

Roxspur Measurement & Control Limited
Annual Report and Financial Statements
Registered number 00881547
31 December 2022

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Strategic report

Business review and future developments

Roxspur Measurement & Control Limited's ('the Company') core business is the manufacture and sale of temperature, flow, pressure, level measuring instruments and associated equipment and calibration services provider.

In the year, turnover of £7,542k (2021: £7,105k) was £437k (6.2%) above prior year. Manufactured and calibration services sales for the year increased by £343k (6.9%) and £134k (8.4%) respectively, offsetting a reduction in resales of £40k (7.4%). The industrial markets in which the Company positions itself saw steady growth in the year, albeit against a weak prior year comparative due to the impact of Covid, we also saw recovery from our Aerospace customers albeit on a smaller scale. For the year 2023, full year sales are expected to grow from increased activity in both industrial and aerospace markets.

Operating loss for the year amounted to £418k (2021: operating profit £174k). The decrease was largely due to the significant cost pressures faced by the business for the cost of materials, wages and salaries and other indirect costs as well as incurring cost of implementing a new ERP system.

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 2022 and can be viewed at www.ttelectronics.com/investors.

Principal risks and uncertainties

The principal business risks and uncertainties facing the Company are continued impact of the Russian and Ukrainian conflict and the economic consequences thereof and a potential slowdown in UK economic activity. Challenges also remain around raw material price and availability.

Whilst the Company does not sell product directly to Ukraine or Russia, management continue to track the economic consequences of the conflict which continue to be oil and gas related with knock on consequences in the price of electricity, fuel and food. It is expected UK inflation will peak around 10% - 11% before falling back to more moderate levels of 2% in 2024. The Company does all it can through operational efficiency and cost reduction measures to ensure only necessary price increases are passed onto customers, however as the Company operates on short lead time, made to order business model, it is well placed to act quickly to any supplier price increases.

Although the UK may avoid a recession, we still face some uncertainty through the remainder of 2023 and into 2024. Management reviews the financial forecasts of the business on a weekly, monthly, and quarterly basis to ensure preventative decisions can be made to protect the resources and employees of the Company as early as possible. Excessive dependence upon particular customers and destinations are avoided by supplying a range of products across Europe, Americas, Middle East and Asia which should, in part, mitigate any reduction in UK economic activity. Our largest customer represents less than 2.5% of overall turnover. Challenges remain in the localised and country wide labour market both from a retention and also a recruitment perspective for both direct and indirect labour.

Strategic report (continued)

Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, comprising intercompany borrowings, cash and other liquid resources and various other items such as trade receivables and payables 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 credit risk. The directors review and agree policies for managing each of these risks which are summarised below. The policies have remained unchanged from the previous period.

Interest rate risk

The company finances its operations through a mixture of retained profits and intercompany borrowings. The Company's exposure to interest rate fluctuations on its borrowings is managed on a group basis by the use of both fixed and floating facilities.

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 intercompany loan accounts.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and the Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Key Performance Indicators

Health & Safety

The number one metric for the business is the health and safety of its employees whilst at work, both mentally and physically. During the year 2022, there were no lost time accidents recorded in the period (2021: nil).

Revenue

Revenue for the year increased by 6.2% to £7,542k (2021: £7,105k), driven from market growth and bounce back from COVID suppressed demand.

Operating profit / loss

Operating profit for the year decreased to a loss of £418k (2021: operating profit £174k). In the year, the operating result was impacted by royalty and management fee recharges of £466k (2021: £423k) paid to TT Electronics plc. The reduction in profitability was driven by inflationary pressures on materials and labour not wholly passed on to customers as well as cost incurred in the implementation of a new ERP system.

Other KPIs

	Actual	Prior Year
Turns / Days		
Inventory Turns	5.1	6.7
Days Receivables Outstanding	50	56
Days Payables Outstanding	35	45

The directors consider KPI performance satisfactory for the year ended 31 December 2022, however, continue to monitor working capital requirements closely, ensuring it is in line with the Company's growth. Inventory turns increase support growth into 2023 and reduction in cash cycle is in line with expectations. The headline measures above form part of a larger internal, and group-wide, suite of performance measures which are used to manage the business and are tracked against budget and group expectations.

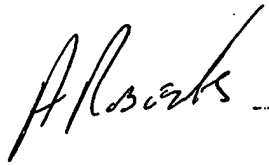
Strategic report (continued)

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 2022, which is available on the Group's website: <http://www.ttelectronics.com/investor-overview>.

Approved by the board of directors on 25 September 2023 and signed on its behalf by:



A G Roberts
Director

REGISTERED OFFICE
Fourth Floor
St Andrews House
West Street
Woking
Surrey
GU21 6EB
United Kingdom

25 September 2023

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 2022.

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; and
- Financial risk management objectives and policies.

Directors

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

Name	Appointed	Resigned
V M Faith	10/07/2019	31/08/2022
S M Partridge	10/07/2019	
R Jain	31/07/2020	16/03/2022
A G Roberts	31/08/2022	
D P Fellows	31/03/2022	

Directors' remuneration

Directors' remuneration has been disclosed in note 5 to the Financial Statements.

Qualifying third party indemnity provisions

The ultimate parent (TT Electronics Plc) maintains directors' and Officers' Liability insurance. The directors of the Company also benefit from a qualifying third party indemnity provision in accordance with Section 234 of the Companies Act 2006 and the Company's Articles of Association. The ultimate parent has provided a pension scheme indemnity within the meaning of Section 235 of the Companies Act 2006 to directors of associated companies.

Political donations

The Company made no political donations and incurred no political expenditure during the year ended 31 December 2022 (2021: £nil).

Share capital

Full details of the Company's issued share capital, including changes during the year, can be found in note 21 to the Financial Statements.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2022 (2021: £nil).

Post balance sheet events

There are no post balance sheet events. The Company reviews performance and risk on a regular basis with monthly forecasting being a key indicator of likely outcomes. This is reviewed by the local management team and is further reviewed at a divisional and group level to ensure accuracy and relevance. The Company is monitoring the continued geopolitical tensions between the US and China and the potential impact of a global economic recession as a result. In addition, China's support for Moscow also adds further uncertainty to the peaceful resolution of the Ukrainian and Russian conflict, which has now been ongoing for over 12 months.

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*)

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Directors' statement of responsibility

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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 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 the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' report (continued)

Going concern

The Company's operations and financial condition, together with factors likely to affect its future development, performance and condition are set out in the Strategic report and below:

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company has also received a letter of support from its direct parent, and ultimate parent of the Group, TT Electronic Plc which states that TT Electronics Plc will support, financially and operationally, the Company, including not calling in intercompany loans for at least twelve months from the date of signing these financial statements. Therefore, the directors have reviewed the going concern status of the Company by considering the Company's latest forecasts and those of the Group.

The Group's financial projections contain key assumptions surrounding revenue and operating profit growth in 2023 & 2024, these estimates show financial performance continuing to improve year on year. Under the Group's financial projections, the Group retains significant liquidity and covenant headroom, with both metrics improving from the position as at 31 December 2022.

The Group's financial projections have been stress tested for "business as usual" risks (such as profit growth and working capital variances), and the impact of the following principal risks: general revenue reductions, contractual risks, people and capability, supplier resilience and health and safety (occurring both individually and in unison). Principal risks which were not specifically modelled were either considered not likely to have an impact within the going concern period or their financial effect was covered within the overall downside economic risks implicit within the stress testing. Under the stress tested modelling, the liquidity headroom within the group remains significant. Financial covenants continue to be in compliance under the stress tested model and management have a number of mitigating actions which could be undertaken if required.

A "reverse" stress-test was also modelled to understand the conditions which could jeopardise the ability of the Group to continue as a going concern, including assessing against covenant testing and facility headroom. The stress testing also considered mitigating actions which could be put in place. Mitigating actions included limiting capital expenditure and reducing controllable costs, including items such as discretionary bonuses and pay rises. The reverse stress test is deemed to have a remote likelihood and help inform the Directors' assessment that there are no material uncertainties in relation to going concern.

Details regarding the Company's financial risk management policies and processes are given in the Strategic report. The going concern basis is underpinned by the Group's confirmation to continue to provide financial and operational support to the company for at least twelve months from date of signing these financial statements.

Based on this analysis, and the directors' regular monitoring and review of risk management and internal control systems, we do not believe there are any reasonably foreseeable events that could not be mitigated through the Company's ability to flex its capital expenditure plans and cost base, which would result in the Company not being able to meet its liabilities as they fall due. The nature of the business' other principal risks is such that, while they could affect the Company's ability to achieve its objectives, they are unlikely to prevent the Company from meeting its liabilities as they fall due.

Approved by the board of directors on 25 September 2023 and signed on its behalf by:



A G Roberts
Director

REGISTERED OFFICE:

Fourth Floor
St Andrews House
West Street
Woking
Surrey
GU21 6EB
United Kingdom

Independent auditor's report to the members of Roxspur Measurement & Control Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Roxspur Measurement & Control Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

to a material misstatement in the financial statements themselves. 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 in this regard.

Report on the audit of the financial statements (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address it are described below:

- Significant risk of revenue recognition due to fraud, pinpointed specifically to the occurrence of December 2022 (period 12) revenue transactions which may not be evidenced by delivery to customers and/or customer payments.

We have performed the following procedures to mitigate this significant risk:

- Profiled and disaggregated the revenue transactions relating to December 2022 (period 12);
- Sample tested period 12, 2022 transactions, by agreeing amounts as per the statutory accounts to:
 - Invoices issued to the customer and third party evidence of proof of delivery/bill of lading, including assessing terms of delivery;
 - Reconciled revenue amount per sampled invoices to amount received as per bank statements either at the balance sheet date (31 December 2022) or post year end.
 - Reviewed post year end credit notes to assess validity of period 12 revenue transactions and any reversals thereof.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a

Report on the audit of the financial statements (*continued*)

potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our report

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.

Sam Hore

Sam Hore, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, England
United Kingdom
25 September 2023

Statement of Comprehensive Income

for the year ended 31 December 2022

	<i>Note</i>	2022	2021
		£000	£000
Turnover	2	7,542	7,105
Cost of sales		(5,415)	(4,736)
Gross profit		2,127	2,369
Distribution costs		(668)	(539)
Administrative expenses		(1,859)	(1,613)
Operating (loss) / profit	3	(400)	217
Interest payable and similar charges	7	(28)	(38)
(Loss) / profit before tax		(428)	179
Tax on (loss) / profit	8	111	(37)
(Loss) / profit for the financial year and total comprehensive income/(expense)		(317)	142

All activities of the Company are classed as continuing.

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the statement of comprehensive income, and therefore a separate statement of comprehensive income has not been presented.

Balance Sheet
As at 31 December 2022

	<i>Note</i>	£000	2022 £000	£000	2021 £000
Non-current assets					
<i>Intangible assets</i>					
Goodwill	9	1,279		1,279	
Software	9	291		118	
 Tangible fixed assets	10	433		569	
Right of use assets	11	430		628	
Deferred tax asset	18	190		139	
Loan to group undertaking	12	5,884		5,884	
			8,507		8,617
Current assets					
Stocks	14	1,054		702	
Debtors	15	1,198		1,314	
Cash at bank and in hand		515		650	
		2,767		2,666	
 Creditors: amounts falling due within one year	16	(1,951)		(1,499)	
 Net current assets			816		1,167
 Total assets less current liabilities			9,323		9,784
Creditors: amounts falling after more than one year	17		(291)		(435)
 Net assets			9,032		9,349
 Capital and reserves					
Called up share capital	20		40		40
Share premium account	20		4,060		4,060
Capital contribution reserve	20		1,000		1,000
Statement of comprehensive income			3,932		4,249
 Shareholder funds			9,032		9,349

The notes on pages 13 to 32 form part of the financial statements.

The financial statements of Roxspur Measurement & Control Limited (registered number 00881547) were approved by the board of directors and authorised for issue on 25 September 2023. They were signed on its behalf by:



A G Roberts
Director



D P Fellows
Director

Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Capital contribution reserve £000	Comprehensive income £000	Total equity £000
Balance at 1 January 2021	40	4,060	1,000	4,107	9,207
Total comprehensive income for the year					
Profit for the year	-	-	-	142	142
Total comprehensive income for the year	-	-	-	142	142
Balance at 31 December 2021	40	4,060	1,000	4,249	9,349
	Called up share capital £000	Share Premium Account £000	Capital contribution reserve £000	Comprehensive income £000	Total equity £000
Balance at 1 January 2022	40	4,060	1,000	4,249	9,349
Total comprehensive income for the year					
Loss for the year	-	-	-	(317)	(317)
Total comprehensive income for the year	-	-	-	(317)	(317)
Balance at 31 December 2022	40	4,060	1,000	3,932	9,032

Notes

(forming part of the Financial Statements)

General information

Roxspur Measurement & Control Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 3. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 3. These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group Financial Statements. These Financial Statements present information about the Company as an individual undertaking and not about its group. The Company is exempt from the preparation and delivery of consolidated financial statements because it is included in the Group accounts of TT Electronics plc.

The Company's ultimate parent undertaking, TT Electronics plc, includes the Company in its consolidated Financial Statements. The consolidated Financial Statements of TT Electronics plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Fourth Floor, St Andrews House, West Street, Woking, Surrey GU21 6EB, United Kingdom.

In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IAS 7 'Statement of Cash Flows';
- IAS 1 'Presentation of Financial Statements' paragraph 38 (requirement to present comparative information) in respect of: a. IAS 16 'Property, Plant and Equipment' paragraph 73(e); b. IAS 38 'Intangible Assets' paragraph 118(e); and c. IAS 40 'Investment Property' paragraphs 76 and 79(d);
- IAS 24 'Related Party Disclosures' paragraph 17;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated Financial Statements of TT Electronics plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments; and
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

In applying the Company's accounting policies, which are described below, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

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

The Directors do not deem there to be any critical judgements, or any key sources of estimation uncertainty that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes (continued)

1 Accounting policies

1.1 Measurement convention

These Financial Statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the profit or loss.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The Company has also received a letter of support from its direct parent, and ultimate parent of the Group, TT Electronic Plc which states that TT Electronics Plc will support, financially and operationally, the Company, including not calling in intercompany loans for at least twelve months from the date of signing these financial statements. Therefore, the directors have reviewed the going concern status of the Company by considering the Company's latest forecasts and those of the Group.

The Group's financial projections contain key assumptions surrounding revenue and operating profit growth in 2023 & 2024, these estimates show financial performance continuing to improve year on year. Under the Group's financial projections, the Group retains significant liquidity and covenant headroom, with both metrics improving from the position as at 31 December 2022.

The Group's financial projections have been stress tested for "business as usual" risks (such as profit growth and working capital variances), and the impact of the following principal risks: general revenue reductions, contractual risks, people and capability, supplier resilience and health and safety (occurring both individually and in unison). Principal risks which were not specifically modelled were either considered not likely to have an impact within the going concern period or their financial effect was covered within the overall downside economic risks implicit within the stress testing. Under the stress tested modelling, the liquidity headroom within the group remains significant. Financial covenants continue to be in compliance under the stress tested model and management have a number of mitigating actions which could be undertaken if required.

A "reverse" stress-test was also modelled to understand the conditions which could jeopardise the ability of the Group to continue as a going concern, including assessing against covenant testing and facility headroom. The stress testing also considered mitigating actions which could be put in place. Mitigating actions included limiting capital expenditure and reducing controllable costs, including items such as discretionary bonuses and pay rises. The reverse stress test is deemed to have a remote likelihood and help inform the Directors' assessment that there are no material uncertainties in relation to going concern.

Details regarding the Company's financial risk management policies and processes are given in the Strategic report. The going concern basis is underpinned by the Group's confirmation to continue to provide financial and operational support to the company for at least twelve months from date of signing these financial statements.

Based on this analysis, and the directors' regular monitoring and review of risk management and internal control systems, we do not believe there are any reasonably foreseeable events that could not be mitigated through the Company's ability to flex its capital expenditure plans and cost base, which would result in the Company not being able to meet its liabilities as they fall due. The nature of the business' other principal risks is such that, while they could affect the Company's ability to achieve its objectives, they are unlikely to prevent the Company from meeting its liabilities as they fall due.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies of GBP 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 statement of comprehensive income except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

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. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Plant and equipment	4-10 years
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Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes (continued)

1 Accounting policies (continued)

1.6 Business combinations

All unincorporated business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the acquirer.

Acquisitions prior to 12 July 2014 (date of transition to FRS 101)

FRS 101 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Company elected not to restate business combinations that took place prior to 12 July 2014. In respect of acquisitions prior to 12 July 2014, goodwill is included at 12 July 2014 on the basis of its carrying amount, which represents the amount recorded under UK GAAP, which was broadly comparable, save that only separable intangibles were recognised and goodwill was amortised. On transition, amortisation of goodwill has ceased as required by IFRS 1.

1.7 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Software

Software costs are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their useful economic life of 3 – 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

1.8 Stocks

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. Cost is calculated using standard costing principles.

Notes (continued)

1 Accounting policies (continued)

1.9 Impairment excluding financial assets, stocks, investment properties and deferred tax assets

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, 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

The Company operates a defined contribution pension scheme. Contributions are recognised in the statement of comprehensive income in the period in which they become payable in accordance with the rules of the scheme.

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 Revenue

Revenue shown in the statement of comprehensive income represents the fair value of the right to consideration for the provision of goods and services supplied during the period, exclusive of value added tax. Management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IFRS 15 and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. In most cases, this is at the point in time of transfer of legal title to the goods. The transfer of risk and reward is evidence of the performance obligation having been met, which is the criteria for revenue recognition under IFRS 15. The directors are satisfied that all performance obligations have been met and recognition of the revenue in the current year is appropriate.

Notes *(continued)*

1 Accounting Policies *(continued)*

1.13 Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable using the effective interest method, net foreign exchange losses that are recognised in the statement of comprehensive income (see foreign currency accounting policy) and finance expense on lease liabilities. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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 Leases

The Company recognises a lease liability at the lease commencement date (or on initial application), measured as the present value of the future lease payments, discounted at the incremental borrowing rate (unless the lease term is 12 months or less or the underlying asset has a low value). A corresponding right-of-use asset is recognised separately on the face of the statement of financial position, net of accumulated depreciation and impairment losses. For leases recognised on initial application, the right-of-use asset is initially measured at an amount equal to the initially recognised lease liability. Depreciation of right-of-use assets are recognised on a straight-line basis over the lease term.

The Company has applied judgement to determine the lease term for contracts that include renewal options. The assessment of whether the exercise of such options is reasonably certain impacts the lease term, which significantly affects the amount of lease liability and right-of-use asset recognised.

1.16 Adoption of new and revised standards

In the current year, the Company has not applied any amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2021 as their content is not applicable to the Company and therefore adoption would have no impact on the disclosures or amounts reported in these financial statements.

Notes *(continued)*

1 Accounting Policies *(continued)*

1.17 Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in joint ventures, associates and subsidiaries are carried at cost less impairment and accounted for using the equity method.

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 debtors are shown net of impairment losses in respect of bad and doubtful amounts of £24,183 (2021: £6,502).

Notes (continued)

1 Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL, if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

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.

Notes (continued)

1 Accounting Policies (continued)

(iii) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables and contract assets with significant financing component are measured using the general model described above.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.18 Investments

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Notes (continued)

2 Turnover

	2022 £000	2021 £000
Sale of goods	7,542	7,105
Total turnover	<u>7,542</u>	<u>7,105</u>
By activity	2022 £000	2021 £000
Manufactured	5,316	4,973
Resale	503	543
Calibration	1,723	1,589
	<u>7,542</u>	<u>7,105</u>
By geographical market		
UK	6,116	5,538
Rest of Europe	688	1,019
North America	127	139
Rest of World	611	409
	<u>7,542</u>	<u>7,105</u>

3 Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2022 £000	2021 £000
Net foreign exchange losses (note 7)	8	16
Depreciation of property, plant and equipment (note 11)	227	208
Depreciation of right-of-use assets (note 12)	198	207
Cost of inventories recognised as expense (note 15)	4,831	4,506
Write downs of inventories recognised as an expense (note 15)	437	78
Reversal of write downs of inventories recognised in the year (note 15)	(112)	(98)
Staff costs (note 4)	2,983	2,738
Loss allowance on trade receivables	24	7
	<u>24</u>	<u>7</u>

4 Expenses and auditor's remuneration

Auditor's remuneration:

	2022 £000	2021 £000
Audit of these Financial Statements	<u>32</u>	<u>28</u>

Amounts receivable by the Company's auditor 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 ultimate parent, TT Electronics plc.

Notes (continued)

5 Staff numbers and costs

The monthly average number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees	
	2022	2021
Production	68	62
Sales and distribution	12	12
Administration	6	7
Product Development	4	4
	<u>90</u>	<u>85</u>

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	2,569	2,382
Social security costs	295	242
Contributions to defined contribution plans	119	114
	<u>2,983</u>	<u>2,738</u>

6 Directors' remuneration

The directors of the Company who are employees of TT Electronics plc (the ultimate parent company)/other TT Electronics Group companies received no emoluments for their qualifying services to the Company in the period. They predominately perform services for and are remunerated by TT Electronics plc/other TT Electronics Group companies. The remuneration of other directors of the company was as follows:

	2022	2021
	£000	£000
Emoluments	<u>143</u>	<u>140</u>
	<u>143</u>	<u>140</u>

	Number	Number
The number of directors who:		
Are members of a defined benefit pension scheme	3	3
Exercised options over shares in TT Electronics plc	2	2
Had awards receivable in the form of shares under a Group long-term incentive scheme	<u>2</u>	<u>2</u>

The highest paid director received remuneration of £88,554 (2021: £140,000). The Company's contributions paid to the defined contribution pension scheme in respect of the highest paid director were £5,895 (2021: £8,622).

Notes (continued)

7 Interest payable and similar charges

	2022 £000	2021 £000
Finance expense on lease liabilities	20	22
Net foreign exchange loss	8	16
Total interest payable and similar charges	<u>28</u>	<u>38</u>

8 Taxation

Recognised in the statement of comprehensive income

	£000	2022 £000	£000	2021 £000
<i>UK corporation tax</i>				
Current tax on losses / income for the year	60		-	
Adjustments in respect of prior periods	-		(5)	
Total current tax		60		(5)
<i>Deferred tax</i>				
Origination and reversal of temporary differences	22		9	
Changes in tax rate	46		-	
Recognition of previously unrecognised deferred tax assets	(17)		(41)	
Total deferred tax		51		(32)
Tax on profit		<u>111</u>		<u>(37)</u>

Reconciliation of effective tax rate

	2022 £000	2021 £000
(Loss) / profit excluding taxation	<u>(428)</u>	<u>179</u>
Tax using the UK corporation tax rate of 19% (2021: 19%)	81	(34)
Items not deductible for tax purposes or income not taxable	(1)	(2)
Adjustment to current tax in respect of prior periods	-	(5)
Impact on deferred tax arising from changes in tax rates	46	-
Adjustment to value of deferred tax assets	(17)	(41)
Group relief for which no payment was made or received	2	45
Total tax charge	<u>111</u>	<u>(37)</u>

Notes (continued)

8 Taxation (continued)

In the Finance Acts of both 2020/21 and 2021/22 the UK Government enacted the corporation tax rate of 19%. An increase to 25% has been announced and enacted from 1 April 2023 and the introduction of a small profits rate of tax from 1 April 2023 would no longer go ahead. This will increase the Company's future tax charge accordingly. The deferred tax rate has been retained at 19% as there is no material impact.

9 Intangible assets

The goodwill was generated as a result of acquisitions and represents the premium paid in excess of the fair value of all net assets, including intangible assets, identified at the point of acquisition.

The Company tests goodwill impairment annually or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and operating cash flow projections over a forecast period.

Management have based their assessment on the following:

- A pre-tax discount rate of 10.9% base on risk specific to the company as a CGU (2021: 12.9%)
- A long term growth rate of 1.5% per annum (2021: 1.5%); and
- A forecast period of 5 years (2021: 5 years)

	Software £000	Goodwill £000	Total £000
Cost			
At 1 January 2022	118	7,139	7,257
Additions	179	-	179
Transferred from property, plant and equipment	254	-	254
	<hr/>	<hr/>	<hr/>
At 31 December 2022	551	7,139	7,690
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 2022	-	(5,860)	(5,860)
Charge for the year	(10)	-	(10)
Transferred from property, plant and equipment	(250)	-	(250)
	<hr/>	<hr/>	<hr/>
At 31 December 2022	(260)	(5,860)	(6,120)
	<hr/>	<hr/>	<hr/>
Carrying Amount			
At 31 December 2021	118	1,279	1,397
	<hr/>	<hr/>	<hr/>
At 31 December 2022	291	1,279	1,570
	<hr/>	<hr/>	<hr/>

Goodwill has been allocated to Roxspur as a whole as this is the smallest group of cash generating assets to which it can be allocated.

Notes (continued)

9 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. No impairment has been noted in current or prior year based on the directors' assessment.

Software additions of £179k in the year relate to the implementation of a new ERP system, which went live on 30 May 2022. The amortisation period for ERP implementation costs incurred is 5 years.

10 Tangible fixed assets

	Plant and equipment £000	Total £000
Cost		
Balance at 1 January 2022	2,620	2,620
Additions	95	95
Transferred to intangible assets	(254)	(254)
	<u>2,461</u>	<u>2,461</u>
Balance at 31 December 2022	<u>2,461</u>	<u>2,461</u>
Depreciation and impairment		
Balance at 1 January 2022	2,051	2,051
Depreciation expense for the year	227	227
Transferred to intangible assets	(250)	(250)
	<u>2,028</u>	<u>2,028</u>
Balance at 31 December 2022	<u>2,028</u>	<u>2,028</u>
Net book value		
At 31 December 2021	<u>569</u>	<u>569</u>
At 31 December 2022	<u>433</u>	<u>433</u>

Notes (continued)

11 Leases

Right-of-use assets

	Land and buildings £000	Plant and equipment* £000	Total £000
Cost			
Balance at 1 January 2022	718	366	1,084
Disposals	-	(14)	(14)
Balance at 31 December 2022	<u>718</u>	<u>352</u>	<u>1,070</u>
Depreciation and impairment			
Balance at 1 January 2022	268	188	456
Depreciation expense for the year	108	90	198
Disposals	-	(14)	(14)
Balance at 31 December 2022	<u>376</u>	<u>264</u>	<u>640</u>
Net book value			
At 1 January 2022	<u>450</u>	<u>178</u>	<u>628</u>
At 31 December 2022	<u>342</u>	<u>88</u>	<u>430</u>

* Leased assets under plant and equipment include company vehicles such as cars, van and forklift truck.

Amounts recognised in profit or loss

	2022 £000	2021 £000
2022 - Leases under IFRS 16		
Interest expense on lease liabilities	20	22

The total cash outflow for leases amount to £191,000 (2021: £216,000)

12 Loan to group undertaking

	2022 £000	2021 £000
Loan to group undertaking	5,884	5,884
	<u>5,884</u>	<u>5,884</u>

Loan to group undertaking is composed of a loan to Controls Direct Ltd which is unsecured, non-interest bearing and repayable on demand. The balance relating to this loan has been classified as a non-current asset in order to reflect the substance of the loan, which is not intended to be called upon within 1 year from the balance sheet date.

Notes (continued)

13 Investments

	Shares in group undertakings £000
Cost	
Balance at 31 December 2022 and 31 December 2021	8,259
Provisions for impairment	
Balance at 31 December 2022 and 31 December 2021	(8,259)
Carrying amount	
Balance at 31 December 2022 and 31 December 2021	-

Subsidiary undertakings

The following dormant companies were the subsidiary undertakings of the Company at 31 December 2022.

Name	Country of Incorporation	Share class	Proportion of shares held	Registered office/principal place of business
Nulectrohms Limited*	United Kingdom	Ordinary	100%	(1)
Sensit Limited	United Kingdom	Ordinary	100%	(1)
The Brearley Group Limited	United Kingdom	Ordinary	100%	(1)

(1) Fourth Floor, St Andrews House, West Street, Woking, Surrey, GU21 6EB, England

*Owned by a subsidiary undertaking other than Roxspur Measurement & Control Limited

14 Stocks

	2022 £000	2021 £000
Raw materials and consumables	622	463
Work in progress	356	208
Finished goods	76	31
	<u>1,054</u>	<u>702</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £4,831,000 (2021: £4,506,000). The write-down of stocks to net realisable value resulting from increased slow moving and obsolete inventory provisions amounted to £437,000 (2021: £78,000). The reversal of write-downs through the consumption of previously provided for inventory amounted to £112,000 (2021: £98,000).

Notes (continued)

15 Debtors

	2022 £000	2021 £000
Trade debtors	1,030	1,086
Other debtors	41	56
Prepayments and accrued income	63	98
Corporation tax receivable	64	-
	<u>1,198</u>	<u>1,240</u>
Due within one year	1,198	1,240

Trade debtors are shown net of impairment losses in respect of bad and doubtful amounts of £24,183 (2021: £6,502).

16 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	517	583
Amounts owed to group undertakings	791	321
Taxation and social security	148	102
Lease liabilities	157	187
Accruals	338	297
Corporation tax payable	-	9
	<u>1,951</u>	<u>1,499</u>

Amounts owed to group undertakings include short term loans of £327,200 (2022: £149,200) payable to TT Electronics plc arising from intercompany recharges, of £412,814 (2022: £121,000) payable to TTG Investments Limited arising from cash pooling facilities and £50,790 (2022: £50,790) payable to TT Electronics Group Holdings Limited arising from initial investment.

These loans are unsecured, non-interest bearing and repayable on demand.

17 Creditors: amounts falling after more than one year

	2022 £000	2021 £000
Lease liabilities	291	435
	<u>291</u>	<u>435</u>

Notes (continued)

18 Deferred tax assets/liabilities

Movement in deferred tax during the year

	1 January 2022 £000	Recognised in income £000	31 December 2022 £000
Tangible fixed assets	139	51	190
	<u>139</u>	<u>51</u>	<u>190</u>

Movement in deferred tax during the prior year

	1 January 2021 £000	Recognised in income £000	31 December 2021 £000
Tangible fixed assets	129	10	139
Tax losses	42	(42)	-
	<u>171</u>	<u>(32)</u>	<u>139</u>

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2022 £000	2021 £000
Tangible fixed assets	190	139
	<u>190</u>	<u>139</u>

19 Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £119,000 (2021: £114,000).

Notes (continued)

20 Capital and reserves

Share capital

	Ordinary shares 2022 Number
In thousands of shares	
On issue at 1 January	40
On issue at 31 December - fully paid	40
	<u>40</u>
	2022 £000
<i>Authorised, allotted, called up and fully paid</i>	
Ordinary shares of £1.00 each	40
	<u>40</u>

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.

Share premium

	2022 £000
Balance at 1 January	4,060
Balance at 31 December	<u>4,060</u>

Share premium account is made up of 40,000 ordinary shares issued at a premium of £101.50 per share.

Capital contribution

	2022 £000
Balance at 1 January	1,000
Balance at 31 December	<u>1,000</u>

Capital contribution reserve relates to amounts received from a previous ultimate parent company, CT Group Limited.

Notes (continued)

21 Commitments

Capital commitments

During the year ended 31 December 2022, the Company made no commitments to purchase property, plant and equipment (2021: £nil).

22 Contingencies

The Company is a cross guarantor together with certain other companies within the TT Electronics plc Group on the Group's main debt facilities. At 31 December 2022, the total facilities to which the Company is a cross-guarantor amounted to £178.6 million (2021: £148.4 million).

23 Related parties

The Company has taken advantage of the exemption available under FRS 101 and has not disclosed transactions with companies that are wholly owned TT Electronics plc subsidiaries or made the disclosures in respect of compensation of Key Management Personnel.

24 Ultimate parent company and controlling party

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

Both TT Electronics plc and Controls Direct Limited have their 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.

Copies of the Financial Statements for Controls Direct Limited are also available from the company secretary at the address above.

25 Post balance sheet events

No post balance sheet events to report.