

**Semelab Limited**

**Annual report and financial statements**

Registered number 06649272

31 December 2019

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## Strategic report

The directors present their Strategic Report for the year ended 31 December 2019.

### Business Review and future developments

Semelab Limited's (the "Company") core business is the manufacture of high-performance electronic components for specialist markets.

The Company specialises in high reliability custom packaging components for critical applications and offer a wide product portfolio including discrete semiconductors, power modules and RF transistors. Products are typically used in key applications including actuation, control systems, power generation and distribution.

The Company is a component of the group of companies headed by TT Electronics plc (the Group). Further details of the objectives and future developments for the Group are disclosed in the TT Electronics plc Group consolidated financial statements for the year ended 31 December 2019.

On 3 June 2020 it was announced that the site would be closed with the core business being transferred to another TT Electronics plc site. Operations are expected to continue at the location for a further 18 months, to allow completion of customers' final orders and undertake production line transfers.

### Principal risks and uncertainties

The directors regularly review the risks facing the business and take appropriate action to manage these. The principal external risks to the business include ongoing advances in technologies, global price competition, economic conditions and security of supply of certain components. The Company manages and mitigates these risks by continuously developing its technical capabilities, including research projects and also by supplying a wide range of customers, territories and applications so as to avoid excessive dependence upon any one. However, the Company is facing significant challenges with legacy programmes declining in revenue and being unable to secure significant new business opportunities to offset. This risk has been magnified by the impact of COVID-19 on the end markets for the Company's products.

Lean Six Sigma manufacturing programs are carried out to drive continual improvement in efficiency and the Company continues to maintain industry recognised quality standards. The Company is accredited with the ISO14001 environmental accreditation and is also actively involved in the TT Electronics plc group UK Carbon Commitment program. The company continues to promote the health and safety culture by greater participation of employees in risk assessments and training.

The Company uses financial instruments, other than derivatives, comprising borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks and these are summarised below. The policies have remained unchanged from previous periods.

#### Interest rate risk

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

#### Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through inter-company accounts.

#### Currency risk

The Company is exposed to transaction and translation foreign exchange risk. Transaction exposures will be hedged when known, mainly using the forward hedge market.

#### Brexit risk

The directors do not currently anticipate any significant impact on the Company's trading following the UK referendum on Brexit, given that trade between the UK and the EU accounts for less than 10% of revenues and less than 5% of material purchases.

## Strategic report (continued)

### COVID-19 risk

The directors are currently monitoring the risk of COVID-19 has on market conditions as well as workforce well-being. COVID-19 has had a devastating impact on the commercial aerospace market and a downturn is expected across many of the markets in which the Company operates. New ways of working have been employed on site to minimise close contacts and reduce risk to employees.

### Results and dividends

#### Results

The full results for the year are shown in the profit and loss account on page 9.

The profit for the year, after taxation, amounted to £1,061,000 (2018: £716,000). Revenue has declined slightly, sales totalled £15,034,000 (2018: £15,081,000), however gross margin was improved from 26% to 31% mainly due to product mix changes. Impairment costs have been recognised in the profit and loss account of £508,000.

#### Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: £nil).

#### People

The group is committed to employment policies that provide and promote equal employment opportunities for all our employees and applicants and to maintaining a workplace that ensures tolerance, respect and dignity for all staff. The Company's engagement activities in 2019 with employees and other stakeholders can be found in the Directors' Report.

#### Corporate responsibility

The Group's corporate sustainability strategy and performance is published on its website at [www.ttelectronics.com](http://www.ttelectronics.com).

A summary of the year's activities is included in the TT Electronics plc consolidated financial statements for the year ended 31 December 2019, which is available on the Group's website:

<http://www.ttelectronics.com/investor-overview>.

#### S172 Statement

The board of directors of Semelab Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promoted the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2019.

The board of directors work to identify the key stakeholders that are impacted by the company's activities throughout the year and have identified the activities through which the board can either directly or indirectly (through senior management or the wider group's engagement) engage with these stakeholders. The board also confirms that decisions affecting the Company made by the board of directors have been made in consideration of the Company's stakeholders and the information they have provided to the wider group of companies facilitates in decision-making at a divisional or group level with regard to the Group's stakeholders.

By order of the board



S P C Evans  
Director

Coventry Road  
Lutterworth  
Leicestershire  
LE17 4JB  
United Kingdom

Dated: 6 October 2020

## Directors' report

The directors present their annual report on the affairs of Semelab Limited (the "Company"), together with the audited Financial Statements and the independent auditors' report, for the year ended 31 December 2019.

As permitted by legislation, the following information and disclosures that are required under company law are included in the Strategic Report and are incorporated into this report by reference:

- Review of the performance and future developments of the Company
- Principal risks and uncertainties
- The amount (if any) that the directors recommend by way of dividend

### Research and development

The Company commits significant resource to research and development, both internally by enhancing products and processes and externally with collaborative partners.

### Directors

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

Name	Appointed	Resigned
T B Garvey	01/01/2017	21/08/2020
S P C Evans	09/04/2018	
M Hoad	01/01/2015	31/08/2019
J S Thomas	31/08/2019	
B Sutton	21/08/2020	

### Directors' remuneration

Directors' remuneration has been disclosed in note 7 to the Financial Statements.

### COVID-19

On 30 January, the World Health Organisation (WHO) announced Coronavirus as a global health emergency. On 11 March 2020, it announced that Coronavirus was a global pandemic. COVID-19 impacted all areas of the operations of the TT Electronics Plc Group ("the Group") of which the Company is a member.

The safety and well-being of the Group's employees, wider communities, customers and partners remains the Group's primary concern and the advice of local authorities around the world is being followed as the situation develops, whilst adopting the most stringent of safety standards possible to minimise the risk from the virus.

All of the Group's facilities, including the Company, have implemented personal protection measures, including additional hygiene and social distancing, building on the lessons learned from the initial experiences of the Group's Chinese facilities through January, February and March. The effect on the Company's trading performance from COVID-19 has been relatively modest. The site was not closed and has remained operational, albeit at a lower capacity.

Given the uncertainty and the unknown duration of the COVID-19 pandemic and the reduced outlook for economic and industrial output globally, management has carried out a bottom up updated forecast, with a downside strategic plan scenario that has been produced to extend the review to 31 December 2021. This shows that it is currently expected that revenue and operating profit will be less than previously budgeted for FY2020 and a detailed strategic plan was produced in May 2020 for 2021; which is less than previously forecast. Management have also considered a plausible reasonable worst-case scenario, which includes a further 10% decline in uncommitted order book in 2020 and a slower market recovery in 2021. None of the UK sites were closed during the lockdown and therefore it is fair to assume that they will not shut should a second wave of COVID-19 occur later in the year.

## **Directors' report** *(continued)*

### **COVID-19** *(continued)*

Using this downside stress test scenario for 2020 and the strategic plan, management still show that the Company will be able to meet its financial obligations when they fall due as the Group will not seek repayment of amounts currently made available for a period of at least twelve months from the date of approval of their 2019 financial statements to enable them to meet their financial liabilities as they fall due and to continue to trade.

While the Company will not be immune to the impact of COVID-19, the Group's strategy has positioned it well to deal with the challenges of COVID-19.

### **Political donations**

The Company made no political donations and incurred no political expenditure during the year ended 31 December 2019 (2018: £nil).

### **Share capital**

Full details of the Company's issued share capital, including changes during the year, can be found in note 20 to the Financial Statements.

### **Disclosure of information to auditors**

The directors confirm that, as at the date this report was approved, to the best of each director's knowledge and belief, there is no audit information relevant to the preparation of the auditors' report of which the auditors are unaware and each director has taken all the steps which might be expected to be aware of such relevant information and to establish that the auditors are also aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The directors of the Company consider that the Annual Report and Financial Statements, taken as a whole are fair, balanced and understandable and provide the information necessary for shareholder to assess the Company's performance, business model and strategy.

Each of the directors, whose names are listed in the Directors' Report, confirms that, to the best of his/her knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

## **Directors' report** *(continued)*

### **Going concern**

For some time, the Company has faced some significant challenges. Despite efforts to grow the operations, we have been unable to secure significant new business to offset the revenue decline from legacy programmes. This already difficult situation has been made worse by the impact of COVID-19 on our end markets. Our customers and many market commentators are predicting a significant downturn and the outlook for sales into the commercial aerospace segment looks extremely weak. Without action, the business is expected to shrink significantly and move to an unsustainable loss-making position and could no longer be considered to be a going concern. Consequently, an announcement was made on 3 June 2020 that the manufacturing operations of the Company would be closed before the end of 2021.

The manufacturing of some product lines will be transferred to another TT Electronics plc site in order to consolidate operations and improve efficiency whilst others will be outsourced to external partners that can meet our challenging quality requirements. In the meantime, operations will continue at the Company until the end of 2021, to allow completion of customers' final orders and undertake production line transfers. The Company will be wound down with a view that trading would cease end of 2021. For that reason, these financial statements have not been prepared on a going concern basis and instead prepared on a break-up basis.

Approved by the board of directors on 6 October 2020 and signed on its behalf by:



**S P C Evans**  
Director

Coventry Road  
Lutterworth  
Leicestershire  
LE17 4JB  
United Kingdom

## Statement of directors' responsibilities in respect of the annual report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 1.3, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **Independent auditor's report to the members of Semelab Limited**

### **Opinion**

We have audited the financial statements of Semelab Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the 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 UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Emphasis of matter - non-going concern basis of preparation**

We draw attention to the disclosure made in note 1.3 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

in our opinion those reports have been prepared in accordance with the Companies Act 2006.



## Independent auditor's report to the members of Semelab Limited *(continued)*

### Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

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.

*Gareth Woods*

**Gareth Woods (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

St Nicholas House

31 Park Row

Nottingham

NG1 6FQ

Dated: 6 October 2020

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2019*

	<i>Note</i>	<b>2019</b> <b>£000</b>	2018 £000
<b>Turnover</b>	2	<b>15,034</b>	15,081
Cost of sales		<b>(10,304)</b>	(11,166)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>4,730</b>	3,915
Selling & distribution costs		(709)	(829)
Administrative costs		(2,434)	(2,323)
Other operating income	3	16	39
Other expenses	4	(97)	(36)
Impairment of assets	8	(508)	-
		<hr/>	<hr/>
<b>Operating profit</b>		<b>998</b>	766
Interest payable and similar charges		(17)	-
		<hr/>	<hr/>
<b>Profit before tax</b>		<b>981</b>	766
Tax on profit	9	80	(50)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>1,061</b>	716
		<hr/> <hr/>	<hr/> <hr/>
<b>Other Comprehensive Income</b>			
Cash flow hedges - effective portion of changes in fair value		104	(47)
		<hr/>	<hr/>
<b>Total Comprehensive income for the year</b>		<b>1,165</b>	669
		<hr/> <hr/>	<hr/> <hr/>

The Company has no recognised gains or losses other than the results for the year as set out above.

There is no difference between the profit for the financial year and its historic cost equivalent.

The attached notes form an integral part of the financial statements.


**Balance Sheet**  
at 31 December 2019

	Note	2019 £000	£000	2018 £000	£000
<b>Fixed assets</b>					
Goodwill	10	1,593		1,593	
Other intangible assets	10	732		970	
Tangible assets	11	2,177		2,745	
Right of use asset	11	17		-	
Investment property	12	-		500	
			<u>4,519</u>		<u>5,808</u>
<b>Current assets</b>					
Investment property – held for sale	12	480		-	
Stocks	13	2,891		2,510	
Debtors	14	6,943		6,351	
Cash at bank and in hand		2,720		1,961	
		<u>13,034</u>		<u>10,822</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(2,675)</u>		<u>(2,960)</u>	
<b>Net current assets</b>			<u>10,359</u>		<u>7,862</u>
<b>Total assets less current liabilities</b>			<u>14,878</u>		<u>13,670</u>
<b>Creditors: amounts falling due after one year</b>	16		(92)		-
Provisions for liabilities	17		(90)		(139)
<b>Net assets</b>			<u>14,696</u>		<u>13,531</u>
<b>Capital and reserves</b>					
Called up share capital	20		-		-
Share premium account			9,485		9,485
Other reserves			57		(47)
Profit and loss account			5,154		4,093
<b>Shareholders' funds</b>			<u>14,696</u>		<u>13,531</u>

These financial statements were approved by the board of directors on 6 October 2020 and were signed on its behalf by:



**S P C Evans**  
Director



**J Thomas**  
Director

Company registered number: 06649272

## Statement of Changes in Equity

	Called up share capital £000	Share Premium Account £000	Cash flow hedging reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	-	9,485	-	3,377	12,862
<b>Total comprehensive income for the year</b>					
Profit or loss	-	-	-	716	716
Other comprehensive (expense)/income	-	-	(47)	-	(47)
Total comprehensive income for the year	-	-	(47)	716	669
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>9,485</b>	<b>(47)</b>	<b>4,093</b>	<b>13,531</b>
	-	9,485	(47)	4,093	13,531
	-	-	104	-	104
Total comprehensive income for the year	-	-	104	1,061	1,165
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>9,485</b>	<b>57</b>	<b>5,154</b>	<b>14,696</b>

## Notes

(forming part of the financial statements)

### 1 Accounting policies

Semelab Limited (the "Company") is a company incorporated and domiciled in the UK. The registered number is 06649272 and the registered address is Coventry Road, Lutterworth, Leicestershire, LE17 4JB.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of TT Electronics Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2015 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Change in accounting policy

The Company has implemented IFRS 16 Leases with effect from 1 January 2019. The standard provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease obligations for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has applied IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application has been recognised in retained earnings at 1 January 2019 and comparative information has not been restated and continues to be reported under IAS17.

The Company previously classified leases as operating or finance leases based on whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases (unless the lease term is 12 months or less or the underlying asset has a low value).

The Company recognises a lease liability at the lease commencement date (or on initial application), measured as the present value of the future lease payments, discounted at the incremental borrowing rate. The weighted average incremental borrowing rate applied was 4%. A corresponding right-of-use asset is recognised separately on the face of the statement of financial position, net of accumulated depreciation and impairment losses. For leases recognised on initial application, the right-of-use asset is initially measured at the carrying amount if IFRS 16 had always been applied.

The Company has applied the following practical expedients on transition; not to reassess whether contracts contained a lease; use of hindsight in determining the lease term; exclusion of initial direct costs from the measurement of the right of use asset.

The Company adopted IFRIC 23 Uncertainty over Income Tax Treatments from 1 January 2019. There was no material impact.

#### 1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

#### 1.3 Going concern

In previous years, the financial statements have been prepared on a going concern basis. However for some time, the Company has faced some significant challenges. Despite efforts to grow the operations, we have been unable to secure significant new business to offset the revenue decline from legacy programmes. This already difficult situation has been made worse by the impact of COVID-19 on our end markets. Our customers and many market commentators are predicting a significant downturn and the outlook for sales into the commercial aerospace segment looks extremely weak. Without action, the business is expected to shrink significantly and move to an unsustainable loss-making position and could no longer be considered to be a going concern. Consequently, an announcement was made on 3 June 2020 that the manufacturing operations of the Company would be closed before the end of 2021.

The manufacturing of some product lines will be transferred to another TT Electronics plc site in order to consolidate operations and improve efficiency whilst others will be outsourced to external partners that can meet our challenging quality requirements. In the meantime, operations will continue at the Company until the end of 2021, to allow completion of customers' final orders and undertake production line transfers. The Company will be wound down with a view that trading would cease end of 2021. For that reason, these financial statements have not been prepared on a going concern basis and instead prepared on a break-up basis.

#### 1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.5 Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Cash and cash equivalents*

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

#### **1.6 Derivative financial instruments and hedging**

##### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the profit and loss account in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit and loss account immediately.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.7 Tangible fixed assets**

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

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Buildings                      Between 25 and 40 years on cost
- Plant and equipment        Between 3 and 10 years on cost

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### **1.8 Intangible assets and goodwill**

##### *Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

##### *Research and development*

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

##### *Other intangible assets*

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

##### *Amortisation*

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Patents and trademarks    18 years
- Software                      5 years
- Development spend        5 years

#### **1.9 Investment property**

Investment properties are properties which are held to earn rental. Investment properties are stated at cost less accumulated depreciation.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Stocks

Stocks are stated at the lower of cost and net realisable value and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### 1.11 Impairment excluding stocks, investment properties and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.12 Pensions

The Company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the schemes. The assets of the scheme are held separately from those of the Company.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.13 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 1.14 Turnover

The turnover shown in the profit and loss account represents amount invoiced for goods supplied during the period, exclusive of value added tax. Transactions are recorded as sales when delivery of products or performance of services takes place in accordance with contract terms of sale.

#### 1.15 Expenses

##### *Operating lease payments (policy applicable before 1 January 2019)*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

#### 1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### 1.17 Financial instruments

##### **Financial instruments**

##### **(i) Recognition and initial measurement**

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.17 Financial instruments (continued)

##### (ii) Classification and subsequent measurement

###### *Financial assets*

###### (a) Classification

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

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

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

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

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

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

###### *Cash and cash equivalents*

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

###### (b) Subsequent measurement and gains and losses

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

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

###### *Financial liabilities and equity*

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.17 Financial instruments (continued)

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

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

**Notes** (continued)**1 Accounting policies** (continued)**Financial instruments** (continued)(iii) **Impairment**

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

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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

*Measurement of ECLs*

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

*Credit-impaired financial assets*

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

*Write-offs*

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

**1.16 Leases**

The Company applied IFRS 16 on 1 January 2019, recognising right-of-use assets and lease liabilities for most leases (unless the lease term is 12 months or less or the underlying asset has a low value).

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

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

**Notes (continued)**

**2 Turnover**

	2019 £000	2018 £000
By geographical market		
UK	4,216	4,225
Rest of Europe	3,516	3,084
North America	3,313	3,394
Rest of World	3,989	4,378
	15,034	15,081
	2019 £000	2018 £000
By activity		
Manufactured	15,034	15,081

**3 Other operating income**

	2019 £000	2018 £000
Currency gains - Trading	-	-
External - Rent Income	16	39
	16	39

**4 Other expenses**

	2019 £000	2018 £000
Currency losses - Trading	(97)	(36)
	(97)	(36)

**5 Auditor's remuneration**

*Auditor's remuneration:*

	2019 £000	2018 £000
Audit of these financial statements	26	19

**Notes (continued)**

**5 Auditor's remuneration (continued)**

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, TT Electronics plc.

**6 Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2019</b>	<b>2018</b>
Production	115	113
Sales and distribution	10	11
Administration	7	10
	<b>132</b>	<b>134</b>
	<b>132</b>	<b>134</b>

*The aggregate payroll costs of these persons were as follows:*

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	3,843	4,171
Social security costs	362	380
Contributions to defined contribution plans (note 19)	191	220
	<b>4,396</b>	<b>4,771</b>
	<b>4,396</b>	<b>4,771</b>

**7 Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Directors' remuneration	<b>153</b>	<b>120</b>
	<b>153</b>	<b>120</b>

## Notes (continued)

### 8 Impairment of assets

	2019 £000	2018 £000
Impairment of intangible assets	72	-
Impairment of tangible assets	356	-
Impairment of stocks	80	-
	<u>508</u>	<u>-</u>

### 9 Taxation

#### Recognised in the profit and loss account

	2019 £000	2018 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(29)	-
Adjustments in respect of prior periods	-	5
<b>Total current tax</b>	<u>(29)</u>	<u>5</u>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(77)	45
Reduction in rate	(2)	-
Adjustment in respect of prior periods	28	-
<b>Total deferred tax</b>	<u>(51)</u>	<u>45</u>
Tax on profit on ordinary activities	<u>(80)</u>	<u>50</u>

#### Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	1,061	716
Total tax expense / (credit)	(80)	50
<b>Profit excluding taxation</b>	<u>981</u>	<u>766</u>
Tax using the UK corporation tax rate of 19% (2018: 19%)	186	145
Items not deductible for tax purposes or income not taxable	-	9
Adjustment to current tax in respect of prior periods	-	5
Group relief for which no payment made	(292)	(140)
Impact on deferred tax arising from changes in tax rates	(2)	31
Adjustment to deferred tax in respect of prior periods	28	-
<b>Total tax credit expense / (credit)</b>	<u>(80)</u>	<u>50</u>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

## Notes (continued)

### 10 Intangible assets

	Patents £000	Product Development £000	Customer Relationships £000	Software £000	Other Intangible assets Total £000	Goodwill £000	Total £000
<b>Cost</b>							
Balance at 1 January 2019	150	100	1,000	978	2,228	1,593	3,821
Additions	-	91	-	-	91	-	91
Balance at 31 December 2019	<u>150</u>	<u>191</u>	<u>1,000</u>	<u>978</u>	<u>2,319</u>	<u>1,593</u>	<u>3,912</u>
<b>Amortisation and impairment</b>							
Balance at 1 January 2019	(79)	(8)	(503)	(668)	(1,258)	-	(1,258)
Amortisation expense	(8)	(21)	(53)	(175)	(257)	-	(257)
Impairment expense	-	(72)	-	-	(72)	-	(72)
Balance at 31 December 2019	<u>(87)</u>	<u>(101)</u>	<u>(556)</u>	<u>(843)</u>	<u>(1,587)</u>	<u>-</u>	<u>(1,587)</u>
<b>Net book value</b>							
At 1 January 2019	<u>71</u>	<u>92</u>	<u>497</u>	<u>310</u>	<u>970</u>	<u>1,593</u>	<u>2,563</u>
At 31 December 2019	<u>63</u>	<u>90</u>	<u>444</u>	<u>135</u>	<u>732</u>	<u>1,593</u>	<u>2,325</u>

#### Impairment testing

Management has assessed the carrying value of goodwill using detailed calculations of value in use for each significant cash generating unit and fixed assets where impairment indicators existed to ensure that the carrying values are supported by forecast future discounted cash flows.

Goodwill has been allocated to cash generating units or groups of cash generating units as follows:

	2019 £000	2018 £000
Power and Hybrids	<u>1,593</u>	<u>1,593</u>

**Notes (continued)**

**11 Tangible fixed assets**

	Land and buildings £000	Plant and equipment £000	Right of use £000	Total £000
<b>Cost</b>				
Balance at 1 January 2019	1,904	3,338	-	5,242
Other acquisitions	-	112	28	140
Balance at 31 December 2019	<u>1,904</u>	<u>3,450</u>	<u>28</u>	<u>5,382</u>
<b>Depreciation and impairment</b>				
Balance at 1 January 2019	(322)	(2,175)	-	(2,497)
Depreciation expense for the year	(32)	(292)	(11)	(335)
Impairment expense for the year	-	(356)	-	(356)
Balance at 31 December 2019	<u>(354)</u>	<u>(2,823)</u>	<u>(11)</u>	<u>(3,188)</u>
<b>Net book value</b>				
At 1 January 2019	<u>1,582</u>	<u>1,163</u>	<u>-</u>	<u>2,745</u>
At 31 December 2019	<u>1,550</u>	<u>627</u>	<u>17</u>	<u>2,194</u>

*Land and Buildings*

All land and buildings relates to Freehold land and buildings.

The net book value of the land and buildings included £900,000 (2017: £900,000) in respect of land, which is not depreciated

**12 Investment property**

	2019 £000	2018 £000
Balance at 1 January	500	520
Depreciation	(20)	(20)
Balance at 31 December	<u>480</u>	<u>500</u>

*Fair value*

The fair value of the investment property is estimated as £900,000.

**13 Stocks**

	2019 £000	2018 £000
Raw materials and consumables	1,682	1,362
Work in progress	670	420
Finished goods	539	728
	<u>2,891</u>	<u>2,510</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £8,873,000 (2018: £9,248,000). The write-down of stocks to net realisable value amounted to £96,000 (2018: £72,000).

**Notes (continued)**

**14 Debtors**

	2019	2018
	£000	£000
Trade debtors	2,236	2,529
Amounts owed by group undertakings	4,170	3,521
Other debtors	62	4
Deferred tax assets (note 18)	314	263
Prepayments and accrued income	132	34
Corporation tax	29	-
	<b>6,943</b>	<b>6,351</b>
Due within one year	<b>6,943</b>	<b>6,351</b>

**15 Creditors: amounts falling due within one year**

	2019	2018
	£000	£000
Trade creditors	854	1,273
Amounts owed to group undertakings	821	666
Taxation and social security	114	82
Accruals and deferred income	886	871
Corporation tax	-	5
Other financial liabilities	-	63
	<b>2,675</b>	<b>2,960</b>
	<b>2,675</b>	<b>2,960</b>

**16 Creditors: amounts falling due after more one year**

	2019	2018
	£000	£000
Accruals and deferred income	92	-
	<b>92</b>	<b>-</b>

**17 Provisions**

	Warranty £000	Total £000
Balance at 1 January 2019	139	139
Charge to income statement	-	-
Release of provision during the year	(49)	(49)
	<b>90</b>	<b>90</b>
<b>Balance at 31 December 2019</b>	<b>90</b>	<b>90</b>

## Notes (continued)

### 18 Deferred tax

Movement in deferred tax during the year:

	1 January 2019 £000	Recognised in income £000	31 December 2019 £000
Tangible fixed assets	263	51	314

Movement in deferred tax during the prior year:

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Tangible fixed assets	308	(45)	263

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Tangible fixed assets	314	263	-	-	314	263
Tax assets/(liabilities)	314	263	-	-	314	263
Net tax assets/(liabilities)					314	263

### 19 Employee benefits

#### Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £191,000 (2018: £220,000).

### 20 Capital and reserves

#### Share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i> 48,100 Ordinary shares of 0.01p	-	-

#### Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## **Notes** (continued)

### **21 Commitments**

#### *Capital commitments*

During the year ended 31 December 2019, the Company entered into a contract to purchase property, plant and equipment for £Nil (2018: £Nil).

### **22 Related parties**

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

### **23 Ultimate parent company and parent company of larger group**

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

Both TT Electronics plc and TT Electronics Group Holdings Limited have their registered office at:  
Fourth floor, St Andrews House  
West Street  
Woking  
Surrey GU21 6EB

Copies of the annual report and financial statements for TT Electronics plc are available at [www.ttelectronics.com/investors](http://www.ttelectronics.com/investors) or from the company secretary at the address above.

Copies of the financial statements for TT Electronics Group Holdings Limited are also available from the company secretary at the address above.

### **24 Subsequent events**

On 30 January, the World Health Organisation (WHO) announced Coronavirus as a global health emergency. On 11 March 2020, it announced that Coronavirus was a global pandemic. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact.

All of the Group's facilities, including the Company, have implemented personal protection measures, including additional hygiene and social distancing, building on the lessons learned from the initial experiences of the Group's Chinese facilities through January, February and March. The Group's operations continued to design and manufacture products to meet the critical needs of our customers in medical, aerospace and defence markets including requirements for equipment to support front line medical operations.

To date, disruption to the Company's trading performance from COVID-19 has been relatively modest. The possibility of a second wave and therefore the full year impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

On 3 June 2020 it was announced that the site would be closed with the core business being transferred to another TT Electronics plc site. Operations are expected to continue at the location for a further 18 months, to allow completion of customers' final orders and undertake production line transfers.

### **25 Accounting estimates and judgements**

There are no accounting estimates or judgements made by the directors in the application of these accounting policies that have had a material impact on the financial statements.