Company registration number 12936365 (England and Wales)

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

COMPANY INFORMATION

Directors	M Franckel G Bragger G Hamlin B Michelson P Pizzani
Company number	12936365
Registered office	Lakeview 600 Lakeside Drive Warrington WA1 1RW
Auditor	RSM UK Audit LLP Chartered Accountants 14th Floor 20 Chapel Street Liverpool L3 9AG

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2023

The directors present the strategic report for the year ended 31 March 2023.

Fair review of the business
The main activities of the company's subsidiary undertakings during the year are the design, development, production and supply of thermal management solutions.

The group provides thermal management solutions primarily for automotive applications, but also within the Industrial (Heating and Sanitary) sector. The automotive customers include many of the global OEMs, and also sales for OES and Independent Aftermarket markets.

The group has a global manufacturing footprint with sites in Germany, France, Brazil, China and USA.

The group's primary objective is to provide the highest possible quality of product. This links into key objectives of maintaining quality and developing new products for a changing market space. The group works closely with customers to ensure the products reflect the latest developments in the sector within its primary and key objectives.

The majority shareholder of the group is Pangaea Two Acquisition Holdings VIII, LLC which is run by Cartesian Capital Group LLC, a private equity fund based in New York. The group is supported by £26m in loans from Fortress Investment Group UK Limited bank.

The group has a number of strong global brands that include:

- Wahler
- Magal
- Dauphinoise Thomson
- Thermansol

During the year the group successfully completed its European consolidation, closing the UK subsidiary and relocating the core business across its German and French sites, whilst divesting its non-core products.

Turnover from continuing operations grew to £122.8m (2022: £120.5m for a 13 month period) a 10.4% increase on a monthly basis. Despite this, gross profit fell slightly to £31.3m (2022: £33.5m) due to increased raw material costs. Administration expenses excluding non-recurring items reduced to £30.1m (2022: £30.9m) leading to an improved operating loss from continuing operations of £0.6m (£2022: £1.4m).

Principal risks and uncertainties

The group continues to monitor and evaluate the principal risks and uncertainties facing the group. Identifying the risks faced by the group allows management to manage them effectively and keep the group well-positioned to continue to succeed. The primary risks that have the potential to adversely impact the business over the next year are considered to be as follows:

- Adverse movements in international markets: the group operates in a number of international markets and currencies. Changes in these markets has the potential to rapidly create adverse trading conditions. Risk mitigation measures adopted by the group are in maintaining close relationships with customers and suppliers and monitoring raw material prices and currency movements.
- Loss of key customers: the loss of one or more key customers can be a major risk. However, the group does not have a significant dependence on any one customer.
- Loss of key personnel: the group has a strong core management team, and the loss of a key employee could have a negative impact. The group looks to incentivise key employees to mitigate this risk.
- Inventory obsolescence: the group holds significant amounts of stock which creates a risk of obsolescence and a risk of pressure on working capital. The group performs annual inventory counts to ensure records are accurate and monthly reviews of inventory levels to minimise such risks.

Risk management objectives and policies

The key risks and uncertainties facing the group is the health of the automotive market and ultimate supply chain.

Credit risk

The majority of the group's sales are to blue chip companies, which present a lower credit risk. For other customers the risk is managed by a detailed assessment of the customers' financials.

Interest rate risk

Under the current bank loan facilities interest calculations are variable and linked to SONIA and Euribor. The directors of the group have consulted with external treasury advisors as to the suitability of these arrangements and consider them to be inline with the group's strategy for the foreseeable future.

Liquidity risk

The groups cash inflows and outflows mainly arise from operating activities. The group monitors the cash liquidity, stock levels, accounts receivable and payable of each site ensuring that the group effectively controls its working capital.

Foreign exchange risk

The relative strength of the pound sterling provides some uncertainty as to future earnings. The group manages the risk by endeavouring to match exposure to currencies as much as possible, with facilities in Euros, US dollars and sterling.

Capital risk management

As per the going concern note on page 20 of the financial statements, management have considered the group's ability to continue to finance the group's day to day working capital requirements through existing cash reserves by forecasts, these illustrate that it can for the foreseeable future. The directors believe that the group is well placed to manage its business risks successfully.

Non-recurring items

Non-recurring net income from continuing and discontinued activities of £2.1m (2022 - £12m net expenditure) was credited in the year with £3.9m relating to the profit on the liquidation of Thermal Management Solutions UK Limited. This was partially offset by deal fees charges relating to the acquisition in 2021 and the restructuring costs associated with the European consolidation.

Key performance indicators
The directors use a number of KPIs to monitor, control and direct the business.

Standard financial KPIs
- Sales
- Gross margin
- Gross profit
- SG&A
- EBITDA
- Cash
- Net Debt

Sales and product development KPIs
- New projects, primarily within Electric Vehicles ('EV') and New Energy Vehicles ('NEV')
- Project extensions
- Growth of Independent Aftermarket

Results for 2023 in focus, which include discontinued operations.

The turnover for the year ended, including discontinued activities, is £130.1m (2022- £143.6m). During the period the group had underlying EBITDA of £7.0m (2022- £8.9m).

	Continuing operations		Discontinued operations		Total	
	2023	2022	2023	2022	2023	2022
	£'000	£'000	£'000	£'000	£'000	£'000
EBITDA	6,497	7,837	551	1,111	7,048	8,948
Depreciation	(4,222)	(4,121)	(364)	(1,149)	(4,586)	(5,270)
Amortisation	(1,065)	(1,114)	(13)	(393)	(1,078)	(1,507)
Non-recurring items	(1,799)	(4,030)	3,889	(8,031)	2,090	(12,061)
Operating profit/(loss)	(589)	(1,428)	4,063	(8,462)	3,474	(9,890)

Other information and explanations

Employees

The group is an equal opportunity employer and makes every effort to ensure disabled people are not discriminated against on the grounds of their disabilities. In the event of staff becoming disabled, every effort is made to ensure that employment continues, and that appropriate training is arranged.

The group operates a diversity, equality and inclusion (DE&I) process to help improve the diversity, fairness and inclusiveness of its culture. The group believes this will help foster connections, increase acceptance and tolerance, create trust and improve morale.

Promoting the success of the company
S172 statement
The Companies (Miscellaneous Reporting) Regulations 2018 require directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1): (a)-(f) of the Companies Act 2006 ("s172") when performing their duty to promote the success of the company and group. This includes considering *the interest of other stakeholders which will have an impact on the long term success of the company and group.*

When making decisions, each director ensures that they act in the way they consider, in good faith, would most likely promote the groups success for the benefit of its members as a whole and in doing so have regard (among other matters) to:

S172 (a) "the likely consequences of any decision in the long term"

The board has a 5 year plan which indicates key milestones in delivering this plan, the performance against this plan is reviewed at each board meeting. The group's strategy is to reinvest any profits made into the development of new products increasing the long term sustainability.

S172 (b) "the interests of the company and group's employees"
The group is committed to recruiting and developing the highest quality individuals through which it can deliver its primary objective of meeting the needs of its customers. Wellbeing of employees is a central part of this process.

S172 (c) "the need to foster the company and group's business relationships with suppliers, customers and others"
To achieve the primary objective of meeting the needs of customers the group works in partnership with key suppliers to build long term trading relationships. The delivery of high-quality services and products from the supply chain is a key part of delivering this primary objective.

The group's primary objective is meeting the needs of its customers, all decision making revolves around this.

S172 (d) "The impact of the company and group's operations on the community and the environment"
The group is working towards zero emissions products. Zero emission refers to an engine, motor, process, or other energy source, that emits no waste products that pollute the environment or disrupt the climate or carbon neutral means we have calculated all unavoidable carbon emissions created during production and offset them via a recognized, certified carbon offset.

S172 (e) "The desirability of the company and group maintaining a reputation for high standards of business conduct"
The group strives to maintain a good reputation and apply similarly high standards to all areas of our business.

S172 (f) "The need to act fairly as between members of the company and group"
The interests of shareholders is managed through a legal framework which sets out their individual rights. The group and company also comply with requirements of the Companies Act.

The directors of Thermal Management Solutions Holdings Limited fulfil their duty to promote the success of the group as summarised below:

- Long term relationships with customers and suppliers
- Strategic decision making for business growth and success, aligned to daily operations
- Knowledge and experience of the industry and economic influences
- Progressive approach to automotive
- Vertical integration for control processes, cost control and improved efficiencies
- Research and development investment for industry learning and continuous improvement
- Investing in people to increase knowledge base and train and develop the team
- Partnering with industry experts for continuous learning, advice and support, encompassing areas of compliance, technical and best practice
- Awareness and appreciation of the impact of the business on local community and environment and the need to work together.

On behalf of the board

....

G Bragger

Director

Date: 27/03/2024

The directors present their annual report and financial statements for the year ended 31 March 2023.

Principal activities
The principal activity of the group continued to be that of the design, manufacture and distribution of Thermal Management Solutions.

The principal activity of the company continued to be that of a holding company.

Results and dividends
The results for the year are set out on page 13.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M Franckel
G Bragger
G Hamlin
B Michelson
P Pizzani

Directors' insurance
The group has directors and officers insurance which is aimed to provide financial assistance should senior members of the business require legal costs to be covered should a claim be made against them. S233 permits insurances relating to such liabilities.

Supplier payment policy
The group's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the group at the year end were equivalent to 61 day's purchases (2022 - 61 days), based on the average daily amount invoiced by suppliers during the year.

Research and development
The group undertakes research and development into some areas of its product portfolio. In the opinion of the directors, continuity of investment in this area is essential for the maintenance of the group's market position and for future growth. Research costs are expensed as incurred.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company's continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the group's performance.

Business relationships
Details of how the directors have had regard to the need to foster the company's / group's relationships with suppliers, customers and others and the effect of that regard including on the principal decisions taken by the company/group are included in the section 172 statement in the strategic report.

Post reporting date events
In December 2023 the group entered into a sale and Leaseback arrangement on the property in Oberboihingen, Germany. The gross proceeds were €9.8m and the net proceeds were used to pay down loans from Fortress Investment Group.

Future developments
The group is focussed on providing thermal management solutions to the global OEMs, particularly as the automotive market continues to move towards environmentally friendly solutions for both passenger car and commercial vehicles. The group continues to win new OEM business, both in traditional ICE engines and also Hybrid/EV applications.

The group continues to grow its IAM business, in Europe and US and recently expanded into Asia.

Auditor
In accordance with the company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the company and group will be put at a General Meeting.

Energy and carbon report

Energy consumption	2023 kWh	2022 kWh	2023 kWh	2022 kWh
Aggregate of energy consumption in the year	UK	UK	Overseas	Overseas
- Gas combustion	77,713	4,283,412	3,935,898	3,597,865
- Electricity purchased	1,223,107	4,669,318	10,889,736	10,502,234
- Fuel consumed for transport	-	-	1,583,427	1,535,244
	1,300,820	8,952,730	16,409,061	15,635,343

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

Emissions of CO2 equivalent	2023 metric tonnes UK	2022 metric tonnes UK	2023 metric tonnes Overseas	2022 metric tonnes Overseas
Scope 1 - direct emissions				
- Gas combustion	14.00	788.00	724.00	662.00
- Fuel consumed for owned transport	-	-	291.00	282.00
	14.00	788.00	1,015.00	944.00
Scope 2 - indirect emissions				
- Electricity purchased	285.00	1,089.00	2,260.00	2,448.00
Scope 3 - other indirect emissions				
- Fuel consumed for owned transport not owned by the group	-	-	-	-
Total gross emissions	299.00	1,877.00	3,275.00	3,392.00
Intensity ratio				
Tonnes CO2e per employee	5	6	5	6

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per 1,000, the recommended ratio for the sector.

Measures taken to improve energy efficiency

We have increased video conferencing technology for staff meetings, to reduce the need for travel between sites.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

....

G Bragger

Director

Date: 27/03/2024

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard (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 the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

In preparing the parent company 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;
- state whether FRS 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

Opinion

We have audited the financial statements of Thermal Management Solutions Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 March 2023 which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated statement of cashflows. and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that there are uncertainties over the refinancing due to the loan which expired in February 2024. As stated in note 1, these events or conditions along with the other matters set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 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.

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.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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 group's and the parent 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 group or the parent 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.

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating advice received from external tax advisors.

The group audit engagement team identified the risk of management override of controls and cut-off in revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and substantive testing in relation to revenue cut-off.

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the consolidated financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our group audit approach.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

GBond

Graham Bond FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 9AG

27/03/24

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Year ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Continuing operations			
Revenue	3	122,792	120,496
Cost of sales		(91,497)	(87,041)
Gross profit		31,295	33,455
Administrative expenses		(30,085)	(30,853)
Non-recurring items	4	(1,799)	(4,030)
Operating loss	7	(589)	(1,428)
Investment revenues	9	10	11
Finance costs	10	(4,885)	(5,107)
Other gains and losses	11	-	13,764
(Loss)/profit before taxation		(5,464)	7,240
Income tax (expense)/income	12	(409)	53
(Loss)/profit for the year		(5,873)	7,293
Discontinued operations			
Profit/(loss) for the year	13	4,049	(8,349)
Loss for the year	32	(1,824)	(1,056)

Profit for the financial year is all attributable to the owners of the parent company.

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Year ended 31 March 2023 £'000	Period ended 31 March 2022 £'000
Loss for the year	(1,824)	(1,056)
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Currency translation differences	174	342
Total comprehensive income for the year	(1,650)	(714)

Total comprehensive income for the year is all attributable to the owners of the parent company.

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	14	4,200	5,276
Property, plant and equipment	15	31,041	32,312
Deferred tax asset	27	53	786
		35,294	38,374
Current assets			
Inventories	18	18,953	15,356
Trade and other receivables	19	20,039	23,930
Cash and cash equivalents		5,506	8,840
		44,498	48,126
Current liabilities			
Trade and other payables	24	24,997	27,071
Current tax liabilities		635	126
Borrowings	21	43,233	2,594
Lease liabilities	25	666	1,405
Provisions	28	2,319	1,721
		71,850	32,917
Net current (liabilities)/assets		(27,352)	15,209
Non-current liabilities			
Borrowings	21	2,602	40,287
Lease liabilities	25	784	5,697
Deferred tax liabilities	27	3,155	4,548
		6,541	50,532
Net assets		1,401	3,051
Equity			
Called up share capital	30	44	44
Share premium account	31	3,721	3,721
Retained earnings	32	(2,364)	(714)
Total equity		1,401	3,051

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

GROUP STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2023

The financial statements were approved by the board of directors and authorised for issue on 27/03/2024 and are signed on its behalf by:

....
G Bragger
Director

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 4 February 2021		-	-	-	-
Period ended 31 March 2022:					
Loss for the period		-	-	(1,056)	(1,056)
Other comprehensive income:					
Currency translation differences		-	-	342	342
Total comprehensive income for the period		-	-	(714)	(714)
Transactions with owners in their capacity as owners:					
Issue of share capital	**30**	44	3,721	-	3,765
Balance at 31 March 2022		44	3,721	(714)	3,051
Year ended 31 March 2023:					
Loss for the year		-	-	(1,824)	(1,824)
Other comprehensive income:					
Currency translation differences		-	-	174	174
Total comprehensive income for the year		-	-	(1,650)	(1,650)
Balance at 31 March 2023		44	3,721	(2,364)	1,401

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	33		7,956		(4,665)
Income taxes paid			(558)		(1,247)
Net cash inflow/(outflow) from operating activities			7,398		(5,912)
Investing activities					
Aquisition of business and assets		-		(6,888)	
Acquisition of subsidaries (net of cash acquired)		-		(16,928)	
Purchase of property, plant and equipment		(4,185)		(1,550)	
Proceeds from disposal of property, plant and equipment		1,684		32	
Interest received		10		11	
Net cash used in investing activities			(2,491)		(25,323)
Financing activities					
Proceeds from issue of shares		-		3,520	
Share issue costs		-		(174)	
Proceeds from borrowings		1,124		40,031	
Repayment of borrowings		(2,815)		-	
Repayment of bank loans		-		(941)	
Payment of lease liabilities		(5,652)		(1,151)	
Interest paid		(1,592)		(1,305)	
Net cash (used in)/generated from financing activities			(8,935)		39,980
Net (decrease)/increase in cash and cash equivalents			(4,028)		8,745
Cash and cash equivalents at beginning of year			8,840		-
Effect of foreign exchange rates			398		95
Cash and cash equivalents at end of year			5,210		8,840
Relating to:					
Bank balances and short term deposits			5,506		8,840
Bank overdrafts			(296)		-

1 Accounting policies

Company information
Thermal Management Solutions Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Lakeview 600, Lakeside Drive, Warrington, England, WA1 1RW. The company's principal activities and nature of its operations are disclosed in the directors' report.

The group consists of Thermal Management Solutions Holdings Limited and all of its subsidiaries.

Reporting period
The prior reporting period for the group ran from the 4 February 2021 to the 31 March 2022. The group acquired the trading subsidiaries on 26 February 2021, thus the trade within the prior period accounts is considered a 13 month period. Current year figures are for the 12 months to 31 March 2023. Hence the amounts and notes reported are not entirely comparable.

Accounting convention
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Business combinations
The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Basis of consolidation
The consolidated group financial statements consist of the financial statements of the parent company Thermal Management Solutions Holdings Limited together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 31 March 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

A subsidiary is no longer consolidated when control is lost. The difference between any disposal proceeds and the carrying amount of the subsidiary's net assets (including related goodwill) is recognised in profit or loss as a gain or loss on disposal.

1 Accounting policies (Continued)

Going concern
The financial position of the group, its cash flows and liquidity position are set out in the primary statements within these financial statements.

Background
The directors have adopted the going concern basis in preparing these financial statements after careful assessment of identified principal risks and the possible adverse impact on financial performance. The directors have assessed the financial position and liquidity at the end of the reporting period and for the forecast period up to 31 March 2025, including sensitivity analysis. The going concern period covers the 12 months from the date of signing the financial statements. The process and key judgments in coming to this conclusion are set out below.

The group's activities, including the factors likely to affect its future development, performance and position are set out in the Strategic report. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

The group has a financing arrangement with Fortress Investments Group UK Limited. This facility consists of 4 loans amounting to £26m borrowed in a mixture of GBP and EUR, the loan is fully drawn. This facility was payable in full on the termination date of 17 February 2024, and the company did not meet its obligations and is currently in negotiation with its lenders on an extension to the termination date. This facility includes meeting certain financial covenants including leverage, liquidity and capital expenditure.

Current trading and liquidity
The group's trading performance for the year ended 31 March 2023 has been strong with Revenues of £123m and EBITDA of £7m, this has continued during 2023, however due to the various issues impacting the automotive industry, including its supply chain during the year the group decided to consolidate its European manufacturing base and made the difficult decision to close the UK subsidiary and relocate the business to its France and German subsidiaries. The group has continued to trade profitability at EBITDA level and continues to win new business.

Post year end due to the delayed sale and leaseback of the German property this led to a breach of the Senior Adjusted Leverage covenant of 2.5, achieving 2.75 in June 2023 and 3.10 in September 2023. Due to the maturity date of the existing financing there are no further covenant tests. As at 29 February 2024 the group had cash of £4.2m. Proceeds from the sale and leaseback of the German property were received in December 2023 with gross proceeds of €9.8m leading to a Fortress Debt repayment of £6.8m.

The directors are in discussions with the group's current lenders, Cartesian Capital Group and Fortress Investment Group, and potential lenders on funding options and these include extending or refinancing the current debt. These options are currently under negotiation and expected to be agreed after the termination date.

Sensitivity Analysis
The group has considered two scenarios which are also linked to the group's risks when modelling the forecast results and cash flow.

(a) Base Case Scenario
The group's detailed forecasts and projections, taking account of potential risks and uncertainties in the business, market and liquidity through sensitivity analysis, show that the group is expected to have adequate resources to enable it to continue in operation through the forecast period ending 31 March 2025 from the approval date of these Consolidated Financial Statements. The group had insufficient funds to make the loan termination payment due on 17 February 2024. The directors are currently in discussions with both the group's current lenders, Fortress, and potential lenders on funding options. These options are currently under negotiation and expected to be agreed after the termination date.

1 Accounting policies (Continued)

(b) Sensitised Scenario
Further stress testing has been carried out to ensure that the Group has sufficient cash resources to continue its operations until at least 31 March 2025. In preparing this analysis the following key risks were included:

- a reduction in revenue
- a reduction in gross margin
- an increase in interest rates (SONIA and EURIBOR)

Despite the negative impact of these sensitivities the model demonstrated that the group remained operationally viable over the going concern period to 31 March 2025.

In a worse scenario where many of the identified risks occurred, the group would take remedial action to counter the reduction in profit and cash through a cost cutting exercise and cost increase pass through, therefore, maintaining sufficient liquid resources These further downside scenarios are considered unlikely.

Again the group had insufficient funds to make the loan termination payment due on 17 February 2024. The directors are currently in discussions with the group's current lenders, Cartesian Capital Group and Fortress Investment Group, and potential lenders on funding options. These options are currently under negotiation and expected to be agreed after the termination date.

Conclusion and going concern statement
Based on the work performed, the directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the foreseeable future being a period of at least twelve months from the date when these financial statements are authorised to be issued

The directors have a reasonable expectation that the ongoing funding options will allow the group to fully mitigate any risk on the current debt structure. In addition the group has received a letter of support from the majority shareholder. For these reasons, the group continues to adopt the going concern basis in preparing its Consolidated Financial Statements. However, while the directors believe that the refinancing will be achieved, the outcome of the refinancing cannot presently be determined, therefore a material uncertainty exists which may cast significant doubt over going concern.

Revenue
Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on pehalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

Revenue from the sale of goods is recognised when the control of goods passes and ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Parts production
Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group identifies the contract with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the separate performance obligations on the basis of the relative stand alone selling price of each goods to be delivered and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods promised.

There are customer contracts in place to supply on an ongoing basis thermal management parts. Revenue is recognised as the part leaves the factory.

Customer payment terms range between 7 and 60 days.

1 Accounting policies (Continued)

Intangible assets other than goodwill
Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

- Customer relationships - between 0 years and 9 years
- Technology - between 0 years and 9 years
- Brand - between 0 years and 9 years

Property, plant and equipment
Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	25 years
Plant and equipment	3-10 years depending on the asset
Right-of-use assets	10 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at of before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjustment for any remeasurement of lease liabilities.

The group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Impairment of tangible and intangible assets
At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1 Accounting policies (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Financial assets

Financial assets are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit or loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit or loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets carried at amortised cost are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Trade receivables

For trade receivables, expected credit losses are measured on an individual basis. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses").

Impairment of group receivables measured at amortised cost

The measurement of impaired losses depends on whether the financial asset is "performing", "underperforming or "non-performing" based on the group's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the period end which have a detrimental impact on cash flows.

The financial asset moves from "performing" to "underperforming" when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the group compares the risk of default at the period end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost.

The risk of default occurring takes into consideration default events that are possible within 12 months of the period end (12-month expected credit losses") for performing financial assets and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for "underperforming" financial assets.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

The group recognises financial debt when the group becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled, or they expire.

1 Accounting policies (Continued)

Equity instruments

Equity instruments issued by the parent company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer payable at the discretion of the company.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event and it is probable that the group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

1 Accounting policies (Continued)

Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Leases
At inception, the group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the group's estimate of the amount expected to be payable under a residual value guarantee; or the group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1 Accounting policies (Continued)

Foreign exchange
Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

Retranslation of overseas subsidiaries
The assets and liabilities of foreign operations are translated into sterling using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into sterling using the average rates which approximate the rates at the dates of the transactions for the period. All resulting foreign exchange differences are recognised in other comprehensive income.

Translation of interest costs in financing costs
The group has loans which are Sterling, Euro and US Dollar denominated. The interest costs on these loans are accrued each month and then translated to sterling at the average rate for that month.

Non-recurring items
Non-recurring items (Exceptional) are separately reported as the directors believe that this helps provide a better indication of the underlying performance of the group. Judgement is required in determining whether an item should be classified as non-recurring or included within the underlying results. This assessment covers the nature, the materiality and the recurrence of the item on reported performance.

Note 4 gives further details on non-recurring items.

EBITDA
EBITDA is profit/(loss) arising from the group's trading activities stated before interest, tax, depreciation and amortisation.

It is shown in this way to provide a clearer measure of underlying operating performance.

Discontinued operation
A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

1 Accounting policies (Continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 31 March 2023. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

- IFRS 17 Insurance Contracts (effective date 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date Contracts (effective date 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective date 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective date 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective date 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (deferred until not earlier than 1 January 2024)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (deferred until not earlier than 1 January 2024)

2 Critical accounting estimates and judgements

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are 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 estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Provision of impairment of inventories

Inventories are valued at the lower cost and net realisable value. New realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

2 Critical accounting estimates and judgements (Continued)

Fair value measurement heirarchy
The group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These *include discounted cash flow analysis or the use of observable inputs that require significant adjustments* based on unobservable inputs.

Estimation of useful life of assets
The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non strategic assets that have been abandoned or sold will be written off or written down.

Impairment of other non financial assets other than goodwill and other indefinite life intangible assets
The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Warranty provision
In determining the level of provision required for warranties the group has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Key sources of estimation uncertainty
Acquisitions and business combinations
When an acquisition arises, the group is required to report the fair value of assets and liabilities acquired and establish useful economic lives for identified assets. The identification and valuation of the assets and liabilities acquired involves estimation and judgement when determining whether the recognition criteria is met. Subjectivity is also involved with the estimation of the value of goodwill and other intangible assets. The fair value of separately identifiable intangible assets acquired during the prior period was £6.8m (note 14), with the key assumptions used to calculate these fair values being those around the estimated useful economic lives of the acquired customer relationships, the estimated future cashflows expected to arise from these relationships and the appropriate discount rate to be used to discount these cashflows to their present value.

3 Revenue

	2023 £'000	2022 £'000
Revenue analysed by class of business		
Thermal management solutions parts - continuing operations	122,792	120,496
Thermal management solutions parts - discontinued operations	7,763	23,084
	130,555	143,580

	2023 £'000	2022 £'000
Revenue analysed by geographical market		
UK and Europe - continuing operations	92,120	99,178
UK and Europe - discontinued operations	7,763	23,084
Rest of the world - continuing operations	30,672	21,318
	130,555	143,580

4 *Non-recurring items*

	2023 £'000	2022 £'000
Continuing operations		
Income		
Exceptional - £1 loan	-	2,611
	-	2,611
Expenditure		
Exceptional - restucturing costs	550	2,421
Exceptional - deal fees	714	4,220
Exceptional - legal and advisory costs	360	-
Exceptional - environmental remediation	175	-
	1,799	6,641
Net non-recurring expenditure - continuing operations	1,799	4,030
Discontinued operations		
Exceptional - impairment losses	-	5,890
Exceptional - profit on disposal of subsidiary	(3,889)	-
Exceptional - restrucuring costs	-	2,141
	(3,889)	8,031
Net exceptional (income)/expenditure	(2,090)	12,061

4 Non-recurring items (Continued)

In the prior period, on the acquisition of Wahler Auto Thermal Management Solutions (Anhui) Co Ltd, the group acquired an intragroup loan of €3,000,000 for the consideration of £1 resulting in a gain of £2,611,000. This was shown within non-recurring items in the prior year.

In 2021, Thermal Management Solutions UK Limited was faced with an unexpected need to relocate. Due to the combination of both the local and global issues which were impacting on the group a review was undertaken to consider improved operational efficiencies to safeguard the long term, sustainable future of the group. As part of this review the group decided to move its core UK operations to the sites in France and Germany.

The operational assets of the UK site were sold during 2022 to France and Germany and an impairment loss recognised in respect of their previous carrying amount. To the extent that employees could not be redeployed, redundancy terms were agreed. In January 2023 Thermal Management Solutions UK Limited entered into a Creditors Voluntary Liquidation. The elimination of the UK company's net liabilities from the group financial statements led to a gain on disposal of £3.9m.

Included within exceptional costs is £550k (2022: £2.4m) in relation to restructuring costs, £714k (2022 - £4.2m) which relates to deal fees for the acquisition of the 6 trading entities in the prior year, £360k (2022: £nil) relating to exceptional legal and advisory costs and £175k (2022: £nil) relating the environmental remediation undertaken during the year.

5 Employees

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

	2023 Number	2022 Number
Manufacture	373	433
Manufacture support	218	263
Engineering	40	51
Administration	86	82
Total	717	829

Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	21,962	27,533
Social security costs	5,287	5,398
Pension costs	214	282
	27,463	33,213

No employees are paid through this entity.

6 Directors' remuneration

	2023 £'000	2022 £'000
Remuneration for qualifying services	635	655
Company pension contributions to defined contribution schemes	14	47
	649	702

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2022 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2023 £'000	2022 £'000
Remuneration for qualifying services	382	412
Company pension contributions to defined contribution schemes	2	8

7 Operating profit/(loss)

Operating profit/(loss) for the year is stated after charging/(crediting):	2023 £'000	2022 £'000
Exchange (gains)/losses	(23)	290
Research and development costs	202	-
Depreciation of property, plant and equipment	4,586	5,270
Amortisation of intangible assets (included within administrative expenses)	1,078	1,507
Cost of inventories recognised as an expense	78,337	89,198

8 Auditor's remuneration

Fees payable to the company's auditor and its associates:	2023 £'000	2022 £'000
For audit services		
Audit of the financial statements of the group and company	357	163
Audit of the financial statements of the company's subsidiaries	124	83
	481	246
For other services		
Tax services	6	164
Valuation and actuarial services	-	21
Other services	9	16
Total non-audit fees	15	201

9 Investment income

	2023	2022
	£'000	£'000
Interest income		
Financial instruments measured at amortised cost:		
Other interest income on financial assets	10	11

10 Finance costs

	2023	2022
	£'000	£'000
Interest on bank overdrafts and loans	3,654	3,674
Interest on loan notes	670	402
Interest on lease liabilities	101	370
Amortisation of finance deal costs	37	955
Total interest expense	4,462	5,401
Exchange differences on financing transactions	439	76
	4,901	5,477
Discontinued operations	(16)	(370)
	4,885	5,107

11 Other gains and losses

	2023	2022
	£'000	£'000
Continuing operations		
Gain on bargain purchase	-	13,764
Discontinued operations		
Gain on bargain purchase	-	443
	-	14,207

On February 26 2021, Thermal Management Solutions Group Limited acquired 4 subsidiaries and the assets and business for the UK and German sites.

The gain on bargain purchase in the prior year amounting to £14,207,000 on the acquisition, which arose as the deemed fair value of the assets acquired were greater than the consideration paid, was recognised in the statement of comprehensive income for the year.

12 Income tax expense

	Continuing operations		Discontinued operations		Total	Total
	2023	2022	2023	2022	2023	2022
	£'000	£'000	£'000	£'000	£'000	£'000
Current tax						
UK corporation tax on profits for the current period	-	-	(2)	-	(2)	-
Foreign taxes and reliefs	1,069	1,082	-	-	1,069	1,082
	1,069	1,082	(2)	-	1,067	1,082
Deferred tax						
Origination and reversal of temporary differences	(660)	483	-	(483)	(660)	-
Arising from write down or reversal of write down of deferred tax asset	-	(1,618)	-	-	-	(1,618)
	(660)	(1,135)	-	(483)	(660)	(1,618)
Total tax charge/(credit)	409	(53)	(2)	(483)	407	(536)

12 Income tax expense (Continued)

The total tax credit for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2023 £'000	2022 £'000
Loss before taxation	(1,417)	(1,592)
Expected tax credit based on a corporation tax rate of 19.00% (2022: 19.00%)	(269)	(302)
Effect of expenses not deductible in determining taxable profit	25	1,171
Income not taxable	-	(3,679)
Gains not taxable	-	(496)
Permanent capital allowances in excess of depreciation	-	408
Effect of overseas tax rates	429	740
Deferred tax adjustments not recognised	(214)	1,622
Fixed asset differences	140	-
Losses eliminated	245	-
Remeasurement of deferred tax for changes in tax rates	51	-
Taxation charge/(credit) for the year	407	(536)

Corporation tax is calculated at 19% (2022 - 19%) of the profit for the year. The Finance Act 2021 which was substantively enacted on 24 May 2021 created a 25% main rate, 19% small profits rate and a marginal rate which is effective from 1 April 2023. Deferred tax balances at the year-end have been measured at 25% (2022 - 25%) which is the rate that the deferred tax liabilities are expected to crystalise.

13 Discontinued operations

On 18 January 2023, the directors appointed a liquidator in regards to the liquidation of one of its subsidiaries, Thermal Management Solutions UK Limited. On this date, Thermal Management Solutions UK Limited ceased to trade and hence the results of this company included in the Group Income Statement has been classed as discounted operations.

The results of the discontinued business, which have been included in the income statement, were as follows:

	2023 £'000	2022 £'000
Revenue	7,763	23,084
Cost of sales	(5,820)	(15,968)
Administrative expenses	(1,769)	(7,990)
Non-recurring items	3,889	(8,031)
Other gains and losses	-	443
Finance costs	(16)	(370)
Profit/(loss) before taxation	4,047	(8,832)
Income tax credit	2	483
Net profit/(loss) attributable to discontinuation	4,049	(8,349)

Cash flow information

	2023 £'000	2022 £'000
Net cash used in operating activities	(796)	(1,129)
Net cash used in investing activities	-	(2,375)
Net cash from financing activities	-	4,300
Net (decrease)/increase in cash and cash equivalents from discontinued operations	(796)	796

14 Intangible assets

	Customer relationships	Technology	Brand	Total
	£'000	£'000	£'000	£'000
Cost				
Additions	4,401	1,739	643	6,783
At 31 March 2022	4,401	1,739	643	6,783
Disposals	-	(317)	(110)	(427)
Foreign currency adjustments	(786)	522	209	(55)
At 31 March 2023	3,615	1,944	742	6,301
Amortisation and impairment				
Charge for the year	729	573	205	1,507
At 31 March 2022	729	573	205	1,507
Charge for the year	627	328	123	1,078
Eliminated on disposals	-	(305)	(101)	(406)
Foreign currency adjustments	(141)	45	18	(78)
At 31 March 2023	1,215	641	245	2,101
Carrying amount				
At 31 March 2023	2,400	1,303	497	4,200
At 31 March 2022	3,672	1,166	438	5,276

15 Property, plant and equipment

	Freehold land and buildings	Plant and equipment	Right-of-use assets	Total
	£'000	£'000	£'000	£'000
Cost				
At 4 February 2021	-	-	-	-
Additions	-	1,551	4,859	6,410
Business combinations	15,167	21,691	-	36,858
Disposals	-	(324)	-	(324)
Foreign currency adjustments	-	162	-	162
At 31 March 2022	15,167	23,080	4,859	43,106
Additions	126	4,059	-	4,185
Disposals	(1)	(4,686)	(4,390)	(9,077)
Foreign currency adjustments	258	530	29	817
At 31 March 2023	15,550	22,983	498	39,031
Accumulated depreciation and impairment				
At 4 February 2021	-	-	-	-
Charge for the year	389	4,645	236	5,270
Impairment loss (profit or loss)	-	1,500	4,212	5,712
Eliminated on disposal	-	(293)	-	(293)
Foreign currency adjustments	8	97	-	105
At 31 March 2022	397	5,949	4,448	10,794
Charge for the year	374	4,160	52	4,586
Eliminated on disposal	-	(3,024)	(4,390)	(7,414)
Foreign currency adjustments	12	8	4	24
At 31 March 2023	783	7,093	114	7,990
Carrying amount				
At 31 March 2023	14,767	15,890	384	31,041
At 31 March 2022	14,770	17,131	411	32,312

More information on impairment movements in the year is given in note 4.

16 Subsidiaries

Details of the company's subsidiaries at 31 March 2023 are as follows:

Name of undertaking	Address	Principal activities	Class of shares held	% Held Direct	% Held Indirect
Thermal Management Solutions Intermediate Limited	1	Holding company	Ordinary	100.00	-
Thermal Management Solutions Group Limited	1	Holding company	Ordinary	-	100.00
Thermal Managagement Solutions France Holdings Limited	1	Holding company	Ordinary	-	100.00
Thermal Management Solutions France SAS	2	Provides Thermal Management Solutions	Ordinary	-	100.00
Arlington Automotive USA Inc.	3	Provides Thermal Management Solutions	Ordinary	-	100.00
Wahler Auto Thermal Management Solutions (Anhui) Co Limited	4	Provides Thermal Management Solutions	Ordinary	-	100.00
Thermal Management Solutions Brazil Partcipacoes Ltda	5	Holding	Ordinary	-	100.00
Thermal Management Solutions DE Oberboihingen GMBH	6	Provides Thermal Management Solutions	Ordinary	-	100.00
Arlington Germany RE Holdings GmbH	6	Holding company	Ordinary	-	100.00
Arlington Germany RE GmbH + Co KG	6	Rental of property	Ordinary	-	100.00
Arlington Germany RE Management GmbH	6	Holding company	Ordinary	-	100.00
Thermal Management Solutions Pecas Automotivas Termofixas Ltda	5	Provides Thermal Management Solutions	Ordinary	-	100.00

Registered office addresses (all UK unless otherwise indicated):

1 Lakeview, 600 Lakeside Drive, Warrington, WA1 1RW
2 Place Firmin Gautier 38000 Grenoble
3 121 Peyerk Court Romeo MI 48065 USA
4 G103 Wuhu High-Tech Entrepreneurship Service Centre no35 Hengshaw Road, Wuhu area of China (Anhui)
5 206-2 AV Comendador Leopoldo Dedini 310 13.422.210 Unileste Piracicaba Brazil
6 Gustav-Wahler-Stabe 1 72644 Oberboihingen Germany

On 18 January 2023, the directors appointed a liquidator in regards to the liquidation of one of its subsidiaries, Thermal Management Solutions UK Limited.

17 Business disposals

On 18 January 2023 the group disposed of its 100% holding in Thermal Management Solutions UK Limited.

Net assets of business disposed of	**£'000**
Trade and other receivables	107
Trade and other payables	(107)
	-
Gain on disposal	-
Total consideration	-

The consideration was satisfied by:	**£'000**
	-

Net cash inflow arising on disposal	**£'000**
Cash consideration received	-
Cash and cash equivalents disposed of	-
	-

18 Inventories

	2023	**2022**
	£'000	**£'000**
Raw materials	12,184	8,849
Work in progress	3,657	2,206
Finished goods	3,112	4,301
	18,953	15,356

Included within inventories is provisions for stock totalling £334,000 (2022 - £850,836).

19 Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	15,735	17,736
Provision for bad and doubtful debts	(924)	(121)
	14,811	17,615
VAT recoverable	3,001	2,301
Amounts owed by director	337	329
Amounts owed by related parties	122	120
Other receivables	1,366	2,320
Prepayments	402	1,245
	20,039	23,930

20 Trade receivables - credit risk

Fair value of trade and other receivables
The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Impaired trade receivables
Trade receivables are amounts due from customers for merchandise sold in the ordinary course of the companies business. If collection is expected in one year or less then they are shown as current assets. If they are not collected after a year then a provision/impairment is applied.

The bad debt provisions relates to receivables in Brazil and Germany.

Movement in the allowances for doubtful debts	2023 £'000	2022 £'000
Balance at 1 April	121	-
Additional allowance recognised	803	121
Balance at 31 March	924	121

21 Borrowings

	Current 2023 £'000	Current 2022 £'000	Non-current 2023 £'000	Non-current 2022 £'000
Borrowings held at amortised cost:				
Bank overdrafts	296	-	-	-
French loans	712	534	2,602	2,278
Fortress loans	26,459	1,860	-	24,521
Deal fees on Fortress loans	(602)	-	-	(1,285)
Other loans	16,368	200	-	14,773
	43,233	2,594	2,602	40,287

	2023 £'000	2022 £'000
Secured borrowings included above:		
Bank overdrafts	296	-
French loans	3,314	2,812
Fortress loans	25,857	25,096
Other loans	143	-
Loans from shareholder	16,225	14,973
	45,835	42,881

Included within borrowings is £25m (2022 - £25m) loans from Fortress Investment Group UK Limited. They are comprised of two euro loans with rebased amounts of €9.3m (2022- €9.3m) and €7.0m (2022 - €7.0m) and two sterling loans with rebased amounts of £6.9m and £5.2m. The interest rate is 13%, there are capital payments due every 3 months, 13 months after drawdown and the loans are repayable in full on 22 February 2024.

Also included in borrowings are 11 loans with Banque Publique D'investissement France and Credit Industrial et Commercial amounting to £2.7m (€3.3m) (2022 - £2.8m) (€3.3m).

Included in loans from shareholder is £16m (2022 - £15m) loan notes from Pangaea Two Acquisition Holdings VIII LLC. This is split into three separate loans of €4.7m (2022 - €6.8m), £6.5m (2022 - £6.5m) and $2.8m (2022 - $2.7m) with an interest rate of 3%.

22 Liquidity risk

The following table details the remaining contractual maturity for the group's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the group may be required to pay.

	Less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5+ years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2022						
French loans	16	128	456	1,939	440	2,979
Fortress loans	-	490	3,532	28,766	-	32,788
Loans from shareholders	-	-	-	14,973	-	14,973
	16	618	3,988	45,678	440	50,740
At 31 March 2023						
French loans	43	121	583	2,492	545	3,784
Fortress loans	-	751	25,708	-	-	26,459
Loans from shareholders	-	-	-	16,225	-	16,225
	43	872	26,291	18,717	545	46,468

23 Market risk

Market risk management

Foreign exchange risk

The carrying amounts of the group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities 2023	Liabilities 2022
	£'000	£'000
Pangaea Euro Loan	5,979	5,752
Pangaea USD Loan	2,842	2,678
Fortress FCCD DAC Euro Loan	8,001	7,893
Fortress credit 4 DAC Euro Loan	6,024	5,942
French Euro Loans	3,314	2,812
	26,160	25,077

Interest rate risk

The carrying amounts of financial liabilities which expose the group to cash flow interest rate risk are as follows:

23 Market risk (Continued)

	2023 £'000	2022 £'000
Fortress FCCD DAC GBP Loan	6,787	6,965
Fortress credit 4 DAC GBP Loan	5,109	5,243
Fortress FCCD DAC Euro Loan	8,001	7,893
Fortress credit 4 DAC Euro Loan	6,024	5,942
Loans from shareholders	16,225	14,973
	42,146	41,016

24 Trade and other payables

	2023 £'000	2022 £'000
Trade payables	15,753	15,145
Accruals	4,467	4,201
Social security and other taxation	228	457
Other payables	4,549	7,268
	24,997	27,071

25 Lease liabilities

Maturity analysis	2023 £'000	2022 £'000
Within one year	684	1,518
Over one year but within five years	1,054	5,990
Total undiscounted liabilities	1,738	7,508
Future finance charges and other adjustments	(288)	(406)
Lease liabilities in the financial statements	1,450	7,102

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023 £'000	2022 £'000
Current liabilities	666	1,405
Non-current liabilities	784	5,697
	1,450	7,102

25 Lease liabilities (Continued)

	2023	2022
Amounts recognised in profit or loss include the following:	£'000	£'000
Interest on lease liabilities	101	370

26 Fair value of financial liabilities

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

27 Deferred taxation

	2023	2022
	£'000	£'000
Deferred tax liabilities	3,155	4,548
Deferred tax assets	(53)	(786)
	3,102	3,762

Deferred tax assets are expected to be recovered after more than one year.

The deferred tax liability above will be reversed over the useful economic life of the intangible assets acquired on acquisition, between 0 years and 9 years.

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period.

27 Deferred taxation (Continued)

	Other	Arising on business combinations	Total
	£'000	£'000	£'000
Balance at 1 April 2021	-	-	-
Deferred tax movements in prior year			
Charge/(credit) to profit or loss	-	(1,618)	(1,618)
Other	(457)	5,837	5,380
Liability at 1 April 2022	-	4,548	4,548
Asset at 1 April 2022	(457)	(329)	(786)
Deferred tax movements in current year			
Charge/(credit) to profit or loss	(457)	(203)	(660)
Other	4,016	(4,016)	-
Liability at 31 March 2023	3,155	-	3,155
Asset at 31 March 2023	(53)	-	(53)

28 Provisions for liabilities

	2023	2022
	£'000	£'000
Warranty provision	2,319	1,721

A provision for warranty claims are made in Brazil, Germany and France, the timing of the deduction is considered current.

Movements on provisions:	Warranty provision
	£'000
At 1 April 2022	1,721
Additional provisions in the year	1,504
Reversal of provision	(906)
At 31 March 2023	2,319

29 Retirement benefit schemes

Defined contribution schemes	**2023 £'000**	**2022 £'000**
Charge to profit or loss in respect of defined contribution schemes	214	282

The group operates a defined contribution pension scheme for all qualifying employees, this happens at each site. The assets of the scheme are held separately from those of the group in an independently administered fund. There are no defined benefit schemes across the group.

30 Share capital

Ordinary share capital	**2023 Number**	**2022 Number**	**2023 £'000**	**2022 £'000**
Authorised				
A shares of 1p each	4,350,877	4,350,877	44	44
Issued and fully paid				
A shares of 1p each	4,000,000	4,000,000	40	40
Issued and unpaid				
A shares of 1p each	350,877	350,877	4	4

On 26 February 2021, the company issued 4,350,877 ordinary A shares at par value of £0.01.

The ordinary A shares have attached to them full voting, dividend and capital distribution rights, including upon winding up. They do not confer any rights of redemption.

Reconciliation of movements during the year:

	Number	**£'000**
At 4 February 2021	100	-
Issue of fully paid shares	3,999,900	40
Issue of unpaid shares	350,877	4
At 31 March 2022 and 31 March 2023	4,350,777	44

31 Share premium account

	2023 £'000	**2022 £'000**
At the beginning of the year	3,721	-
Issue of new shares	-	3,895
Share issue expenses	-	(174)
At the end of the year	3,721	3,721

The share premium accounts relates to consideration received for shares issued above their nominal value net of transaction costs.

32 Retained earnings

Cumulative profit and loss net of distributions to owners.

33 Cash generated from/(absorbed by) operations

	2023 £'000	2022 £'000
Loss before income tax from:		
Continuing operations	(5,464)	7,240
Discontinued operations	4,047	(8,832)
Loss for the year before income tax	(1,417)	(1,592)
Adjustments for:		
Finance costs	4,901	5,477
Investment income	(10)	(11)
Amortisation and impairment of intangible assets	1,078	1,507
Depreciation and impairment of property, plant and equipment	4,586	10,794
Gain on bargain purchase	-	(14,207)
Increase in provisions	598	-
Movements in working capital:		
Increase in inventories	(3,597)	(2,097)
Decrease/(increase) in trade and other receivables	3,891	(9,516)
(Decrease)/increase in trade and other payables	(2,074)	4,980
Cash generated from/(absorbed by) operations	7,956	(4,665)

34 Analysis of changes in net debt

	1 April 2022	Cash flows	Acquisitions and disposals	Accrued interest	Exchange rate movements	31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	8,840	(2,936)	-	-	(398)	5,506
Bank overdrafts	-	(296)	-	-	-	(296)
	8,840	(3,232)	-	-	(398)	5,210
Borrowings excluding overdrafts	(42,881)	1,691	-	(3,309)	(1,040)	(45,539)
Obligations under finance leases	(7,102)	5,652	-	-	-	(1,450)
	(41,143)	4,111	-	(3,309)	(1,438)	(41,779)

	4 February 2021	Cash flows	Acquisitions and disposals	Accrued interest	Exchange rate movements	31 March 2022
Prior year:	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	-	5,623	3,122	-	95	8,840
	-	5,623	3,122	-	95	8,840
Borrowings excluding overdrafts	-	(39,090)	(3,268)	(1,146)	623	(42,881)
Obligations under finance leases	-	(1,151)	(5,951)	-	-	(7,102)
	-	(34,618)	(6,097)	(1,146)	718	(41,143)

35 Contingent liabilities

Thermal Management Solutions Intermediate Limited, subsidiary undertaking, has applied the exemption from audit under section 479A of the Companies Act 2006. As such the parent undertaking guarantees all outstanding liabilities to which the company is subject to at the end of the financial year, until they are satisfied in full, and the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.

36 Capital risk management

The group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for the shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group is subject to certain financing arrangements, covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Externally imposed capital requirements to which the group is subject have been complied with in the year.

37 Events after the reporting date

In December 2023 the group entered into a sale and Leaseback arrangement on the property in Oberboihingen, Germany. The gross proceeds were €9.8m and the net proceeds were used to pay down loans from Fortress Investment Group.

38 Related party transactions

Remuneration of key management personnel

	2023 £'000	2022 £'000
Short-term employee benefits	740	790

Other transactions with related parties

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2023 £'000	2022 £'000
Other related parties	122	120

Other information

On 26 February 2021, Advanced Business Strategies Limited was issued 93,567 A Ordinary Shares in the company. A director of the company, is the only director of Advanced Business Strategies Limited. At the year end £122,442 (2022 - £119,809) was due to the company and group. The increase in the year relates to interest charged of £2,633 (2022 - £2,851).

39 Directors' transactions

Included within other receivables is a directors loan, including interest, in relation to unpaid shares amounting to £336,715 (2022 - £329,478). Interest is payable at 2.25%. The total interest in the year amounted to £7,237 (2022 - £7,840).

40 Controlling party

Cartesian Capital Group LLC, a company registered in the USA, is the ultimate parent company.

The directors consider there to be no controlling party.

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Investments	**42**	3,500	3,500
Current assets			
Trade and other receivables	**43**	479	468
Cash and cash equivalents		-	9
		479	477
Current liabilities			
Trade and other payables	**44**	681	293
Net current (liabilities)/assets		(202)	184
Net assets		3,298	3,684
Equity			
Called up share capital	**45**	44	44
Share premium account		3,721	3,721
Retained earnings		(467)	(81)
Total equity		3,298	3,684

As permitted by s408 Companies Act 2006, the company has not presented is own income statement and related notes. The company's loss for the year was £386,000 (2022 - £81,000).

The financial statements were approved by the board of directors and authorised for issue on 27/03/2024 and are signed on its behalf by:

....

G Bragger
Director

THERMAL MANAGEMENT SOLUTIONS HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Share capital	Share premium account	Retained earnings	Total
		£'000	£'000	£'000	£'000
Balance at 4 February 2021		-	-	-	-
Period ended 31 March 2022:					
Loss and total comprehensive income for the period		-	-	(81)	(81)
Transactions with owners in their capacity as owners:					
Issue of share capital	**45**	44	3,721	-	3,765
Balance at 31 March 2022		44	3,721	(81)	3,684
Year ended 31 March 2023:					
Loss and total comprehensive income for the year		-	-	(386)	(386)
Balance at 31 March 2023		44	3,721	(467)	3,298

41 Accounting policies

Company information

Thermal Management Solutions Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Lakeview 600, Lakeside Drive, Warrington, WA1 1RW.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ('IFRS'), amended where necessary in order to comply with Companies Act 2006.

The company applies accounting policies consistent with those applied by the group. To the extent that an accounting policy is relevant to both group and parent company financial statements, please refer to the group financial statements for disclosure of the relevant accounting policy.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the group accounts of Thermal Management Solutions Holdings Limited, which are contained within these financial statements, in accordance with FRS 101:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a Statement of Cash Flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- comparative period reconciliations for the number of shares outstanding;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- comparative narrative information that continues to be relevant to the current period;
- related party disclosures for transactions with the parent or wholly owned members of the group.

41 Accounting policies (Continued)

Going concern
The financial position of the group, its cash flows and liquidity position are set out in the primary statements within these financial statements.

Background
The directors have adopted the going concern basis in preparing these financial statements after careful assessment of identified principal risks and the possible adverse impact on financial performance. The directors have assessed the financial position and liquidity at the end of the reporting period and for the forecast period up to 31 March 2025, including sensitivity analysis. The going concern period covers the 12 months from the date of signing the financial statements. The process and key judgments in coming to this conclusion are set out below.

The group's activities, including the factors likely to affect its future development, performance and position are set out in the Strategic report. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review.

The group has a financing arrangement with Fortress Investments Group UK Limited. This facility consists of 4 loans amounting to £26m borrowed in a mixture of GBP and EUR, the loan is fully drawn. This facility was payable in full on the termination date of 17 February 2024, and the company did not meet its obligations and is currently in negotiation with its lenders on an extension to the termination date. This facility includes meeting certain financial covenants including leverage, liquidity and capital expenditure.

Current trading and liquidity
The group's trading performance for the year ended 31 March 2023 has been strong with Revenues of £123m and EBITDA of £7m, this has continued during 2023, however due to the various issues impacting the automotive industry, including its supply chain during the year the group decided to consolidate its European manufacturing base and made the difficult decision to close the UK subsidiary and relocate the business to its France and German subsidiaries. The group has continued to trade profitability at EBITDA level and continues to win new business.

Post year end due to the delayed sale and leaseback of the German property this led to a breach of the Senior Adjusted Leverage covenant of 2.5, achieving 2.75 in June 2023 and 3.10 in September 2023. Due to the maturity date of the existing financing there are no further covenant tests. As at 29 February 2024 the group had cash of £4.2m. Proceeds from the sale and leaseback of the German property were received in December 2023 with gross proceeds of €9.8m leading to a Fortress Debt repayment of £6.8m.

The directors are in discussions with the group's current lenders, Cartesian Capital Group and Fortress Investment Group, and potential lenders on funding options and these include extending or refinancing the current debt. These options are currently under negotiation and expected to be agreed after the termination date.

41 Accounting policies (Continued)

Sensitivity Analysis
The company has considered two scenarios which are also linked to the company's risks when modelling the forecast results and cash flow.

(a) Base Case Scenario
The group's detailed forecasts and projections, taking account of potential risks and uncertainties in the business, market and liquidity through sensitivity analysis, show that the group is expected to have adequate resources to enable it to continue in operation through the forecast period ending 31 March 2025 from the approval date of these Consolidated Financial Statements. The group had insufficient funds to make the loan termination payment due on 17 February 2024. The directors are currently in discussions with both the group's current lenders, Fortress, and potential lenders on funding options. These options are currently under negotiation and expected to be agreed after the termination date.

(b) Sensitised Scenario
Further stress testing has been carried out to ensure that the Group has sufficient cash resources to continue its operations until at least 31 March 2025. In preparing this analysis the following key risks were included:

- a reduction in revenue
- a reduction in gross margin
- an increase in interest rates (SONIA and EURIBOR)

Despite the negative impact of these sensitivities the model demonstrated that the group remained operationally viable over the going concern period to 31 March 2025.

In a worse scenario where many of the identified risks occurred, the group would take remedial action to counter the reduction in profit and cash through a cost cutting exercise and cost increase pass through, therefore, maintaining sufficient liquid resources These further downside scenarios are considered unlikely.

Again the group had insufficient funds to make the loan termination payment due on 17 February 2024. The directors are currently in discussions with the group's current lenders, Cartesian Capital Group and Fortress Investment Group, and potential lenders on funding options. These options are currently under negotiation and expected to be agreed after the termination date.

Conclusion and Going Concern Statement
Based on the work performed, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future being a period of at least twelve months from the date when these financial statements are authorised to be issued

The directors have a reasonable expectation that the ongoing funding options will allow the group to fully mitigate any risk on the current debt structure. In addition the group has received a letter of support from the majority shareholder. For these reasons, the group continues to adopt the going concern basis in preparing its Consolidated Financial Statements. However, while the directors believe that the refinancing will be achieved, the outcome of the refinancing cannot presently be determined, therefore a material uncertainty exists which may cast significant doubt over going concern.

Non-current investments
In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the parent company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

42 Investments

	Current		Non-current	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Investments in subsidiaries	-	-	3,500	3,500

Movements in non-current investments

	Shares in subsidiaries
	£'000
Cost or valuation	
At 1 April 2022 & 31 March 2023	3,500
Carrying amount	
At 31 March 2023	3,500
At 31 March 2022	3,500

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

Fair value of financial assets carried at amortised cost
The directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Investment in subsidiary undertakings
Details of the company's principal operating subsidiaries are included in note 16.

43 Trade and other receivables

	2023	2022
	£'000	£'000
VAT recoverable	19	18
Amounts owed by related parties	122	120
Other receivables	338	330
	479	468

44 Trade and other payables

	2023 £'000	2022 £'000
Trade payables	12	84
Amount owed to parent undertaking	-	35
Amounts owed to fellow group undertakings	469	174
Accruals	200	-
	681	293

45 Share capital

Refer to note 30 of the group financial statements.