
PACER COMPONENTS LIMITED

UNAUDITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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PACER COMPONENTS LIMITED

COMPANY INFORMATION

Directors	P Haining P O James J L Macmichael G S Marsh
Registered number	02448361
Registered office	2 Ravensbank Business Park Hedera Road Redditch England B98 9EY
Accountants	Barnes Roffe LLP Chartered Accountants 3 Brook Business Centre Cowley Mill Road Uxbridge Middlesex UB8 2FX

PACER COMPONENTS LIMITED

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PACER COMPONENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

Introduction

The directors present their Strategic report for the year ended 31 March 2022

Financial review

The Company's revenue and profit/(loss) after tax for the year are £3,648k (2021 - £14,031k) and £(826)k (2021 - £674k) respectively

Business review

The principal activities of the Company during the year continued to be those of the manufacturing of opto-electronic equipment and the value-added distribution of opto-electronic components and modules subsystems, and displays.

As part of the continued integration into the Group's Components division all the component sales were transferred to Solid State Supplies Limited leaving the Group's UK Component Manufacturing Activities in Weymouth. The Company will supply manufactured components to the Group's international and UK sales entities.

The transfer of the external sales function has helped to leveraging the scale of the enlarged component offering and facilitate improved visibility of operational production efficiencies in the Production facility in Weymouth. The operational efficiency is critical to delivering enhanced Group margins

Investment in and enhancement of our talent

During the year we have made significant strides in developing the senior management team which has benefitted from the Solid State Group acquisition of Willow Technologies Limited which had a strong and talented work force which have been additive to the Components Division. The integration of our new colleagues from the acquisitions has been very positive, providing additional depth in talent and resource across our business

The Company continues to invest heavily in its employees believing that a well-educated and well-trained workforce is the key to staying ahead of the competition. Retaining the skilled work force with the technical expertise underpinned by a steady headcount underpins plans for growth in the future.

Principal risks and uncertainties

As an integral part of the Solid State PLC Group the Company's principal risks and uncertainties are consistent with those of the Group. The principal risks and uncertainties of the Group are disclosed in the publicly available accounts of Solid State PLC.

Specifically, the Company's risk management programme seeks to minimise potential adverse effects on the company's financial performance. Of the risks identified in the Group accounts the following risks are managed and are critical at an entity level:

- Supply chain interruptions and cost inflation
- Legislative environment and compliance.
- Retention of key employees.
- Failure of or malicious damage to IT systems.
- Competition risk
- Product / technology change.

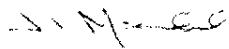
PACER COMPONENTS LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

Key performance indicators

Given the nature of the business the Company's directors are of the opinion that analysis using key performance indicators beyond the key financial metrics given above and in these financial statements is not necessary for an understanding of the development, performance or position of the business.

This report was approved by the board on 14 December 2022 and signed on its behalf.



J L Macmichael
Director

PACER COMPONENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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.

Results and dividends

The loss for the year, after taxation, amounted to £826k (2021 - £674k profit)

Dividends of £60k (2021 - £Nil) have been declared and paid in the year

Directors

The directors who served during the year were:

P Haining
P O James
J L Macmichael
G S Marsh

Matters covered in the Strategic report

The company has chosen in accordance with section 414C of the Companies Act 2006, to set out its financial risk management within the Strategic report.

PACER COMPONENTS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Going concern

The Company is a wholly owned subsidiary of Solid State PLC and is part of the Group banking facilities therefore the going concern assessment has been made by the directors on a Group basis to support the adoption of the Going Concern principle in all of the Group subsidiaries. As a result of adopting the audit exemption the Parent, Solid State Plc, has provided a statutory guarantee which has been filed with Company's House.

In assessing the going concern position of the Company for the Financial Statements for the year ended 31 March 2022, the directors have assessed this based on the Consolidated Group position as there are statutory guarantees in place for all the UK subsidiaries.

At 31 March 2022, the Group had net cash at banks of £2.9m, an undrawn revolving credit facility (RCF) of £6.0m and a drawn RFF of £1.5m.

Four areas have been identified as potentially more significant: direct supply chain disruption limiting our ability to supply; indirect supply chain disruption delaying customer programmes and demand; rising inflation and a further COVID-19 outbreak causing operational disruption. The Board concluded that the three areas of risk which remained the most uncertain were the direct and indirect supply chain disruption risks in addition to inflation. The Directors have given careful consideration to the potential impact of on-going global electronic component shortages and rising inflation on the cashflows and liquidity of the Group over the next 12 month period.

Based on the Group's forecasts, the directors have adopted the going concern basis in preparing the Financial Statements. The directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014, the April 2016 guidance on Going concern basis of accounting and reporting on solvency and liquidity risks and the various guidance issued in 2020, all published by the UK Financial Reporting Council to provide support to directors and board in making the assessment of going concern.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months, therefore it is appropriate to adopt a going concern basis for the preparation of the Financial Statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and Company were unable to continue as a going concern.

Detailed disclosures of the assessment of the Group's going concern position are included on page 76 and 77 of the basis of preparation within the Solid State PLC Group accounts which are available on the website: www.solidstateplc.com

Research and development

During the year the Company has continued to invest in research and development in partnership with some of its customers to develop technical opto-electronic solutions to address the demand of our customers in its core markets. The Company continues to claim R&D tax credits where eligible.

PACER COMPONENTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Qualifying third party indemnity provisions

The company has granted to the directors of the company a deed of indemnity which constitutes a third-party indemnity provision for the purposes of the Companies Act 2006. In addition, the company has in place appropriate Directors and Officers liability insurance cover which has been in place for the entire year and at the date of approval of the financial statements.

Post balance sheet events

There are no subsequent events that require disclosure or adjustments to the financial statements.

Audit exemption

Pacer Components Limited is exempt from the requirements to file audited accounts by virtue of section 479a of the Companies Act 2006. A statutory guarantee has been provided to Pacer Components Limited by Solid State PLC, the ultimate controlling party.

This report was approved by the board on 14 December 2022 and signed on its behalf



J L Macmichael
Director

PACER COMPONENTS LIMITED

**CHARTERED ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE PREPARATION OF
THE UNAUDITED STATUTORY FINANCIAL STATEMENTS OF PACER COMPONENTS LIMITED
FOR THE YEAR ENDED 31 MARCH 2022**

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Pacer Components Limited for the year ended 31 March 2022 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes from the Company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <https://www.icaew.com/regulation>

This report is made solely to the Board of directors of Pacer Components Limited, as a body, in accordance with the terms of our engagement letter. Our work has been undertaken solely to prepare for your approval the financial statements of Pacer Components Limited, and state those matters that we have agreed to state to the Board of directors of Pacer Components Limited, as a body, in this report in accordance with ICAEW Technical Release TECH07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Pacer Components Limited and its Board of directors, as a body, for our work or for this report.

It is your duty to ensure that Pacer Components Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and profit or loss of Pacer Components Limited. You consider that Pacer Components Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or review of the financial statements of Pacer Components Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

Barnes Roffe LLP

Barnes Roffe LLP
Chartered Accountants
3 Brook Business Centre
Cowley Mill Road
Uxbridge
Middlesex
UB8 2FX
14 December 2022

PACER COMPONENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £000	2021 £000
Turnover	4	3,648	14,031
Cost of sales		(3,570)	(10,870)
Gross profit		78	3,161
Administrative expenses		(1,404)	(2,646)
Other operating income	5	282	262
Operating (loss)/profit	6	(1,044)	777
Tax on (loss)/profit	9	218	(103)
(Loss)/profit for the financial year		(826)	674
Total comprehensive (loss)/income for the year		(826)	674

The notes on pages 11 to 28 form part of these financial statements.

PACER COMPONENTS LIMITED
REGISTERED NUMBER: 02448361

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	£000	2022 £000	£000	2021 £000
Fixed assets					
Intangible assets	11		155		19
Tangible assets	12		639		665
Investments	13		84		84
			878		768
Current assets					
Stocks	14	537		1,430	
Debtors, amounts falling due within one year	15	6,254		8,571	
Cash at bank and in hand	16	92		726	
		6,883		10,727	
Creditors, amounts falling due within one year	17	(1,829)		(4,710)	
Net current assets			5,054		6,017
Total assets less current liabilities			5,932		6,785
Provisions for liabilities					
Deferred tax	18	(143)		(63)	
Other provisions	19	(250)		(297)	
		(393)		(360)	
Net assets			5,539		6,425
Capital and reserves					
Called up share capital	20		257		257
Share premium account	21		93		93
Profit and loss account	21		5,189		6,075
			5,539		6,425

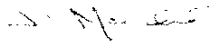
PACER COMPONENTS LIMITED
REGISTERED NUMBER: 02448361

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2022

The directors consider that the Company is entitled to exemption from audit under section 479a of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 December 2022



J L Macmichael
Director

The notes on pages 11 to 28 form part of these financial statements

PACER COMPONENTS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 April 2021	257	93	6,075	6,425
Comprehensive income for the year				
Loss for the year	-	-	(826)	(826)
Total comprehensive income for the year	-	-	(826)	(826)
Dividends: Equity capital	-	-	(60)	(60)
Total transactions with owners	-	-	(60)	(60)
At 31 March 2022	257	93	5,189	5,539

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 April 2020	257	93	5,401	5,751
Comprehensive income for the year				
Profit for the year	-	-	674	674
Total comprehensive income for the year	-	-	674	674
Total transactions with owners	-	-	-	-
At 31 March 2021	257	93	6,075	6,425

The notes on pages 11 to 28 form part of these financial statements.

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. General information

Pacer Components Limited is a company limited by shares incorporated in England and Wales. The address of the registered office is 2 Ravensbank Business Park, Hedera Road, Redditch, England B98 9EY.

The company specialises in the manufacturing of opto-electronic equipment and the value-added distribution of opto-electronic components and modules, subsystems, and displays.

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with applicable United Kingdom Accounting standards including Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Solid State PLC as at 31 March 2022 and these financial statements may be obtained from the registered office.

The company has taken advantage of the exemption in section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.2 Going concern

The Company is a wholly owned subsidiary of Solid State PLC and is part of the Group banking facilities therefore the going concern assessment has been made by the directors on a Group basis to support the adoption of the Going Concern principle in all of the Group subsidiaries. As a result of adopting the audit exemption the Parent, Solid State Plc has provided a statutory guarantee which has been filed with Company's House

In assessing the going concern position of the Company for the Financial Statements for the year ended 31 March 2022 the directors have assessed this based on the Consolidated Group position as there are statutory guarantees in place for all the UK subsidiaries

At 31 March 2022, the Group had net cash at banks of £2.9m, an undrawn revolving credit facility (RCF) of £6.0m and a drawn RFF of £1.5m

Four areas have been identified as potentially more significant: direct supply chain disruption limiting our ability to supply; indirect supply chain disruption delaying customer programmes and demand; rising inflation and a further COVID-19 outbreak causing operational disruption. The Board concluded that the three areas of risk which remained the most uncertain were the direct and indirect supply chain disruption risks in addition to inflation. The Directors have given careful consideration to the potential impact of on-going global electronic component shortages and rising inflation on the cashflows and liquidity of the Group over the next 12 month period.

Based on the Group's forecasts, the directors have adopted the going concern basis in preparing the Financial Statements. The directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014, the April 2016 guidance on Going concern basis of accounting and reporting on solvency and liquidity risks and the various guidance issued in 2020 all published by the UK Financial Reporting Council to provide support to directors and board in making the assessment of going concern.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months, therefore it is appropriate to adopt a going concern basis for the preparation of the Financial Statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and Company were unable to continue as a going concern.

Detailed disclosures of the assessment of the Group's going concern position are included on page 76 and 77 of the basis of preparation within the Solid State PLC Group accounts which are available on the website: www.solidstateplc.com.

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions

At each year 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 and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Compensation payments are recognised as revenue in the period that any related activities are completed, the amount can be measured reliably, and it is probable that future economic benefit will be realised. Other income relates to the recharge of costs to other Group companies for shared services and is not recognised as a reduction to costs.

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset

2.6 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.8 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The useful economic life over which the software is being amortised has been assessed to be 2 to 5 years.

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Computer hardware	- Straight line over 4 years
Furniture and office equipment	- Straight line over 8 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of comprehensive income.

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.12 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.16 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the process of applying its accounting policies, the directors are required to make certain estimates, judgements and assumptions that they believe are reasonable based on the information available. These judgements, estimates and assumptions affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented.

On an ongoing basis, the directors evaluate their estimates using historical experience, consultation with experts and other methods considered reasonable in the circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

The following paragraphs detail the estimates and judgements the directors believe to have the most significant impact on the annual results under FRS 102.

a) Property, Plant and Equipment (PPE)

The estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively.

The directors are required to evaluate the carrying values of PPE for impairment whenever circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the cash generating units under review.

b) Revenue recognition and allowance for doubtful receivables

The Company recognises revenue on sale of goods when the risks and rewards of owning the goods has passed to the customer. Compensation payments are recognised as revenue in the period that any related activities are completed, the amount can be measured reliably and it is probable that future economic benefit will be realised. When the Company considers that the criteria for revenue recognition are not met for a transaction, revenue recognition is delayed until such time as collectability is reasonably assured. Payments received in advance of revenue recognition are recorded as deferred income.

At each reporting date, the directors evaluate the recoverability of trade receivables and record allowances for doubtful receivables based on experience. These allowances are based on, amongst other things, a consideration of actual collection history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

3 Judgments in applying accounting policies (continued)

c) Stock provision

At each reporting date, the Company evaluates the value of stock held and record a provision where the recoverable value is deemed to be less than the carrying value based on experience. The provision is based on, amongst other things, a consideration of future product sales. The actual recoverable value may differ from the estimated value, which could impact operating results positively or negatively.

d) R&D tax credits

Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. This could necessitate future adjustments to taxable income and expense already recorded.

At the year end date, tax liabilities and assets reflect management's judgements in respect of the application of the tax regulations, the R&D tax regulations and management's estimate of the future amounts that will be settled.

In assessing our year end corporation tax liability, we have made a provisional assessment as to the likely amount of development expenditure that will be eligible under each of the HMRCs large company and SME R&D tax credit schemes as the detailed tax computations have not been completed.

Our judgement at year end assumed that the level of eligible spend was comparable with prior years. At 31 March 2022 there are current (£53k) and deferred tax (£143k) provisions totalling £196k.

Due to the uncertainties noted above, it is possible that the Company's initial estimates are different to the final position adopted when the tax computation is finalised, resulting in a different tax payable or recoverable from the amounts provided.

4. Turnover

Turnover is attributable to the principal activities of the company.

An analysis of turnover by geography is as follows:

	2022 £000	2021 £000
United Kingdom	2,907	8,081
Rest of Europe	58	1,429
North America	489	2,906
Rest of World	194	1,615
	<u>3,648</u>	<u>14,031</u>

All operations are located in the United Kingdom.

PACER COMPONENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

5. Other operating income

	2022 £000	2021 £000
Other operating income	282	262
	<u>282</u>	<u>262</u>

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging/(crediting).

	2022 £000	2021 £000
Amortisation of intangible fixed assets	5	2
Depreciation of tangible fixed assets	146	213
Foreign exchange losses	18	19
Operating lease rentals	43	58
Research and development costs	210	195
Other income from government grants (furlough scheme)	-	(19)
	<u>-</u>	<u>(19)</u>

7. Employees

Staff costs during the year were as follows:

	2022 £000	2021 £000
Wages and salaries	831	1,291
Social security costs	99	161
Cost of defined contribution scheme	67	128
	<u>997</u>	<u>1,580</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Selling and distribution	11	29
Management and administration	3	3
	<u>14</u>	<u>32</u>

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8. Directors' remuneration

During the year, no director received any emoluments (2021 - £Nil).

No emoluments in respect of Mr P Haining, Mr G S Marsh, Mr J L Macmichael or Mr P O James are charged in the accounts. Pension arrangements with regards to the directors of the parent company are disclosed in the parent company accounts. Directors who are both directors of this company and of the ultimate parent company who have share options relating to their role as Group directors are not recharged to the subsidiaries. Full disclosure of the Group Directors options are publicly available in the accounts of the ultimate parent entity Solid State PLC

9. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on (losses)/profits for the year	(306)	108
Adjustments in respect of previous years	8	-
	<u>(298)</u>	<u>108</u>
Total current tax	<u>(298)</u>	<u>108</u>
Deferred tax		
Origination and reversal of timing differences	80	(5)
Total deferred tax	<u>80</u>	<u>(5)</u>
Taxation on (loss)/profit on ordinary activities	<u>(218)</u>	<u>103</u>

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below.

	2022 £000	2021 £000
(Loss)/profit on ordinary activities before tax	(1,044)	777
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(198)	148
Effects of:		
Expenses not deductible for tax purposes	(21)	11
Difference between capital allowances and depreciation and amortisation	(35)	(3)
Enhanced relief on research and development expenditure	(52)	(48)
Other adjustments	80	(5)
Adjustments to tax charge in respect of prior periods	8	-
Total tax charge for the year	(218)	103

Factors that may affect future tax charges

In the March 2021 Budget it was announced that the UK corporation tax rate would increase to 25% from 1 April 2023 for profits over £250 000. The deferred tax as at 31 March 2022 has been calculated based on this rate. There are no other significant factors that may affect future tax charges.

10. Dividends

	2022 £000	2021 £000
Dividends	60	-
	60	-

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11. Intangible assets

	Software £000
Cost	
At 1 April 2021	21
Additions	141
At 31 March 2022	<u>162</u>
Amortisation	
At 1 April 2021	2
Charge for the year	5
At 31 March 2022	<u>7</u>
Net book value	
At 31 March 2022	<u><u>155</u></u>
At 31 March 2021	<u><u>19</u></u>

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

12. Tangible fixed assets

	Furniture and office equipment £000	Computer hardware £000	Total £000
Cost			
At 1 April 2021	947	682	1,629
Additions	110	10	120
At 31 March 2022	<u>1,057</u>	<u>692</u>	<u>1,749</u>
Depreciation			
At 1 April 2021	331	633	964
Charge for the year	113	33	146
At 31 March 2022	<u>444</u>	<u>666</u>	<u>1,110</u>
Net book value			
At 31 March 2022	<u>613</u>	<u>26</u>	<u>639</u>
At 31 March 2021	<u>616</u>	<u>49</u>	<u>665</u>

13. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 April 2021	84
At 31 March 2022	<u>84</u>

Investments relate to the 100% investment in its subsidiary Pacer USA LLC which is a limited liability corporation, whose registered office address is 661 Maplewood Dr Suite 10, Jupiter, FL 33458, USA.

PACER COMPONENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

14. Stocks

	2022 £000	2021 £000
Raw materials and consumables	537	1,430
	<u>537</u>	<u>1,430</u>

15. Debtors

	2022 £000	2021 £000
Trade debtors	11	2,369
Amounts owed by group undertakings	6,101	5,948
Other debtors	41	24
Prepayments and accrued income	101	230
	<u>6,254</u>	<u>8,571</u>

16. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	92	726
	<u>92</u>	<u>726</u>

17. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Trade creditors	122	815
Amounts owed to group undertakings	1,529	3,233
Corporation tax	53	53
Other taxation and social security	17	216
Accruals and deferred income	108	393
	<u>1,829</u>	<u>4,710</u>

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

18. Deferred taxation

	2022 £000
At beginning of year	63
Charged to the Statement of comprehensive income	80
At end of year	143

The provision for deferred taxation is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	63	87
Short term timing differences	80	(24)
	143	63

19. Provisions

	Dilapidations provision £000
At 1 April 2021	297
Utilised in year	(47)
At 31 March 2022	250

The dilapidations provision relates to the requirement for the Company to reinstate the leasehold premises which it occupies at the end of the lease obligation. The minimum term of the leases is less than five years but there are options to extend the lease obligations which could be exercised by the Company which would have the effect of delaying the point at which the liabilities will crystallise.

PACER COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
1,027,067 Ordinary shares of £0.25 each	257	257

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

21. Reserves

Profit and loss account

Profit and loss account includes all current and prior period retained profits and losses.

Share premium account

Share premium includes excess amounts received by the company over the par value of its shares.

22. Contingent liabilities

The company participates in a cross-guarantee of bank borrowings of its ultimate parent company, Solid State PLC and fellow subsidiary companies. At 31 March 2022, liabilities covered by this guarantee amounted to £Nil (2021 - £Nil).

23. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £67k (2021 - £105k).

24. Commitments under operating leases

At 31 March 2022, the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	2021 £000
Not later than 1 year	58	58
Later than 1 year and not later than 5 years	63	121
	121	179

PACER COMPONENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25. Related party transactions

Transactions with wholly owned subsidiaries of the Solid State PLC group are not disclosed, as allowed by FRS 102 section 33 1A.

26. Post balance sheet events

There are no subsequent events that require disclosure or adjustment to the financial statements.

27. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Pacer Technologies Limited, an intermediate holding company incorporated in England and Wales. Its registered office is 2 Ravensbank Business Park, Hedera Road, Redditch, B98 9EY.

The ultimate parent company is Solid State PLC, a company incorporated in England and Wales. Its registered office is 2 Ravensbank Business Park, Hedera Road, Redditch, B98 9EY.

The results of the company are consolidated in the financial statements of the ultimate parent company, which can be obtained from Companies House.

In the opinion of the directors, there is no ultimate controlling party.