174
Final - Proposed 3 November 2023 / Paid 4 November 2022	-	**7.85**	7.85	**1,430**	1,430
Total for the year	**5%**	**13.60**	14.30	**2,477**	2,604

The final dividend, if approved, will be paid on 3 November 2023 to all members registered as members of the Company on 1 October 2023.

Directors of the company
The Directors of the company who were in office during the year and up to the date of signing are shown on page 1.

The Directors retiring by rotation, Messrs RA Cross and EH Cross, being eligible, offer themselves for re-election.

Mr PH Tozer has given notice that he will retire as a Director of the company with effect from 30 September 2023.

Engagement with employees
The company provides employees with information on matters of concern to them as employees via:

- regular meetings with managers and supervisors who communicate with their teams and who feed back any concerns from staff;
- the company's intranet;
- regular newsletters from the Board updating staff on the company's progress, including the financial and economic factors affecting the company; and
- a relatively flat management structure, which encourages open and direct communication.

Employees participate in the company's performance through an annual bonus arrangement.

Engagement with suppliers, customers and others in a business relationship with the company
As stated in the Section 172(1) statement, the company's long-term success is very dependent on fostering good business relationships with suppliers, customers and others. The company adopts an open and collaborative approach, and this is evidenced by the stability of its customer, supplier and advisor base.

Directors' report for the year ended 31 March 2023 (continued)

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 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 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

Disclosure of information to auditors
Each of the persons who is a director at the date of approval of this report confirms that:

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as "information needed by the company's auditors in connection with preparing their report".

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Policy and practice on payment of creditors
It is company policy to comply with the terms of payment agreed with a supplier. Where payment terms are not negotiated, the company endeavours to adhere to the supplier's standard terms. The company pays creditors in accordance with agreed payment terms on receipt of valid invoices. At the end of the year, trade creditors represented the equivalent of 24 days' purchases (2022: 19 days).

Employees
The company is committed to the principle of equal opportunity in employment. The company recognises its responsibilities to disabled people and endeavours to assist them to make their full contribution at work. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. Should employees become disabled, it is the company's policy to continue their employment where possible with appropriate training and redeployment where necessary. Training and career development programmes are designed on an individual basis for all employees so that the particular need and aptitudes of each person can be best met and developed.

Cross Manufacturing Company (1938) Limited

Directors' report for the year ended 31 March 2023 (continued)

Health and safety

Health and safety continues to receive major attention, not merely to conform to legal requirements, but positively to develop and maintain high standards.

Environment

Company environmental performance is continuously monitored. Annual performance objectives are set, alongside a range of activities that support the ISO14001 accreditation held. These include the monitoring and control of utility usage, waste streams and emissions to air and water.

Streamlined Energy and Carbon Reporting ("SECR")

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires the company to disclose annual UK energy consumption and Greenhouse Gas ("GHG") emissions from SECR regulated sources. Energy and GHG emissions have been independently calculated by Envantage Ltd for the year ended 31st March 2023.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, gaseous fuels such as natural gas and business travel in company-owned vehicles and grey fleet. The table below details the SECR-regulated energy and GHG emission sources from the current and previous reporting periods.

	% change	2023	2022
Energy (MWh)			
Natural Gas	(14%)	3,788	4,413
Company Vehicles	53%	29	20
Electricity	(2%)	10,430	10,589
Grey Fleet	200%	12	4
Total Energy (MWh)	**(5%)**	**14,259**	**15,026**

	% change	2023	2022
Emissions (tCO2e)			
Natural Gas	(14%)	696	808
Company Vehicles	75%	7	4
Electricity	(10%)	2,017	2,248
Grey Fleet	200%	3	1
Total SECR emission	**(11%)**	**2,723**	**3,061**

	% change	2023	2022
Emission intensity ratio			
Emissions intensity (tCO2e/£m turnover)	**(20%)**	**40.1**	**50.4**

Cross Manufacturing Company (1938) Limited

Directors' report for the year ended 31 March 2023 (continued)

Streamlined Energy and Carbon Reporting ("SECR") (continued)

The company is committed to reducing its environmental impact and has continued with its commitment to 'Net Zero Carbon emissions by 2050'. To assist with this, a specific, formal objective 'to reduce our carbon footprint' has been included in the company's ISO 14001-certified Environmental Management System (EMS). Measures to reduce the company's carbon footprint in the reporting period include installation of solar panels on all of the company's factories, compressed air use efficiency surveys, further LED lighting upgrades as well as workforce environmental training and Net Zero Carbon and energy switch off awareness campaigns. The company continues to review the feasibility and suitability of decarbonisation and energy efficiency projects as part of our environmental management system.

Methodology

Electricity and natural gas disclosures have been calculated using metered kWh consumption taken from supplier fiscal invoices where available. Where fiscal invoices were not available, energy consumption has either been interpolated from meter readings or estimated based on average daily consumption.

GHG emissions associated with Scope 2 purchased electricity have been reported using both market-based and location-based methodologies. Where fuel mix disclosures were not available, such as for landlord supplies, the emissions factor for the residual fuel mix of the UK was instead adopted.

Transport emissions have been calculated using purchased fuel where available. The fiscal value of fuel purchased was converted to volumes of fuel using monthly average fuel prices across the UK, as published by UK government. Where fuel volumes were not available, data for mileage claims has been provided. Average UK split between petrol and diesel was used to determine the fuel split in the fleet. Mileage was converted into energy consumption and GHG emissions using the most recent emissions factors published by BEIS in 2022.

On behalf of the board

Rodney A. Cross

R A Cross
Chairman
5 July 2023

Cross Manufacturing Company (1938) Limited

Independent auditors' report to the members of Cross Manufacturing Company (1938) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cross Manufacturing Company (1938) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit and cash flows for the year 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, which comprise: balance sheet as at 31 March 2023; the profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year 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.

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.

Cross Manufacturing Company (1938) Limited

Independent auditors' report to the members of Cross Manufacturing Company (1938) Limited (continued)

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 year ended 31 March 2023 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 it 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 UK corporation tax, and we considered the extent to which non-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 the Companies Act 2006. 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 posting inappropriate journal entries to increase revenue, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

Independent auditors' report to the members of Cross Manufacturing Company (1938) Limited (continued)

- Discussions with management and the Directors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant minutes of director board meetings;
- Evaluation of management's controls designed to prevent and detect irregularities, in particular the whistleblowing policy and employee code of conduct;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the useful economic lives of tangible assets, the actuarial assumptions used in determining the defined benefit obligation and inventory provision; and
- Identifying and testing journal entries, in particular any entries posted with unusual account combinations.

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. 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.

Duncan Stratford

Duncan Stratford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
5 July 2023

Cross Manufacturing Company (1938) Limited

Profit and loss account
for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	5	**67,879**	60,772
Cost of sales		**(54,676)**	(46,213)
Gross profit		**13,203**	14,559
Net operating expenses	6	**(5,954)**	(5,645)
Operating profit		**7,249**	8,914
Interest receivable and similar income	9	**1,087**	287
Profit before taxation	10	**8,336**	9,201
Tax on profit	11	**(1,841)**	(3,307)
Profit for the financial year		**6,495**	5,894

Statement of comprehensive income
for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Profit for the financial year		**6,495**	5,894
Other comprehensive (expense)/income			
Remeasurements of net defined benefit asset	22	**(29,365)**	8,539
Cash flow hedge		**38**	(841)
Tax on components of other comprehensive (expense)/income	11	**7,332**	(1,595)
Other comprehensive (expense)/income for the year		**(21,995)**	6,103
Total comprehensive (expense)/ income for the year		**(15,500)**	11,997

Cross Manufacturing Company (1938) Limited

Balance sheet as at 31 March 2023

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	13	**421**	653
Tangible assets	14	**28,434**	29,211
		28,855	29,864
Current assets			
Inventories	15	**29,931**	28,520
Debtors (including £nil (2022:£nil) due after more than one year)	16	**21,544**	18,495
Post-employment benefits (including £nil (2022: £23,790,000) due after more than one year)	22	**-**	23,790
Investments	17	**14,000**	12,057
Cash at bank and in hand		**12,004**	17,041
		77,479	99,903
Creditors: amounts falling due within one year	18	**(7,888)**	(7,254)
Net current assets		**69,591**	92,649
Total assets less current liabilities		**98,446**	122,513
Provisions for liabilities	19	**(1,767)**	(7,730)
Net assets		**96,679**	114,783
Capital and reserves			
Called up share capital	20	**182**	182
Cash flow hedge reserve		**(91)**	(129)
Retained earnings		**96,588**	114,730
Total equity		**96,679**	114,783

The financial statements on pages 14 to 35 were approved by the Board of Directors and were signed on its behalf by:

M E Bradley
Director
5 July 2023

Registered number: 342798

Cross Manufacturing Company (1938) Limited

Statement of changes in equity
for the year ended 31 March 2023

	Note	Called up share capital	Cash flow hedge reserve	Retained Earnings	Total equity
		£'000	£'000	£'000	£'000
Balance as at 1 April 2021		182	712	104,223	105,117
Profit for the financial year		-	-	5,894	5,894
Other comprehensive income/(expense) for the year		-	(841)	6,944	6,103
Total comprehensive income/(expense) for the year		-	(841)	12,838	11,997
Dividends	12	-	-	(2,331)	(2,331)
Total transactions with owners, recognised directly in equity		-	-	(2,331)	(2,331)
Balance as at 31 March 2022		182	(129)	114,730	114,783
Balance as at 1 April 2022		**182**	**(129)**	**114,730**	**114,783**
Profit for the financial year		-	-	**6,495**	**6,495**
Other comprehensive income/(expense) for the year		-	**38**	**(22,033)**	**(21,995)**
Total comprehensive income/(expense) for the year		-	**38**	**(15,538)**	**(15,500)**
Dividends	12	-	-	**(2,604)**	**(2,604)**
Total transactions with owners, recognised directly in equity		-	-	**(2,604)**	**(2,604)**
Balance as at 31 March 2023		**182**	**(91)**	**96,588**	**96,679**

Cross Manufacturing Company (1938) Limited

Statement of cash flows for the year ended 31 March 2023

		2023	2022
Cash flow from operating activities	Note	**£'000**	£'000
Profit for the financial year		**6,495**	5,894
Tax on profit		**1,841**	3,307
Interest receivable and similar income		**(1,087)**	(287)
Operating profit		**7,249**	8,914
Amortisation of intangible assets		**232**	240
Depreciation of tangible assets		**4,200**	4,255
Profit on disposal of tangible assets		**(33)**	(63)
Post-employment benefits less payments		**(4,867)**	(5,000)
Other income		**-**	19
Working capital movements			
- Increase in inventories		**(1,411)**	(4,375)
- (Increase)/decrease in debtors		**(2,511)**	276
- Increase in creditors		**672**	789
Net cash from operating activities		**3,531**	5,055
Taxation paid		**(824)**	(1,289)
Net cash generated from operating activities		**2,707**	3,766
Cash flow from investing activities			
Purchase of intangible assets		**-**	(63)
Purchase of tangible assets		**(3,440)**	(4,094)
Proceeds from disposal of tangible assets		**50**	166
(Purchase)/sale of investments		**(1,943)**	7,994
Interest received		**193**	35
Net cash (used in)/generated from investing activities		**(5,140)**	4,038
Cash flow from financing activities			
Dividends paid	12	**(2,604)**	(2,331)
Net cash used in financing activities		**(2,604)**	(2,331)
Net (decrease)/increase in cash and cash equivalents		**(5,037)**	5,473
Cash and cash equivalents at the beginning of the year		**17,041**	11,568
Cash and cash equivalents at the end of the year		**12,004**	17,041

Cross Manufacturing Company (1938) Limited

Notes to the financial statements for the year ended 31 March 2023

1 General Information

Cross Manufacturing Company (1938) Limited (the 'company') is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is Midford Road, Combe Down, Bath BA2 5RR.

2 Statement of compliance

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3 Summary of significant accounting policies

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

Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going Concern

The company meets its day-to-day working capital requirements through its cash reserves. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Foreign currency

The company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Revenue recognition

Turnover 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 any returns, discounts or rebates allowed by the company and net of value added taxes.

The company recognises turnover 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 turnover can be measured reliably; and (d) it is probable that future economic benefits will flow to the entity. These conditions are usually satisfied when delivery has taken place as defined in the contract with the customer.

Interest income is recognised on an accruals basis.

3 Summary of significant accounting policies (continued)

Employee pensions
For certain employees, the company makes defined contribution pension payments into individual pension plans which are managed by a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The defined benefit plan closed to future accrual with effect from 31 March 2021 and eligible members were transferred to the company's defined contribution pension arrangement.

Defined benefit plan surpluses are recognised in the balance sheet as the fair value of the plan assets less the present value of the defined benefit obligation at the reporting date. Plan surpluses are only recognised to the extent that the company is able to recover the surplus, either through reduced contributions in the future or through refunds from the plan.

The defined benefit obligation is calculated using the projected unit credit method. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

Defined benefit plan assets are measured at market value.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, comprises the operating expenses of running the scheme.

The net interest income is calculated by applying the discount rate to the fair value of plan assets less the net balance of the defined benefit obligation. This is recognised in profit or loss as 'Interest receivable and similar income'.

Gains arising on curtailment are recognised in the profit and loss account.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts, together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

Taxation
Taxation expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, other comprehensive income or directly in equity in accordance with where the related transaction is recognised.

Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

3 Summary of significant accounting policies (continued)

Deferred tax is recognised on all timing differences at the reporting date except for deferred tax assets, which are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Intangible assets
Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Tangible assets
Tangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost, less residual value, over the estimated useful lives as follows:

Freehold buildings	-	up to 50 years
Plant and machinery	-	3 to 10 years

Repairs, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction are not depreciated until they are available for use.

Impairment of non-financial assets
At each balance sheet date, non-financial assets are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the carrying amount of the asset (or asset's cash generating unit) is reduced to its recoverable amount. Any impairment loss is recognised in the profit and loss account.

The recoverable amount of the asset (or asset's cash generating unit) is the higher of: the fair value less costs to sell; and value in use.

Investments
Investments comprise term deposits with original maturities of between 3 and 12 months.

Inventories
Inventories are stated at the lower of cost and net realisable value (estimated selling price less costs to complete and sell). Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined at an individual batch level. The cost of manufactured products and work in progress includes raw materials, subcontract processes, direct labour and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Provisions and contingencies
Provisions are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

3 Summary of significant accounting policies (continued)

Contingent liabilities arise as a result of past events when: it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date; or when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control.

Contingent liabilities are not recognised. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Financial instruments
The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including trade and other receivables, bank balances and deposits are initially recognised at transaction price and subsequently at amortised cost and are derecognised when: the contractual right to the cash flows from the asset expire or are settled; or when ownership or control of the asset has been transferred to a third party.

At the end of each reporting period basic financial assets are assessed for evidence of impairment. Any impairment loss is recognised in profit or loss.

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price and subsequently at amortised cost and are derecognised when the liability is extinguished.

Derivatives, comprising 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 except where the company has chosen to adopt hedge accounting. Where the company has chosen to account for forward foreign exchange contracts as cash flow hedges, changes in the fair value of such hedges are recognised directly in equity until the hedge relationship ends or the hedge becomes ineffective, at which time the cumulative change in fair value of the hedge is recognised in profit or loss.

Share capital
Ordinary shares are classified as equity.

Distributions to equity holders
Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

Directors can propose final dividends to be approved by members. Dividends become a legally binding liability when approved by members in a general meeting, regardless of the date on which it is to be paid. A proposed unapproved final dividend is not a legal obligation to shareholders at the balance sheet date.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually.

They are amended when necessary to reflect current estimates. See note 14 for the carrying amount of property plant and equipment and note 3 for the useful economic lives for each class of assets.

Inventory provisioning
The company holds inventories of raw materials, components and finished goods in excess of customer requirements. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

Defined benefit pension scheme
The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, revaluation factors, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension asset in the balance sheet. The assumptions reflect historical experience and current trends. See note 22 for the disclosures relating to the defined benefit pension scheme.

Notes to the financial statements for the year ended 31 March 2023 (continued)

5 Turnover

Turnover is derived from substantially the same class of business, namely the design, development and manufacture of engineering components.

	2023	2022
	£'000	£'000
The geographical markets supplied are as follows:		
United Kingdom	**9,230**	9,572
Other European Community	**19,669**	19,168
North America	**20,343**	14,710
Other	**18,637**	17,322
	67,879	60,772

6 Net operating expenses

	2023	2022
	£'000	£'000
Distribution costs	**1,509**	1,323
Administrative expenses	**4,445**	4,322
	5,954	5,645

7 Directors' emoluments

	2023	2022
	£'000	£'000
Aggregate emoluments (including benefits in kind)	**3,731**	3,893

Retirement benefits are no longer accruing to any directors.

Aggregate emoluments include amounts paid to:

	2023	2022
	£'000	£'000
Highest paid director		
Aggregate emoluments	**550**	575
Defined benefit pension scheme:		
Accrued pension at end of year	37	35

Cross Manufacturing Company (1938) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

8 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2023	2022
	Number	Number
By activity		
Production	**463**	457
Administration	**48**	46
	511	503

Staff costs for the above persons were:

	2023	2022
	£'000	£'000
Wages and salaries	**23,316**	22,670
Social security costs	**2,875**	2,641
Other pension costs	**3,360**	2,505
	29,551	27,816

The directors comprise the key management personnel of the company.

9 Interest receivable and similar income

	2023	2022
	£'000	£'000
Bank interest received	**377**	23
Corporation tax interest received	**2**	-
Interest receivable on defined benefit pension	**708**	264
	1,087	287

Cross Manufacturing Company (1938) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

10 Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2023	2022
	£'000	£'000
Inventory recognised as an expense	50,860	44,750
Depreciation and amortisation		
Intangible assets	232	240
Tangible assets	4,200	4,255
Impairment of / (reversal of impairment) of inventory	333	(753)
(Reversal of impairment) / impairment of trade debtors	(8)	6
Fees payable to the company's auditors for the audit:		
Audit of the financial statements of the company	60	50
Fees payable to the company's auditors for other services:		
Tax compliance	20	16
Foreign exchange gains	(506)	(152)
Research and development costs	428	394
Gain on disposal of tangible fixed assets	(33)	(63)

11 Tax on profit

(a) Tax expense included in profit or loss

	2023	2022
	£'000	£'000
Current Tax		
United Kingdom corporation tax at 19% (2022: 19%) on profits for the year	443	240
Adjustment in respect of prior year	29	(7)
Total current tax	472	233
Deferred Tax		
Origination and reversal of timing differences	1,046	1,351
Adjustment in respect of prior year	(7)	-
Changes in tax rates or laws	330	1,723
Total deferred tax	1,369	3,074
Tax charge on profit	1,841	3,307

Cross Manufacturing Company (1938) Limited

Notes to the financial statements for the year ended 31 March 2023 (continued)

11 Tax on profit (continued)

(b) Tax (income)/expense included in other comprehensive (expense)/income

	2023	2022
	£'000	£'000
Deferred tax		
Origination and reversal of timing differences	(5,572)	1,463
Impact of change in tax rate	(1,760)	132
Total deferred tax	(7,332)	1,595
Tax (income)/expense included in other comprehensive (expense)/income	(7,332)	1,595

(c) Reconciliation of tax charge

The tax assessed in each year varies from the standard rate of corporation tax in the UK in the relevant years. The differences are explained below:

	2023	2022
	£'000	£'000
Profit before tax	8,336	9,201
Profit before tax multiplied by standard rate of UK corporation tax of 19% (2022: 19%)	1,584	1,748
Permanent differences	(23)	(39)
Capital allowance super-deduction	(72)	(118)
Adjustment in respect of prior year	22	(7)
Change in tax rates or laws	330	1,723
Total tax charge for the year	1,841	3,307

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of corporation tax would increase to 25%. 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% will go ahead. As of 1 April 2023, the new main tax rate is in effect. No further changes to the corporation tax rate have been announced or are expected in the near future.

Deferred tax balances have been measured in the closing position at 31 March 2023 at the higher main corporation tax rate of 25% on the basis that all temporary differences will materially unwind after the rate change, creating a current year deferred tax charge to the profit and loss account of £330,000 and a deferred tax credit of £1,760,000 to the statement of other comprehensive income.

12 Dividends

	2023	2022
	£'000	£'000
Equity – Ordinary		
Interim dividend of £6.45 paid 11 April 2022 (2021: £5.00)	**1,174**	911
Final dividend of £7.85 paid 4 November 2022 (2021: £7.80)	**1,430**	1,420
	2,604	2,331

On 14 December 2022 the Board approved an interim dividend of £5.75 per share (2022: £6.45), which was paid in full on 14 April 2023.

On 5 July 2023 the Board approved a final dividend of £7.85 per share (2022: £7.85) which, if approved at the Annual General Meeting, will be paid on 3 November 2023.

13 Intangible assets

	Software
	£'000
Cost	
At 1 April 2022	1,826
Additions	-
Disposals during the year	(206)
At 31 March 2023	**1,620**
Accumulated amortisation	
At 1 April 2022	1,173
Charge for the year	232
Eliminated in respect of disposals	(206)
At 31 March 2023	**1,199**
Net book value	
At 31 March 2023	**421**
At 31 March 2022	653

Notes to the financial statements for the year ended 31 March 2023 (continued)

14 Tangible assets

	Assets in course of construction	Freehold land and buildings	Plant and Machinery	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2022	1,317	16,370	60,215	77,902
Additions	2,157	-	1,283	3,440
Transfers	(1,665)	-	1,665	-
Disposals during the year	-	-	(975)	(975)
At 31 March 2023	**1,809**	**16,370**	**62,188**	**80,367**
Accumulated depreciation				
At 1 April 2022	-	4,574	44,117	48,691
Charge for the year	-	302	3,898	4,200
Eliminated in respect of disposals	-	-	(958)	(958)
At 31 March 2023	-	**4,876**	**47,057**	**51,933**
Net book value				
At 31 March 2023	**1,809**	**11,494**	**15,131**	**28,434**
At 31 March 2022	1,317	11,796	16,098	29,211

Notes to the financial statements for the year ended 31 March 2023 (continued)

15 Inventories

	2023	2022
	£'000	£'000
Raw materials and bought out parts	9,220	7,438
Work in progress	12,518	10,870
Finished goods	8,193	10,212
	29,931	28,520

16 Debtors

	2023	2022
	£'000	£'000
Amounts falling due within one year		
Trade debtors	17,536	15,602
Corporation tax	1,288	936
Other debtors	976	855
Prepayments and accrued income	1,744	1,102
Total amounts falling due within one year	21,544	18,495
Amounts falling due after more than one year	-	-
Total amounts falling due after more than one year	-	-
	21,544	18,495

Trade debtors includes £nil (2022: nil) falling due after more than one year.

17 Investments

Investments comprise short term bank deposits which have an original maturity of between 3 and 12 months. At the balance sheet date, the average maturity was 11 months (2022: 5 months) and the average interest rate was 2.50% (2022: 0.15%).

18 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade creditors	3,106	2,059
Other taxation and social security	710	633
Other creditors	735	1,006
Derivative financial instruments	193	75
Accruals and deferred income	3,144	3,481
Total amounts falling due within one year	7,888	7,254

19 Provisions for liabilities

The movement in the deferred tax liability is as follows:

	2023	2022
	£'000	£'000
Deferred tax liability at the beginning of the year	7,730	3,061
Adjustment in respect of prior year	(7)	-
Charged to profit and loss account	1,376	3,074
(Credited)/charged to other comprehensive (expense)/income	(7,332)	1,595
Deferred tax liability at the end of year	1,767	7,730

The total amount of unprovided deferred tax is £nil (2022: £nil)

Deferred taxation provided in the financial statements is as follows:

	2023	2022
	£'000	£'000
Tax effect of timing differences because of:		
Excess of capital allowances over depreciation	1,601	1,501
Other short-term timing differences	166	281
Deferred tax asset on post-employment benefits	-	5,948
Total deferred tax liability	1,767	7,730

Notes to the financial statements for the year ended 31 March 2023 (continued)

20 Called up share capital

	2023	2022
	£'000	£'000
Issued and fully paid		
182,113 (2022: 182,113) Ordinary shares of £1 each	**182**	182

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends or the repayment of capital.

21 Financial instruments

The company has the following financial instruments:

	Note	2023 £'000	2022 £'000
Financial assets that are debt instruments measured at amortised cost			
Trade debtors	16	**17,536**	15,602
Other debtors	16	**976**	855
Investments	17	**14,000**	12,057
		32,512	28,514
Financial liabilities measured at amortised cost			
Trade creditors	18	**3,106**	2,059
Other creditors	18	**735**	1,006
		3,841	3,065
Financial liabilities measured at fair value through profit or loss			
Derivative financial instruments		**193**	75
		193	75

Derivative financial instruments

The company enters into forward foreign currency contracts to mitigate exchange rate risk for certain foreign currency receivables. At 31 March 2023 the company had entered into forward exchange contracts to sell $10.4 million (2022: $10.2 million) and €17.6 million (2022: €15.7 million) at various times in the future up to February 2025.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP: USD and GBP: EUR.

22 Post-employment benefits

The company operates two pension schemes for its employees.

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

	2023	2022
	£'000	£'000
Administration expenses	**343**	210
Defined contribution scheme	**2,984**	2,289
Total charge in operating profit	**3,327**	2,499
Defined benefit scheme – net interest income	**(708)**	(264)
Total charge	**2,619**	2,235

The defined benefit scheme was closed to new entrants with effect from 1 July 2006 and closed to future accrual with effect from 31 March 2021. A defined contribution scheme was set up for all employees joining the company after 1 July 2006.

Defined benefit scheme

The company operates a contributory pension scheme providing benefits based on final pensionable pay which closed to future accrual from 31 March 2021. A full actuarial valuation was carried out as at 1 July 2022 and updated to 31 March 2023.

During the year, the Trustees reviewed the scheme's funding position with a view to reducing risk and volatility by moving to a basis where the scheme's liabilities are covered by insurance (commonly referred to as a "buy-in"). The dramatic changes in long-term interest rates that occurred during 2022 resulted in a significant reduction in the cost of such a buy-in and the company committed to a contribution of £15 million to enable a buy-in to go ahead.

Following a formal selection process, the Trustees entered into a contract with an insurer on 20 April 2023. The company contributed £5 million to the scheme prior to 31 March 2023 and a total of £9 million during April and May 2023. Further contributions will be required to meet the scheme's ongoing expenses, professional fees and adjustments arising from data cleanse activities, such as GMP equalisation.

In addition to the above contributions, the company lent £5.5 million to the scheme to enable it to address a temporary liquidity issue with its property investment. In the autumn of 2022 there was very high demand from investors to cash in their property investments and the investment manager was unable to sell the underlying properties quickly enough to meet the demand for cash. As a result, the property investment was "gated", which means that redemptions are temporarily suspended. In order to allow the buy-in transaction to proceed, the company lent the scheme £5.5 million in April 2023. The loan will be repaid from the proceeds of the property investment.

The defined benefit pension asset, as measured on the FRS102 accounting basis and disclosed in these financial statements, was £nil as at 31 March 2023 (2022: £23.8 million). The company's commitment to proceed to buy-in meant that it was no longer appropriate to recognise any pension asset. No liability is recognised as the buy-in contract was signed after 31 March 2023.

Notes to the financial statements for the year ended 31 March 2023 (continued)

22 Post-employment benefits (continued)

Once the buy-in process is completed, the Trustees will consider moving to buy-out, where the scheme transfers its responsibility for providing the pension benefits to the insurer. Following this, the scheme can be wound up.

The financial assumptions used by the actuary were as follows:

	2023	2022
Discount rate	**4.8%**	2.7%
Inflation	**3.5%**	3.8%
Pension increases (Post 1995 accrual)	**3.7%**	3.9%
Pension increases (Post 2017 accrual)	**2.4%**	2.4%

The mortality assumptions used were as follows:

	Years 2023	Years 2022
Expected age at date of death for current pensioners:		
- Males	**87.8**	87.7
- Females	**89.8**	89.7
Expected age at date of death for future pensioners:		
- Males	**89.4**	89.3
- Females	**91.5**	91.4

Reconciliation of scheme assets and liabilities

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2022	134,787	(110,997)	**23,790**
Employer contribution	5,210	-	**5,210**
Benefits paid	(6,759)	6,759	-
Administration expenses	(343)	-	**(343)**
Interest income/(expense)	3,614	(2,906)	**708**
Remeasurement (losses)/gains			
- Return on scheme assets excluding interest income	(49,588)	-	**(49,588)**
- Actuarial losses	-	(3,318)	**(3,318)**
- Changes in assumptions	-	35,253	**35,253**
Restriction on assets recognised	(11,712)	-	**(11,712)**
At 31 March 2023	**75,209**	**(75,209)**	-

Notes to the financial statements for the year ended 31 March 2023 (continued)

22 Post-employment benefits (continued)

Total cost recognised as (income)/expense:

	2023	2022
	£'000	£'000
Administration expenses	343	210
Interest income	(708)	(264)
	(365)	(54)

The return on scheme assets was:

	2023	2022
	£'000	£'000
Interest income	3,614	2,866
Return on scheme assets excluding interest income	(49,588)	(3,253)
	(45,974)	(387)

The fair value of the scheme assets was:

	2023	2022
	£'000	£'000
Equities	-	15,878
Property	5,496	6,556
Bonds	-	67,998
Liability-driven investments	59,318	40,825
Annuities	1,940	2,436
Cash	20,167	1,094
	86,921	134,787

22 Post-employment benefits (continued)

Defined contribution scheme

During the year, the company introduced a pension salary exchange scheme, where employees exchange part of their pay in return for higher pension contributions from the company.

Total cost recognised as an expense:

	2023	2022
	£'000	£'000
Current service cost	**2,984**	2,289
	2,984	2,289

23 Capital commitments

	2023	2022
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**2,680**	1,196

24 Ultimate controlling party

The company does not have a known ultimate controlling party as the current share distribution gives no individual party or group overall control over the company.