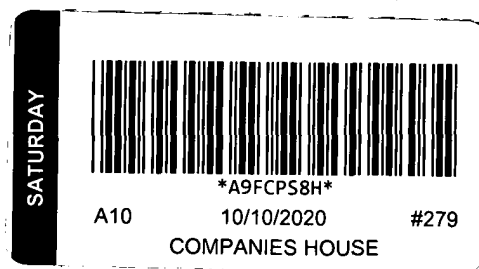


Registered number: 04046724

TENSATOR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



TENSATOR LIMITED

COMPANY INFORMATION

Directors	A R McPherson S R Smith
Registered number	04046724
Registered office	Unit 7 Danbury Court Linford Wood Milton Keynes MK14 6TS
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Exchange House Central Business Exchange Midsummer Boulevard Central Milton Keynes MK9 2DF

TENSATOR LIMITED

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TENSATOR LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Introduction

The Directors present the strategic report on the Company for the year ended 31 December 2019.

Business review and future developments

	2019 £'000	2018 £'000
Revenue	9,546	10,656
Gross profit	4,624	4,760
EBITDA (earnings before interest, tax, depreciation, amortisation and exchange gain/loss)	1,616	662
Profit before taxation and before lease interest	1,403	2,646
Shareholders' funds at 31 December	30,661	29,310

2019 sales were lower than prior year by 10%, due to lower than anticipated intercompany trading due to poorer than expected sales in the Company's European subsidiary businesses. Third party sales however remained stable and at prior year level due to strong performances across many sectors to UK domestic customers and UK customers with international operations. Project deferrals in the UK construction sector impacted upon sales in the final quarter of the year, which would otherwise have been higher than prior year.

Sales to European customers slowed in the second half of the year due to continued uncertainty over the Brexit outcome.

Gross profit remained largely static despite lower sales, and operating profits, before exchange differences, increased by 83% as the Company benefited from cost savings and efficiency gains.

The Directors consider the performance of the Company during the year, together with its financial position at the end of the year, to be satisfactory given the economic uncertainty.

Included in the result is a foreign currency adjustment of the US dollar loan to Tensator Limited's American subsidiary, Tensator Inc, due to the weakening of the US dollar of £0.7m loss (2018: £0.7m profit). Excluding this adjustment, profits for the year before taxation were £2.1m (2018: £1.9m).

The Company is part of the Tensator Group of companies and has guaranteed the obligations of all group companies under borrowing facilities of a parent company, Tensator Holdings Limited (hereby referred to as 'Group').

The board is confident that its plans including new product development and targeting new markets, including the development of its ecommerce presence, will reflect positively on future operating performance.

TENSATOR LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

Like all businesses, the Company continues to face a number of risks and uncertainties as it conducts its operations. There are a number of risks that could impact the Company's performance, for example, Brexit, continued weakness in the retail sector, increased tariffs, rises in raw material prices for the components which are required to make the Company's core Tensabarrier® product, the effect of price competition from Asia and employee legislation. The Company's senior management team has taken steps to understand and evaluate these risks in order to achieve the objective of creating long-term, sustainable returns.

As a result of the decision reached in the EU referendum on 23 June 2016, and the transition period started on 31 January 2020, management are in the process of assessing the potential impact of the exit from the European Union on the Company. The board is of the view that it is too early to comment on the effect of leaving the European Union and will continue to monitor this and manage any associated risk.

Financial risk management

The Company is exposed to a variety of financial risks the most significant of which are trading risk, foreign currency risk, liquidity risk, and credit risk. The board seeks to limit the adverse effects on the financial performance of the Company by reviewing and agreeing policies for managing each of these risks and these are summarised below:

Trading risk

As the Company seeks to grow its key customer relationships so develops the risk of revenue slippage due to delays in customers' investment programmes, which are in themselves a function of customers' own business performance or other external factors out of the control of the Group (Tensator Holdings Ltd and its subsidiaries). The Group seeks to mitigate this risk by pursuing a broad strategy of new business opportunities across multiple industry verticals and geographies.

Foreign currency risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. For trading transactions, global monitoring of cash flows acts as an internal hedge whereby intercompany cash movements are timed to minimise adverse variances in exchange movements. The Company does not undertake external hedging activities.

Liquidity risk

The Company manages its liquidity requirements centrally to ensure that it has sufficient liquid resources to meet the operating needs of its business, as well as provide the funds to support debt repayment of the Group.

Credit risk

The Company's credit risk is primarily attributable to its trade debtors. An allowance is provided for doubtful debts, and balances are monitored on an ongoing basis. All customers who wish to trade on credit terms are subject to credit verification procedures, and their credit status is regularly reviewed.

Impact of Brexit

The Company has discussed the implications of Brexit and has taken steps to mitigate potential risks, wherever possible. This includes utilising its European facilities, where required.

TENSATOR LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Impact of Coronavirus (covid-19)

The World Health Organisation declared the COVID-19 outbreak a global pandemic on 11 March 2020 and given the passage of time from the balance sheet date of 31 December 2019, this is considered to be a non-adjusting post balance sheet event.

Tensator continues to monitor closely the Coronavirus (COVID-19) situation and has adopted measures to support its workforce, customers and wider industry at an extremely critical and challenging time.

The health and safety of colleagues is of utmost importance and Tensator has supported transitioning to working from home where possible, and safe work environments where this is not possible, throughout the business. Tensator remains committed to supporting new and existing programs for its customers. There is regular communication with customers and suppliers, and while it is not business as usual, delivery of products and services has continued wherever possible.

The Executive Team, in consultation with suppliers, customers and employees, has developed and submitted to its board of directors regular COVID-19 updates, along with immediate actions taken and impact scenarios defining further actions, should they be necessary, to ensure the continuity and success of the business.

Key performance indicators (KPIs)

The Company's performance is evaluated using comparable key performance indicators (KPIs). Its four principal KPIs measure sales growth, gross margin, overhead expenditure and EBITDA. Comparisons are made against both prior year and budget.

This report was approved by the board on 29th September 2020 and signed on its behalf.

DocuSigned by:
Alan McPherson
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A R McPherson
Director

TENSATOR LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The Directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the Company is the manufacture, distribution and sale of real and virtual queue management systems, impulse purchase merchandising solutions, health & safety barriers and crowd control products.

Results and dividends

The profit for the year, after taxation, amounted to £1,351,000 (2018 - £2,353,000).

No dividends proposed during the year (2018: £nil)

Directors

The Directors who served during the year were:

A R McPherson
S R Smith (appointed 19 March 2019)
A Hetzel (resigned 1 January 2019)

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in place during the financial year and at the date of approving the directors' report.

Future developments and financial risks

Future developments and financial risks are set out in the Strategic report.

Research and development activities

The Company continues to research and develop new queue management systems utilising and developing new technology for use in its existing and other potential markets.

Going concern

These financial statements have been prepared on a going concern basis, which assumes the Company will continue to be able to meet its liabilities as they fall due for at least 12 months following the date of approval of these financial statements. In considering the Company's ability to continue as a going concern the directors have taken into account the cross-guarantees between Tensator Group companies in relation to the loan facilities and have produced trading and cash flow forecasts together with assessments of compliance with debt terms. The directors consider the relationship with the ultimate parent to be strong. This is supported by the track record of extension of the facilities, maturity date and flexibility around the terms of the facilities. The directors are confident that the Group has sufficient liquidity, financial performance and support by the ultimate parent and have consequently prepared the financial statements on a going concern basis.

TENSATOR LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

The World Health Organisation declared the COVID-19 outbreak a global pandemic on 11 March 2020 and given the passage of time from the balance sheet date of 31 December 2019, this is considered to be a non-adjusting post balance sheet event.

Tensator continues to monitor closely the Coronavirus (COVID-19) situation and has adopted measures to support its workforce, customers and wider industry at an extremely critical and challenging time.

The health and safety of colleagues is of utmost importance and Tensator has supported transitioning to working from home where possible, and safe work environments where this is not possible, throughout the business. Tensator remains committed to supporting new and existing programs for its customers. There is regular communication with customers and suppliers, and while it is not business as usual, delivery of products and services has continued wherever possible.

The Executive Team, in consultation with suppliers, customers and employees, has developed and submitted to its board of directors regular COVID-19 updates, along with immediate actions taken and impact scenarios defining further actions, should they be necessary, to ensure the continuity and success of the business.

TENSATOR LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29th September 2020

and signed on its behalf.

DocuSigned by:

Alan McPherson

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A R McPherson
Director

TENSATOR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENSATOR LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Tensator Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

TENSATOR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENSATOR LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report

TENSATOR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENSATOR LIMITED

is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

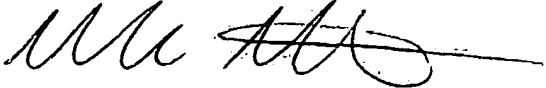
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Mark Foster (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes

Date: 30 SEPTEMBER 2020

TENSATOR LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	4	9,546	10,656
Cost of sales		(4,922)	(5,896)
Gross profit		<u>4,624</u>	<u>4,760</u>
Administrative expenses		(4,192)	(3,485)
Other operating income	5	27	1
Operating profit	6	<u>459</u>	<u>1,276</u>
Income from shares in group undertakings	10	419	436
Interest receivable and similar income	11	525	934
Interest payable and similar expenses	12	(54)	-
Profit before tax		<u>1,349</u>	<u>2,646</u>
Tax on profit	13	2	(293)
Profit for the financial year		<u><u>1,351</u></u>	<u><u>2,353</u></u>

The notes on pages 15 to 41 form part of these financial statements.

All amounts relate to continuing activities.

TENSATOR LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Profit for the financial year		1,351	2,353
Total comprehensive income for the year		<u>1,351</u>	<u>2,353</u>

The notes on pages 15 to 41 form part of these financial statements.

TENSATOR LIMITED
REGISTERED NUMBER: 04046724

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Intangible assets	14		221		271
Goodwill	15		662		662
Tangible assets	16		144		116
Right-of-use assets	17		889		-
Investments	18		259		259
			<u>2,175</u>		<u>1,308</u>
Current assets					
Stocks	19	953		1,091	
Debtors: amounts falling due within one year	20	41,361		41,976	
Cash at bank and in hand	21	560		457	
			<u>42,874</u>	<u>43,524</u>	
Creditors: amounts falling due within one year	22	(13,619)		(15,522)	
Net current assets			29,255		28,002
Total assets less current liabilities			<u>31,430</u>		<u>29,310</u>
Creditors: amounts falling due after more than one year	23		(724)		-
			<u>30,706</u>		<u>29,310</u>
Provisions for liabilities					
Other provisions	25	(45)			-
			<u>(45)</u>		<u>-</u>
Net assets			<u>30,661</u>		<u>29,310</u>
Capital and reserves					
Called up share capital	26		85		85
Share premium account	27		10,994		10,994
Capital redemption reserve	27		15		15
Profit and loss account	27		19,567		18,216
Total shareholders funds			<u>30,661</u>		<u>29,310</u>

TENSATOR LIMITED
REGISTERED NUMBER: 04046724

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

The accounts are prepared in accordance with the special provisions relating to companies subject to the medium-sized companies regime.

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

DocuSigned by:
Alan McPherson 29th September 2020
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A R McPherson
Director

The notes on pages 15 to 41 form part of these financial statements.

TENSATOR LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018	85	10,994	15	15,863	26,957
Comprehensive income for the year					
Profit for the year	-	-	-	2,353	2,353
Total comprehensive income for the year	-	-	-	2,353	2,353
At 1 January 2019	85	10,994	15	18,216	29,310
Comprehensive income for the year					
Profit for the year	-	-	-	1,351	1,351
Total comprehensive income for the year	-	-	-	1,351	1,351
At 31 December 2019	85	10,994	15	19,567	30,661

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

Tensator Limited (the 'Company') is a private company limited by shares which is registered and domiciled in England and Wales and incorporated in the United Kingdom. The address of the registered office is Unit 7 Danbury Court, Linford Wood, Milton Keynes, MK14 6TS. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 4.

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

2. Accounting policies

2.1 Significant accounting policies

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

2.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.3 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.4 Exemption from preparing consolidated financial statements

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of Tensator Holdings Limited. The results of Tensator Limited are included in the consolidated financial statements of Tensator Holdings Limited which are available from Unit 7 Danbury Court, Linford Wood, Milton Keynes, MK14 6TS.

2.5 Going concern

These financial statements have been prepared on a going concern basis, which assumes the Company will continue to be able to meet its liabilities as they fall due for at least the next 12 months following the date of approval of these financial statements. In considering the Company's ability to continue as a going concern the directors have taken into account the cross-guarantees between Tensator Group companies in relation to the loan facilities and have produced trading cash flow forecasts together with assessments of compliance with debt terms. The directors consider the relationship with the ultimate parent to be strong. This is supported by the track record of extension of the facilities, maturity date and flexibility around the terms of the facilities. The directors are confident that the Group has sufficient liquidity, financial performance and support by the ultimate parent and have consequently prepared the financial statements on a going concern basis.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.6 Impact of new international reporting standards, amendments and interpretations

IFRS16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements - see note 32. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

2.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

2.8 Revenue

The Company's revenue is earned from the sale and installation of goods (queue management systems) and carrying out repair and maintenance services on existing fixtures. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of value added tax (VAT), returns, rebates and discounts.

Sale of goods

Transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good promised in the contract.

Revenue is recognised at a point in time when the performance obligation is satisfied which is when control of the asset is transferred to the customer and only when it is highly probable that a significant reversal of revenue will not occur. Control is transferred when the goods are shipped to the customer and title and risk have passed to the customer.

Rendering of services

Transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of each distinct service promised in the contract.

Revenue is recognised at a point in time when the performance obligation is satisfied which is when control is transferred to the customer and only when it is highly probable that a significant reversal of revenue will not occur. Control is transferred when a service has been completed as per the terms of the contract with the customer.

All goods sold by the Company include warranties which require the Company to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.8 Revenue (continued)

performance obligations and hence no revenue is allocated to them. Instead a provision is made for the costs of satisfying the warranties.

2.9 Leases

The Company has changed its accounting policy for leases where the group is the lessee. The new policy is described in note 2.6.

The Company leases various motor vehicles, property, plant and machinery, and fixtures and fittings. Rental contracts are typically made for fixed periods of 3 years to 10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interest in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until 31 December 2018, leases of property, plant and equipment, motor vehicles, fixtures and fittings were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- make adjustments specific to the lease, e.g. term, country, currency and security.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2.10 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.11 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.12 Royalty income

Royalty income is recognised on an annual basis in accordance with the substance of the relevant agreements.

2.13 Dividends income

Dividend income, classified as Income from shares in group undertakings, is recognised in the Income statement when the right to receive payment is established.

2.14 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.15 Current and deferred taxation

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

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

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

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

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

2.16 Employee benefits

The Company operates a defined contribution pension plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.17 Goodwill

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair view override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability nor can the pattern in which goodwill diminishes be known.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.18 Other intangible assets

Patent costs

The patent costs relate to patents on the Company's commercial products. They are being amortised over a period of 5 years, which is expected to be the economic life of the products.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

Costs associated with maintaining computer software programmes are recognised as an expense incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use it;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate future probable economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software product are available;
- the expenditure attributable to the software product can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which is three years.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)**2.19 Tangible fixed assets**

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

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

The estimated useful lives range as follows:

Plant and machinery	- 4 years
Motor vehicles	- 3 years
Fixtures and Equipment	- 3 - 5 years

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

Management periodically review the carrying value of fixed assets and consider the need for impairment. They take into consideration key factors such as performance of and circumstances around changes in the product range, changes in residual value of assets and technological advancement.

2.20 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.21 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.22 Stocks

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

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

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.23 Debtors

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. They are recognised initially at transaction price and are subsequently stated at amortised cost, using the effective interest rate method, less allowance for expected credit losses. The Company measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss.

Prepayments and other receivables are stated at their nominal values.

Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

2.24 Cash and cash equivalents

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

2.25 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.26 Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

2.27 Financial instruments

At year end the company has neither financial assets or liabilities measured at fair value through profit or loss (FVTPL) nor financial assets measured at fair value through other comprehensive income (FVOCI).

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Judgements In applying accounting policies and key sources of estimation uncertainty

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. These estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable.

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 revision and future periods, if the revision affects both current and future periods.

The critical accounting judgements, estimates and assumptions that have a material effect on the amounts recognised in the financial statements for both the current and next financial years are discussed below.

Debtor recoverability

The Company establishes a provision for debtors that are considered not to be recoverable. When assessing recoverability, the Directors consider factors such as the aging of receivables, estimated loss and the credit profile of customers.

Impairment

The Company reviews annually whether there has been any indication of impairment by comparing the cost of an asset with the recoverable amount. The recoverable amount may be determined by the directors by considering items such as market value, market conditions, details of any recent sales.

IFRS 16

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Under certain of its leases, the Company has a renewal and termination option to lease assets for additional terms of five years. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. The Company considers all relevant factors that create an economic incentive for it to exercise the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within the Company's control and affects its ability to exercise (or not to exercise) the option to renew or terminate.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

The Company has applied an incremental borrowing rate for the purpose of computing lease liabilities based on its incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term. Upon the Company's adoption of IFRS 16, the Company applied a weighted average incremental borrowing rate of 8% to all leases, except 4% for property leases, existing as of January 1, 2019 i.e. the date of initial application.

Impairment of Inventories

Management periodically review the carrying value of inventories and consider the need for impairment, taking into consideration factors such as changes in the product range including technological advancement and obsolescence. Provision is made for slow moving items.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Judgements in applying accounting policies (continued)**Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of future tax planning strategy.

4. Turnover

Analysis of turnover by country of destination:

	2019	2018
	£000	£000
United Kingdom	4,753	4,692
Rest of Europe	3,419	3,945
Rest of the world	855	558
USA	519	1,461
	<u>9,546</u>	<u>10,656</u>

5. Other operating income

	2019	2018
	£000	£000
Royalties	3	1
Research & development expenditure credits	24	-
	<u>27</u>	<u>1</u>

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. Operating profit

The operating profit is stated after charging/(crediting):

	2019	2018
	£000	£000
Research & development charged as an expense	24	38
Depreciation of tangible fixed assets	65	46
Depreciation of right-of-use assets	201	-
Amortisation of patents costs	52	47
Impairment of investments	-	237
Amortisation of computer software	85	86
Impairment of amounts owed by group companies	23	285
Exchange differences	754	(614)
Operating lease charges	-	251
Defined contribution pension cost	73	67
Impairment of stocks	47	89
Cost of stocks recognised as an expense	3,929	4,771

7. Auditors' Remuneration

The fee payable to the Company's auditors in respect of the audit of the financial statements and for other services they provided to the Company were:

	2019	2018
	£000	£000
Audit of the financial statements	35	21
Tax compliance services	-	27

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Employees

Staff costs were as follows:

	2019	2018
	£000	£000
Wages and salaries	2,037	1,884
Social security costs	195	194
Other pension costs	73	67
	<u>2,305</u>	<u>2,145</u>

Included in other pension costs are the costs relating to the defined contribution pension scheme operated by the Company. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £73,000 (2018: £67,000). At 31 December 2019 contributions amounting to £nil (2018: £nil) were payable and are included in other creditors.

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

	2019	2018
	No.	No.
Sales and administration	50	55
Production	16	13
	<u>66</u>	<u>68</u>

9. Directors' remuneration

No remuneration was paid to the Company's directors by the Company during the year (2018:£nil) as they received their remuneration as directors of the immediate parent company, Tensator Group Limited. Their remuneration is deemed to be wholly attributable to their services to the parent company. Accordingly, no emoluments in respect of the Company's directors are included in these financial statements.

10. Income from shares in group undertakings

	2019	2018
	£000	£000
Dividends received	419	436
	<u>419</u>	<u>436</u>

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Interest receivable and similar income

	2019 £000	2018 £000
Interest received on loans to group companies	525	934
	<u>525</u>	<u>934</u>

12. Interest payable and similar expenses

	2019 £000	2018 £000
Lease liability interest	54	-
	<u>54</u>	<u>-</u>

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

13. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	-	109
Adjustments in respect of previous periods	2	201
	<u>2</u>	<u>310</u>
Total current tax	<u>2</u>	<u>310</u>
Deferred tax		
Origination and reversal of timing differences	(4)	7
Adjustments in respect of prior periods	-	(24)
	<u>(4)</u>	<u>(17)</u>
Total tax (credit)/charge for the year	<u>(2)</u>	<u>293</u>

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	1,349	2,646
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	256	503
Effects of:		
Expenses not deductible for tax purposes	-	121
Adjustments to tax charge in respect of prior periods	2	176
Income not taxable	(84)	(83)
Research and development expenditure credits	4	-
Deferred tax not recognised	(1)	-
Group relief	(179)	(424)
Total tax (credit)/charge for the year	(2)	293

Factors that may affect future tax charges

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £11,423, to increase the deferred tax asset by £11,423.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Intangible assets

	Patents £000	Computer software £000	Total £000
Cost			
At 1 January 2019	359	1,157	1,516
Additions - external	47	40	87
At 31 December 2019	<u>406</u>	<u>1,197</u>	<u>1,603</u>
Amortisation			
At 1 January 2019	231	1,014	1,245
Charge for the year on owned assets	52	85	137
At 31 December 2019	<u>283</u>	<u>1,099</u>	<u>1,382</u>
Net book value			
At 31 December 2019	<u>123</u>	<u>98</u>	<u>221</u>
At 31 December 2018	<u>128</u>	<u>143</u>	<u>271</u>

The patent costs relate to patents on the Company's commercial products. They are being amortised over a period of 5 years, which is expected to be the economic life of the products.

The software intangible assets include the cost and development of the Company's main ERP system. The Company's ERP system was implemented in the head office in 2013 and is currently being developed for implementation for the remaining subsidiaries. The ERP software and development is amortised over a period of three years, on a straight-line basis, following implementation.

Intangible assets amortisation is recorded in administrative expenses in the Income statement.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Goodwill

	2019 £000
Cost	
At 1 January 2019	2,100
At 31 December 2019	<u>2,100</u>
Amortisation	
At 1 January 2019	1,438
At 31 December 2019	<u>1,438</u>
Net book value	
At 31 December 2019	<u><u>662</u></u>
<i>At 31 December 2018</i>	<u>662</u>
	<u><u>662</u></u>

The goodwill arose from the purchase of certain assets from Autoliv (Spring Dynamics) Limited on 29 September 2000 and was being amortised over 20 years. Following the adoption of FRS 101, with effect from 1 January 2014, goodwill amortisation is no longer charged but an impairment review is undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost or valuation			
At 1 January 2019	85	625	710
Additions	-	93	93
At 31 December 2019	<u>85</u>	<u>718</u>	<u>803</u>
Depreciation			
At 1 January 2019	73	521	594
Charge for the year on owned assets	5	60	65
At 31 December 2019	<u>78</u>	<u>581</u>	<u>659</u>
Net book value			
At 31 December 2019	<u>7</u>	<u>137</u>	<u>144</u>
At 31 December 2018	<u>12</u>	<u>104</u>	<u>116</u>

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. Right of Use assets

This note provides information for leases where the Company is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Plant and machinery £000	Motor vehicles £000	Long term leasehold property £000	Fixtures and fittings £000	Total £000
Cost					
At 1 January 2019	-	-	-	-	-
Impact of change in accounting policy	10	200	806	21	1,052
At 1 January 2019 (adjusted balance)	<u>10</u>	<u>200</u>	<u>806</u>	<u>21</u>	<u>1,052</u>
Additions	38	-	-	-	38
At 31 December 2019	<u>48</u>	<u>200</u>	<u>-</u>	<u>21</u>	<u>1,090</u>
Depreciation					
At 1 January 2019	-	-	-	-	-
Charge for the year	8	90	96	5	201
At 31 December 2019	<u>8</u>	<u>90</u>	<u>96</u>	<u>5</u>	<u>201</u>
Net book value					
At 31 December 2019	40	110	723	16	889
At 31 December 2018	-	-	-	-	-

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. Right of Use assets (continued)

	2019 £000	2018 £000
Lease liabilities		
Current	185	-
Non-current	724	-
	<u>909</u>	<u>-</u>

Additions to the right-of-use assets during the 2019 financial year were £38,000.

At 31 December 2019 the Company had committed to leases which had not commenced. The total future cash outflows for leases that had not yet commenced were as follows:

	£000
Type of asset	
Motor vehicles	14
	<u>14</u>

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2019 £000	2018 £000
Depreciation charge of right-of-use assets		
Plant and machinery	8	-
Motor vehicles	90	-
Long term leasehold property	98	-
Fixtures and fittings	5	-
	<u>201</u>	<u>-</u>
	<u>2019</u>	<u>2018</u>
	<u>£000</u>	<u>£000</u>
Interest expense on lease liabilities (included in finance costs)	54	-
	<u>54</u>	<u>-</u>

The total cash outflow for leases in 2019 was £236,000, split as follows:

- cash payments £182,000 for the principal portion of the lease liabilities
- cash payments £54,000 for the interest portion of the lease liabilities

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2019	259
At 31 December 2019	<u>259</u>

The investments of £259,000 at 31 December 2019 relate to the subsidiary undertakings Tensator FZE and Tensator North America Inc. The Directors believe that the carrying value of these investments is supported by their underlying net assets.

The carrying value of the investment in Tensator SAS was written down to £nil at 31 December 2018 as the directors considered there had been a permanent impairment in the value of the underlying assets.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Holding
Tensator North America Inc	260 Spur Drive South Bay Shore New York 11706 USA	The holding company for Tensator Inc	100%
Tensator Inc *	260 Spur Drive South Bay Shore New York 11706 USA	Distribution and sales of queue systems, queue solutions and retail display products	100%
Tensator FZE	Airport Free Zone L.I.U H22 PO Box 54702 Dubai, UAE	Distribution and sales of queue systems, queue solutions and retail display products	100%
Tensator SAS	2 rue Edmond Michelet 93360 Neuilly Plaisance France	Distribution and sales of queue systems, queue solutions and retail display products	100%
Tensator Iberia SL	Avenida de la Industria 28108 Alcobendas Madrid Spain	Dormant	100%

* 100% of the shares are held by Tensator North America Inc

During the year the Company received dividends of £419,000 (2018:£436,000) from Tensator FZE.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Stocks

	2019 £000	2018 £000
Raw materials and consumables	918	1,034
Finished goods and goods for resale	-	9
Work in progress	35	48
	<u>953</u>	<u>1,091</u>

Stocks are stated after provisions for impairment of £136,000 (2018:£89,000).

20. Debtors

	2019 £000	2018 £000
Trade debtors	766	961
Amounts owed by group undertakings	40,295	40,497
Other debtors	21	192
Prepayments and accrued income	181	232
Deferred tax asset (see note 24)	98	94
	<u>41,361</u>	<u>41,976</u>

Trade debtors are stated after provisions for impairment of £nil (2018: £nil). Amounts owed by group companies are stated after provisions for impairment of £308,000 (2018: £285,000).

Amounts owed by group companies are unsecured, have no fixed date of repayment and are repayable on demand. £12,373,000 (2018: £12,572,000) relates to a loan made to Tensator Inc and is subject to 4% interest charge per annum, payable monthly. The remaining balance of £27,922,000 (2018: £27,925,000) are trading balances under normal commercial terms and interest is not charged. These undertakings are unsecured and repayable on demand.

21. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	560	457
	<u>560</u>	<u>457</u>

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

22. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	811	1,761
Amounts owed to group undertakings	11,698	12,632
Corporation tax	317	470
Other taxation and social security	80	115
Lease liabilities	185	-
Other creditors	129	70
Accruals and deferred income	399	474
	<u>13,619</u>	<u>15,522</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

23. Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Lease liabilities	724	-
	<u>724</u>	<u>-</u>

24. Deferred tax asset

	2019	2018
	£000	£000
At beginning of year	94	86
Charged to profit or loss	4	8
At end of year	<u>98</u>	<u>94</u>

TENSATOR LIMITED

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24. Deferred tax asset (continued)

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	86	86
Other timing differences	12	8
	<u>98</u>	<u>94</u>

	Capital allowances in excess of depreciation £000	Other timing differences £000	Total £000
At 1 January 2019	86	8	94
Income statement charge in the year	-	4	4
As 31 December 2019	<u>86</u>	<u>12</u>	<u>98</u>

25. Provisions

	Warranty Provision £000
At 1 January 2019	-
Charged to profit or loss	45
At 31 December 2019	<u>45</u>

The Company accrues for the estimated cost of the warranty on its products up to two years warranty for any potential defects that may need to be replaced. There is no specific timing when this would be utilised.

TENSATOR LIMITED

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26. Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
85,001 (2018 - 85,001) Ordinary shares of £1.00 each	85	85
	<u>85</u>	<u>85</u>

27. Reserves**Share premium account**

The share premium account relates to the excess consideration paid over the nominal value of shares issued, less transaction costs.

Capital redemption reserve

The capital redemption reserve reflects the value of shares redeemed by the Company from distributable profits.

Profit and loss account

The profit & loss account reserve represents accumulated profits and losses of the Company.

28. Contingent liabilities

The Company has granted cross-guarantees secured by a debenture in favour of Prudential Insurance Company of America, and its related entities, guaranteeing the obligations of Tensator Holdings Limited and its subsidiaries in respect of secured loans with an aggregate outstanding balance of \$21,120,000 at 31 December 2019 (2018: \$21,268,000).

The Company has provided a guarantee of £452,000 (2018: £452,000) in favour of HSBC UK Bank plc in respect of facilities provided at the reporting date.

29. Commitments under operating leases

From 1 January 2019, the Company has recognised right-of use assets for these leases, see note 17 (leases) and note 2.5 (changes in accounting policies) for further information

	2019	2018
	£000	£000
Not later than 1 year	-	237
Later than 1 year and not later than 5 years	-	618
Later than 5 years	-	401
	<u>-</u>	<u>1,256</u>
	<u>-</u>	<u>1,256</u>

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30. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions or balances with entities which form part of the wholly-owned group headed by Prudential Financial, Inc.

31. Controlling party

The immediate parent undertaking is Tensator Group Limited, a company incorporated in England and Wales.

The ultimate parent undertaking, controlling party and the largest group to consolidate these financial statements at the reporting date is Prudential Financial, Inc. a company registered in the State of New Jersey and listed on the New York Stock Exchange. The consolidated financial statements of Prudential Financial, Inc. can be obtained from Prudential Financial, Inc., Investor Relations, 751 Broad Street, Newark, NJ 07102 USA.

Tensator Holdings Limited, a company incorporated in England and Wales is the parent undertaking of the smallest group to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Tensator Holdings Limited are publicly available from Companies House or can be obtained from Unit 7, Danbury Court, Linford Wood, Milton Keynes, MK14 6TS.

32. Effect of adoption of IFRS16 - Leases

As indicated in accounting policy note 2.9, the Company has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in accounting policy on page 18.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was between 4% and 8%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

TENSATOR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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32. Effect of adoption of IFRS16 - Leases (continued)

The company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a lease.

Adjustments recognised in the balance sheet on 1 January 2019

The changes in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by £1,052,000
- Lease liabilities – increase by £1,052,000

Measurement of lease liabilities

	2019 £000
Operating lease commitments disclosed as at 31 December 2018	1,256
Restatement	-
Operating lease commitments restated as at 31 December 2018	1,256
Discounted using incremental borrowing rate of between 4% to 8%	(204)
Operating lease liabilities after discounted as on 1 January 2019	1,052
Lease liabilities recognised under IFRS 16 at 1 January 2019	1,052

Of which are:

	2019 £000
Current lease liabilities	182
Non-current lease liabilities	870
	1,052