

Pacer Components Limited

Report and Financial Statements

For the year ended

31 March 2021



Company number: 02448361

Directors' Report

For the year ended 31 March 2021

Principal Activities, Review of the Business and Future Developments

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.

The key performance indicators recognised by management are set out in the KPI section of the Strategic Report. An overall review of the Company's trading performance, financial risk management and future developments is given in the Strategic Report.

Dividends

Dividends of £nil (2020: £nil) have been declared and paid in the year.

Directors

The Directors of the Company during the year were:

J L Macmichael
G S Marsh
P Haining
P O James

The Directors submit their report together with the strategic report and the financial statements of the company for the year ended 31 March 2021.

Going Concern

In assessing the going concern position of the Company for the Financial Statements for the year ended 31 March 2021, the directors have assessed this based on the Consolidated Group position as there are cross guarantees in place in respect of the Groups banking facilities. Therefore, the directors have considered the Group's cash flows, liquidity and business activities.

At 31 March 2021, the Group had cash balances of £6.9 million, and a revolving credit facility (RCF) of £7.5 million of which £3.75m was drawn down at the 31 March 2021.

The bank facilities are subject to financial covenants requiring the business to be EBITDA positive therefore this facility is available to fund investment in working capital, capital investment or acquisition activities. Should the business face such a significant downturn that it was loss making the facility would not be available to be drawn to fund additional losses without a covenant waiver or amendment. As a result, in evaluating a stressed model the Board have not included the RCF in the headroom.

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.

Additional disclosures in respect of the directors' assessment and modelling to support the conclusions are included in the Solid State PLC group accounts on page 75 and 76 of the basis of preparation.

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.

Going Concern (continued)

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.

Directors' Responsibilities

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 satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and 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 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.

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.

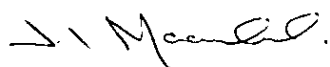
Qualifying third party indemnity provisions

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.

Subsidiary Audit Exemption Clause

For the financial year in question the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts 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 Act with respect to the accounting records and for the preparation of the accounts. This report was approved by the board on 17 December 2021 and signed on its behalf by:



J L Macmichael
Director

Strategic Report

For the year ended 31 March 2021

The directors present their Strategic Report for the year ended 31 March 2021.

Review of the Business

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.

2020-21 proved to be a challenging year for the UK electronics distribution and semiconductor industry with the market declining circa 12% over the financial year (source ECSN), which was driven by the disruption caused by COVID-19 compounded by shortages in the latter part of the year and as we entered 2021-22.

The Board are pleased to report that while revenue is slightly down on prior year at £14.0m (2020: £14.5m) the Company has outperformed the market. Operating margins have continued to improve at 5.5%. (2020: 4.3%) this results in net operating profits of £777k (2020: £620k). This results in the Company continuing to deliver improved profit after tax for the year of £674k (2020: £517k).

Broadening complementary component offering

As part of the Value Added Supplies (VAS) division of Solid State PLC the Company has continued to broaden its component product lines and develop its portfolio of own brand components which will be manufactured at the Weymouth facility.

Managing the COVID-19 pandemic

During the initial few months of the pandemic, the Company faced some reductions in demand. In managing this, the Company utilised the Government's Coronavirus Job Retention Scheme (CJRS). The CJRS grants received of ~19k allowed the Company to retain its skilled work force while it evaluated how demand would stabilise and then recover, minimising redundancies. Had the CJRS not been available the level of redundancies would have been more significant at the start of the pandemic.

The Company's sector diversity has enabled it to substantially mitigate the COVID-19 challenges faced in the oil and gas and commercial aerospace sectors with strong demand in other markets including security and defence, medical and transportation.

The Company's operational response to the COVID-19 pandemic was pro-active and swift which has meant the business has faced no significant operational disruption. Solid State's adoption of Office 365 ahead of the pandemic was timely meaning the workforce was largely set up for home working. The production workforce was engaged and integral in establishing the Company's COVID safe protocols from the outset to ensure that the business could continue to operate safely as a nominated critical supplier continuing to fulfil customer demand.

Opportunity out of adversity

Order intake since the year end has been strong, with customers placing order schedules as post COVID confidence returns and to try to mitigate the supply chain issues. This provides increased confidence over customer demand albeit the extended lead times and supply chain challenges might limit the opportunity to accelerate deliveries and growth in the year ahead.

If the supply chain issues continue to deteriorate, the Company could face disruption and delays to programmes and projects in the middle to latter part of the financial year. However, in 2016 the Group extended its portfolio of services by recruiting a sourcing and obsolescence team. These services are now understandably in high

demand and are proving to be of real value to the Company in working to source product and mitigate the shortages for the Company.

The Company's diversity in suppliers, technology, markets, and latterly territory is a key strength. It provides resilience and some mitigation against the global headwinds and has enabled the Company to deliver a strong result. Looking forward to the current year, this diversity combined with the strength of the Company and Group balance sheet means the Company is well placed to weather the impact of any short-term supply chain issues and take advantage of new opportunities.

Post balance sheet events

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

The transfer of the external sales function will help 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 margins. The Company continues to invest heavily in its staff 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 supported 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.


However, 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:

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

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 17 December 2021 and is signed on its behalf by:



J L Macmichael
Director

Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	Total 2021 £'000	Total 2020 £'000
Turnover	4	14,031	14,452
Cost of sales		<u>(10,870)</u>	<u>(11,241)</u>
Gross profit		3,161	3,211
Other income		262	236
Sales, general and administrative expenses		<u>(2,646)</u>	<u>(2,827)</u>
Operating profit / (loss)		777	620
Interest receivable / (payable) and similar charges	7	<u>-</u>	<u>1</u>
Profit / (loss) on ordinary activities before taxation	5	777	621
Tax on profit / (loss) on ordinary activities	8	<u>(103)</u>	<u>(104)</u>
Profit / (loss) for the financial year		674	517
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income / (expense) for the year		674	517

The notes on pages 8 to 19 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2021

	Called up share capital £'000	Share premium £'000	Profit and loss account £'000	Shareholders' funds £'000
At 1 April 2019	257	93	4,884	5,234
Total comprehensive expense for the year	-	-	517	517
Dividends paid	-	-	-	-
At 31 March 2020	257	93	5,401	5,751
Total comprehensive income for the year	-	-	674	674
Dividend paid	-	-	-	-
At 31 March 2021	257	93	6,075	6,425

The notes on pages 8 to 19 form part of these financial statements.

Statement of Financial Position

As at 31 March 2021

	Note	2021 £'000	£'000	2020 £'000	£'000
Fixed assets					
Intangible Assets	9	19		-	
Tangible Assets	10	665		694	
Investments	11	84		84	
			768		778
Current assets					
Stocks	12	1,430		1,716	
Debtors	13	8,571		8,737	
Cash at bank and in hand		726		242	
		10,727		10,695	
Creditors: amounts falling due within one year	14	(4,710)		(5,350)	
Net current assets			6,017		5,345
Total assets less current liabilities			6,785		6,123
Provisions for liabilities	15		(360)		(372)
Net assets			6,425		5,751
Capital and reserves					
Called up share capital	16		257		257
Share premium			93		93
Profit and loss account	17		6,075		5,401
Shareholder's funds			6,425		5,751

Subsidiary Audit Exemption Clause

For the financial year in question the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts 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 Act with respect to the accounting records and for the preparation of the accounts.

The financial statements on pages 5 to 19 were approved by the board and authorised for issue on 17 December 2021 and the notes on pages 8 to 19 form part of these financial statements.



P O James
Director

Notes to the financial statements

For the year ended 31 March 2021

1 Company Information

The company is a private company limited by shares incorporated in England. The registered office address is:

2 Ravensbank Business Park
Hedera Road
Redditch
United Kingdom
B98 9EY

The company's principal activities are given in the Strategic Report.

Basis of preparation

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 2021 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.

2 Principal accounting policies

a) 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 has provided a statutory guarantee which has been filed with Company's House.

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

The going concern basis of accounting has been used in the preparation of these financial statements. The directors have not identified any material uncertainties in this regard.

Notes to the financial statements

For the year ended 31 March 2021

2 Principal accounting policies (continued)

b) Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery. For goods that are subject to bill and hold arrangements this means:

- The goods are complete and ready for delivery
- The goods are separately identified from the company's other stock and are not used to fulfil any other orders
- *The customer has specifically requested that the goods be held pending collection*

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*.

c) Intangible assets

Research and development

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be available for use or sold,
- adequate technical, financial and other resources are available to complete the development,
- there is an intention to complete and sell or use the product,
- there is an ability for the company to sell the product,
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the company expects to benefit from selling the products developed. The amortisation expense is included within the administrative expenses line in the Statement of Comprehensive Income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the Statement of Comprehensive Income as incurred.

Computer Software

Externally acquired software assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Cost includes all directly attributable costs of acquisition. In addition, directly attributable costs incurred in the development of bespoke software for the Company's own use are capitalised.

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

The carrying value of capitalised software costs is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the Consolidated Income Statement.

The costs of maintaining internally developed software, and annual licence fees to utilise third party software, are expensed as incurred.

Notes to the financial statements

For the year ended 31 March 2021

2 Principal accounting policies (continued)

d) Tangible assets

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

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset fairly over its expected useful economic life.

The rates used are as follows:

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

e) Investments

Investments in subsidiaries are stated at cost less amounts provided for impairment. When the trade and assets of a subsidiary are consolidated / re-organised the investment is re-allocated based on the cost method where the commercial substance and economic reality is that the Investment carrying value remains intact. The carrying value of the revised investments are evaluated for impairment in accordance with FRS102.

f) Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Comprehensive Income.

g) Leasing

Rental payments in respect of operating leases are charged to the statement of comprehensive income on a straight line basis.

h) Stocks

Stocks are valued at the lower of cost and net realisable value. 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.

Net realisable value is based on estimated selling price less additional costs to completion and disposal.

i) 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.

j) 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.

k) Pensions

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 payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

Notes to the financial statements

For the year ended 31 March 2021

2 Principal accounting policies (continued)

l) Taxation

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

The charge for the year considers taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date. However, deferred tax assets are recognised only to the extent that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxation is measured on a non-discounted basis at the average rate that would apply when the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the Statement of Financial Position date.

m) Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, 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.

n) Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the statement of comprehensive income.

o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Provisions have been recognised in respect of dilapidations obligations for leasehold properties.

3 Significant judgements and estimates

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.

Notes to the financial statements

For the year ended 31 March 2021

3 Significant judgements and estimates – (continued)

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.

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 2021 there are current (£53k) and deferred tax (£63k) provisions totalling £116k.

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. Turnover analysed geographically between markets was as follows:

	2021 £'000	2020 £'000
United Kingdom	8,081	8,643
Rest of Europe	1,429	1,588
North America	2,906	1,948
Rest of World	1,615	2,273
Total turnover	14,031	14,452

All operations are located in the United Kingdom.

Notes to the financial statements

For the year ended 31 March 2021

5 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging / (crediting):

	2021 £'000	2020 £'000
Amortisation of intangible fixed assets	2	-
Depreciation of tangible fixed assets	213	127
Loss on disposal of tangible fixed assets	-	-
<i>Auditors' remuneration: audit services</i>		
Audit services	26	-
Foreign exchange expenses/(gains)	19	(57)
Operating lease rentals:		
Plant and machinery	-	-
Other	58	43
Research and development costs	195	42
Other Income from government grants (furlough scheme)	(19)	-

Notes to the financial statements

For the year ended 31 March 2021

6 Directors and Employees

Staff costs during the year were as follows:

	2021 £'000	2020 £'000
Wages and salaries	1,303	1,244
Social security costs	161	174
Pension costs	105	115
Termination costs	11	-
	<u>1,580</u>	<u>1,533</u>

The average number of employees during the year was:

	2021 No.	2020 No.
Selling and distribution	29	26
Management and administration	3	6
	<u>32</u>	<u>32</u>

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pension's provider.

No emoluments in respect of Mr J L Macmichael, Mr P Haining, Mr G S Marsh 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 with Mr J L Macmichael being disclosed within Solid State Supplies Ltd.

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.

7 Interest receivable / (payable)

	2021 £'000	2020 £'000
Other loan Interest	-	1
Term loan interest	-	-
Leasing	-	-
Other bank charges	-	-
	<u>-</u>	<u>1</u>

Notes to the financial statements

For the year ended 31 March 2021

8 Tax on profit on ordinary activities

	2021 £'000	2020 £'000
UK Corporation tax based on the adjusted profits	-	-
Amount payable to group companies on surrender of tax losses in the year	108	86
	<u>108</u>	<u>86</u>
Deferred taxation	(5)	18
	<u>103</u>	<u>104</u>

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £'000	2020 £'000
Profit /(loss) on ordinary activities before taxation	<u>777</u>	<u>621</u>
Corporation tax thereon at the standard rate of 19% (2020: 19%)	148	118
Expenses not deductible for tax purposes	11	2
Deferred tax assets not recognised	-	-
Difference between capital allowances and depreciation and amortisation	(3)	3
Enhanced relief on research and development expenditure	(48)	(25)
Other adjustments	(5)	-
Change in rate in respect of deferred tax recognition	-	6
	<u>103</u>	<u>104</u>

The UK corporation tax rate is 19% (effective from 1 April 2017). As a result of the amendment in 2020 which was substantially enacted on 17 March 2020 the rate of corporation tax is set at 19%. The deferred tax liabilities at 31 March 2021 have been calculated based on this rate. As announced in the budget on the 03 March 2021, the UK corporation tax rate is expected to increase to 25% with effect from 1 April 2023. This change was not substantively enacted at the balance sheet date and has not been reflected in the tax calculations.

R&D tax credits

The Company recognised a credit of £nil (2020: £nil) within operating profit in relation to claims made under the Research and Development expenditure credit scheme (RDEC).

Notes to the financial statements

For the year ended 31 March 2021

9 Intangible fixed assets

	Development Costs £'000	Software £'000	Total £'000
Cost			
At 1 April 2020	-	-	-
Additions	-	21	21
Write off	-	-	-
At 31 March 2021	-	21	21
Amortisation			
At 1 April 2020	-	-	-
Charge for the year	-	2	2
Write off	-	-	-
At 31 March 2021	-	2	2
Net book value at 31 March 2021	-	19	19
Net book value at 31 March 2020	-	-	-

Amortisation of intangible assets is included in administrative expenses.

10 Tangible fixed assets

	Computer hardware £'000	Furniture and office equipment £'000	Total £'000
Cost			
At 1 April 2020	666	779	1,445
Additions	16	168	184
Disposals	-	-	-
At 31 March 2021	682	947	1,629
Depreciation and impairment			
At 1 April 2020	517	234	751
Charge for the year	116	97	213
Disposals	-	-	-
At 31 March 2021	633	331	964
Net book value at 31 March 2021	49	616	665
Net book value at 31 March 2020	149	545	694

No assets are held under finance leases at 31 March 2021.

Notes to the financial statements

For the year ended 31 March 2021

11 Investments

	Total £'000
Cost	
At 1 April 2020	84
Additions	-
Disposals	-
At 31 March 2021	84
Depreciation and impairment	-
At 1 April 2020 and 31 March 2021	-
Net book value at 31 March 2021	84
Net book value at 31 March 2020	84

Investments relate to the 100% investment in its subsidiary Pacer USA LLC which is a limited liability corporation registered in Florida USA.

12 Stocks

	2021 £'000	2020 £'000
Raw materials and finished goods	1,430	1,716
	<u>1,430</u>	<u>1,716</u>

Stock recognised in costs of sales during the year as an expense was £10,310k (2020: £10,597k). An impairment loss of £Nil (2020: £11k) was recognised in cost of sales during the year against stock due to slow moving and obsolete items.

moving and obsolete items.

13 Debtors

	2021 £'000	2020 £'000
Trade debtors	2,369	2,427
Other debtors	24	11
Amounts owed by group undertakings	5,948	5,574
Prepayments and accrued income	230	725
	<u>8,571</u>	<u>8,737</u>

Impairment losses recognised from the use of provisions against trade debtors of £Nil were recognised during the year (2020: losses £3k).

14 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	815	759
Amounts owed to group undertakings	3,233	3,901
Corporation tax	53	18
Other taxes and social security costs	216	158
Accruals and deferred income	393	514
	<u>4,710</u>	<u>5,350</u>

Notes to the financial statements

For the year ended 31 March 2021

15 Provisions for liabilities

	Dilapidations provision	Deferred tax provision	Total Provisions for liabilities
	£'000	£'000	£'000
At 1 April 2020	304	68	372
Charged to the profit and loss account	(7)	(5)	(12)
Utilised	-	-	-
At 31 March 2021	297	63	360

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.

Deferred taxation provided for in the financial statements is set out below:

	2021 £'000	2020 £'000
Accelerated capital allowances	87	81
Short term timing difference (STTD)	(24)	(13)
Deferred tax on capitalised R&D	-	-
	63	68

It is anticipated that the STTD will unwind in FY22 to generate a net tax increase of approximately £20k (2020: £10k) relating to the timing differences on tangible fixed assets and the STTD.

16 Called up share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid:		
1,027,067 (2020: 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.

17 Capital and reserves

Called up share capital – represents the nominal value of shares that have been issued.

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

18 Leasing commitments

The company's future minimum payments under operating leases are as follows:

	2021 £'000	2020 £'000
Within one year	58	63
Between two and five years	121	106
Later than five years	-	-
Total	179	169

Notes to the financial statements

For the year ended 31 March 2021

19 Parent company

The company is a wholly owned subsidiary of Pacer Technologies Limited which is an intermediate holding Company which is registered in England and Wales.

The ultimate parent company is Solid State plc, a company registered in England and Wales. Group financial statements are available from Solid State plc, 2 Ravensbank Business Park, Hedera Road, Redditch, B98 9EY.

20 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.

21 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 2021, liabilities covered by this guarantee amounted to £nil (2020: £nil).