

PRECI-SPARK LIMITED
STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

Menzies LLP
Chartered Accountants and Statutory Auditors
Richmond House
Walkern Road
Stevenage
Hertfordshire
SG1 3QP

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FOR THE YEAR ENDED 31ST DECEMBER 2022

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PRECI-SPARK LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2022

Directors:	D L Jones V H Jones D W Jones G D Jones W H Jones P D Jones G D G Jones M V Jones M H Jones
Secretary:	D L Jones
Registered office:	Chapel Street Syston Leicester Leicestershire LE7 1HN
Registered number:	00661746 (England and Wales)
Auditors:	Menzies LLP Chartered Accountants and Statutory Auditors Richmond House Walkern Road Stevenage Hertfordshire SG1 3QP

**STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2022**

The directors present their strategic report for the year ended 31st December 2022.

Review of business

Preci-Spark Limited is a leading European contract manufacturer for the high-end technology industries delivering manufacturing solutions to the global marketplace. Established in 1960 the company employs over 400 people across 6 manufacturing facilities in the United Kingdom.

As a process based manufacturing specialist, Preci-Spark Limited delivers an array of components, complex fabrications and assemblies to the Aerospace and Industrial markets. The company has an extensive portfolio of in-house processing capabilities allowing greater production control, accelerated lead times and reduced costs.

Being customer focussed in all activities, Preci-Spark Limited embraces the requirements defined in AS9100 Revision D. The company is committed to maintaining a Quality Management System of the highest possible standard.

The company's NADCAP approved processes include vacuum brazing, heat treatment, electro-discharge machining, laser machining, welding and non-destructive testing.

Overall, the combined company revenue has increased by 33% in the current year compared to a decrease of 4% in the prior year. The increase in revenue was as a direct result of the ending of the restrictions linked to the COVID-19 pandemic and the severe impact on the aerospace sector. This year has seen a resurgence in the core market, returning to similar levels to 2018. The company had a positive start to the current year and the order book for the coming financial year remains strong.

Despite the increase in revenues, the company continues to be impacted by ongoing supply chain disruption as the global economy continues to emerge from the restrictions imposed following the outbreak of Covid 19, combined with the challenges faced from the war in Ukraine. There continues to be severe shortages in the UK labour market, especially skilled engineers which limits the rate that the company can continue to expand. In the face of the labour market pressures, the company increased the average headcount by 12% compared to the previous year and seeks further expansion in the coming year.

Despite these challenges, the directors have developed new markets and continued to invest in plant and machinery as they strive for greater efficiencies in the post pandemic environment.

The impact of the investment in production efficiencies and the expansion of revenues generated from new markets can be seen in the recovery of the gross profit margin which has been maintained at 24% despite inflationary pressures on the cost of materials and labour.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2022**

Principal risks and uncertainties

The company faces a number of risks and uncertainties following the UK decision to "Brexit", the aftermath of the COVID-19 pandemic and the ongoing war in Ukraine. The World's largest producing economies are still not yet at full speed with production and the supply chain disruption is expected to continue in the coming year. The consequences of Brexit has undoubtedly created some friction for international trade, but the most evident point is the severe shortage in the labour market. A significant number of European migrant employees returned to their home countries during the pandemic and have not returned. Labour shortages and the current skills gap in the engineering sector present some of the biggest challenges that the business will face in the coming years.

The directors are reviewing strategies to mitigate these risks which include trade tariffs, foreign exchange risks and export customer uncertainties, supply chain disruption together with liquidity and retention and recruitment of key personnel.

Despite these uncertainties, the company is well positioned, financially robust and has a broad global customer base that means its services will continue to be in demand in the future.

In addition, the directors consider price inflation as a key risk in the coming year as a result of ongoing central bank policies designed to curb inflation. Rising interest rates and access to capital is likely to lead to liquidity issues in the wider economy, particularly among customers and suppliers who will be facing their own challenges. Supply chain disruption is also not expected to ease in the short to medium term, however the directors have implemented strategies to ensure that stock shortages are eliminated as far as possible.

Section 172(1) statement

The Company is committed to a continuous dialogue with stakeholders as it believes that this is essential to ensure a greater understanding of and confidence amongst its stakeholders in the medium and longer term strategy of the company and in the Board's ability to oversee its implementation. It is the responsibility of the Board as a whole to ensure that a satisfactory dialogue takes place.

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Board is committed to understanding and engaging with all key stakeholder groups of the Company in order to maximise value and promote long-term Company success in line with our strategic objectives. The Board recognises its duties under Section 172 and continuously has regard to how the Company's activities and decisions will impact employees, those with which it has a business relationship, the community and environment and its reputation for high standards of business conduct. In weighing all of the relevant factors, the Board, acting in good faith and fairly between members, makes decisions and takes actions that it considers will best lead to the long-term success of the Company.

During the year, the Board assessed its current activities between the Board and its stakeholders, which demonstrated that the Board actively engages with its stakeholders and takes their various objectives into consideration when making decisions. Specifically, actions the Board has taken to engage with its stakeholders in 2020 include: -

- Arranged meetings with certain stakeholders to provide them with updates on the Company's activities and other general corporate updates;
- Evaluated the relationships with the Company's various collaborators through management and identified ways to strengthen relationships and arrangements with key collaborations; and
- Monitored company culture and engaged with employees on efforts to continuously improve company culture and morale.

STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2022

Section 172(1) statement

The Board believes that appropriate steps and considerations have been taken during the year so that each Director has an understanding of the various key stakeholders of the Company. The Board recognises its responsibility to contemplate all such stakeholder needs and concerns as part of its discussions, decision-making and in the course of taking actions, and will continue to make stakeholder engagement a top priority in the coming years.

The company's web site at www.preci-spark.co.uk is the primary source of information on the company. The website includes an overview of the activities of the company and other relevant information.

Research and development

The company is continuing to undertake research and development to improve and develop new products and manufacturing processes. This will facilitate the company entering into new markets, further expand the customer base and ensure margins are maintained through production efficiencies.

Future developments

The directors anticipate that the business environment will continue to be challenging given the impact of inflation, labour shortages, supply chain disruption and the ongoing war in Ukraine. The business sectors that were directly affected by the pandemic, which include aerospace, are seeing signs of recovery, however it is widely expected that this sector will take at least 2 to 3 years to fully recover. The impact that was caused to the aerospace sector has a direct impact on the company given its focus on this sector. As restrictions continue to be lifted globally, the directors anticipate demand returning in the coming years, however this may be offset to some extent by the rising costs associated with domestic and international travel. The aerospace sector continue to invest in "greener" technology which will hope to reduce reliance on fossil fuels and at the same time maintain the affordability of air travel.

With the company having a strong balance sheet and positive cash reserves, the directors consider the business robust enough to withstand this current economic turbulence. In addition, the directors feel that the existing risk mitigation strategies, which have been developed as a result of the COVID-19 pandemic, will be adequate in dealing with any new risks that may arise.

Despite these challenges, the environment is expected to remain competitive and the directors believe that the company is in a good position to continue to operate through their ongoing investment in innovative production and manufacturing techniques achieved by employment of the most cutting edge technology and a highly skilled and dedicated workforce.

The directors remain committed to an ongoing programme of capital expenditure and continued focus on quality assurance and on time delivery to ensure that they provide first class products to customers in conjunction with exploring new markets, including the medical and robotic technology sectors.

On behalf of the board:

V H Jones - Director

16th August 2023

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2022**

The directors present their report with the financial statements of the company for the year ended 31st December 2022.

Dividends

No dividends will be distributed for the year ended 31st December 2022.

Directors

The directors shown below have held office during the whole of the period from 1st January 2022 to the date of this report.

D L Jones
V H Jones
D W Jones
G D Jones
W H Jones
P D Jones
G D G Jones
M V Jones
M H Jones

Financial instruments

The company's operations expose it to a variety of financial risks that include the changes in debt market prices, credit risk, liquidity risk, interest rate risk and foreign exchange rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring the levels of debt finance and the related costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Employment policy

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial performance of the company as a whole. Communication with all employees continues through the works committee and published minutes.

The above summaries the director's ongoing engagement in employee interests and they have considered this in making their principal decisions in the year.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2022

Suppliers, customers and others in a business relationship

Throughout the year, the directors have had due regard to the need to foster appropriate business relationships with the companies suppliers and customers, along with other parties involved in the operation of the business.

The above summaries the director's ongoing engagement in such relationships and they have considered this in making their principal decisions in the year.

Streamlined energy and carbon reporting

Summary:

Preci-Spark Limited's greenhouse gas emissions, reportable under SECR in 2022 were 2,276 tonnes CO₂e.

These include the emissions associated with electricity and natural gas consumption, gas oil, and business travel in company and private vehicles by employees. Preci-Spark Ltd.'s greenhouse gas emissions were 6% lower than in 2021. The intensity of 68.83 tonnes CO₂e per £m revenue is 28% lower than 2021.

Greenhouse gas emissions:

Table 1 Greenhouse gas emissions by year (tonnes CO₂e)

Emissions Source	2021	2022	Share(%)	YoY variance(%)
Fuel combustion: stationary	209	155	7%	-26%
Purchased electricity	2,134	2,019	89%	-5%
Fuel combustion: transport	90	101	4%	12%
Total emissions (tCO₂e)	2,433	2,276	100%	-6%
Revenue (£m)	25.44	33.06		30%
Intensity: (tCO₂e per £m)	95.64	95.64		-28%

Table 2 Greenhouse gas emissions by scope (tonnes CO₂e)

Emissions Source	2021	2022	Share(%)	YoY variance(%)
Scope 1	285	234	10%	-18%
Scope 2	1,960	1,850	81%	-6%
Scope 3	188	192	8%	2%
Total emissions (tCO₂e)	2,433	2,276	100%	-6%

Scope 1: Natural gas, gas oil, and company-operated transport. Scope 2: Electricity. Scope 3: Business travel in privately-owned vehicles, and losses from electricity distribution and transmission. This only includes emissions reportable under SECR and may not reflect the entire carbon footprint of the organisation.

Energy consumption:

Table 3 Energy consumption by year (kWh)

Emissions Source	2021	2022	Share(%)	YoY variance(%)
Natural gas	1,139,368	849,524	8%	-25%
Gas oil	215	213	<1%	-1%
Electricity	9,234,241	9,565,972	88%	4%
Transport fuel	364,631	408,514	4%	12%
Total consumption (kWh)	10,738,455	10,824,223	100%	1%

Boundary, methodology and exclusions:

An 'operational control' approach has been used to define the Greenhouse Gas emissions boundary (see note 1 below).

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2022**

This approach captures emissions associated with the operation of all buildings such as warehouses, offices, and manufacturing sites plus company-operated and privately-owned transport. This report covers UK operations only, as required by SECR for Non-Quoted Large Companies.

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019.

Emissions have been calculated using the latest conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

The reporting period is January 2022 to December 2022, as per the financial accounts.

Note 1 - An operational control approach to GHG emissions boundary is defined as: "Your organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation".

Energy efficiency initiatives:

Ongoing project of replacing all factory and office lighting with low energy LED lighting. Feasibility studies for solar projects at the Franks Road and Falcon Street sites.

Disclosure in the strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and research and development.

POST BALANCE SHEET EVENTS

There are no matters to report as post balance sheet events.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Report of the directors and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards 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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2022

Statement of directors' responsibilities - continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Menzies LLP, are deemed to be reappointed in accordance with Section 487(2) of the Companies Act 2006.

On behalf of the board:

V H Jones - Director

16th August 2023

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PRECI-SPARK LIMITED**

Opinion

We have audited the financial statements of Preci-Spark Limited (the 'company') for the year ended 31st December 2022 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and Notes to the statement of cash flows, Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic report and the Report of the directors, but does not include the financial statements and our Report of the auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PRECI-SPARK LIMITED**

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Report of the directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Report of the directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on pages seven and eight, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PRECI-SPARK LIMITED**

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 a Report of the auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory framework applicable to the company and the sector in which they operate. We determined that the following laws and regulations were most significant: the Companies Act 2006 and UK corporate taxation laws.
- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries to the management. We corroborated our inquiries through our review of board minutes and papers provided by those charged with governance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team include:
 - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
 - challenging assumptions and judgments made by management in its significant accounting estimates;
 - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
 - assessing the extent of compliance with the relevant laws and regulations.
- We have reviewed the financial statements and considered whether they are consistent with our understanding of the entity or indicate a previously unrecognised risk of material misstatement that could be due to fraud.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PRECI-SPARK LIMITED**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the auditors 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.

M R Hubbocks FCA (Senior Statutory Auditor)
for and on behalf of Menzies LLP
Chartered Accountants and Statutory Auditors
Richmond House
Walkern Road
Stevenage
Hertfordshire
SG1 3QP

16th August 2023

**STATEMENT OF COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Notes	2022 £	2021 £
REVENUE	4	33,056,603	24,819,186
Cost of sales		<u>(24,981,813)</u>	<u>(18,817,359)</u>
GROSS PROFIT		8,074,790	6,001,827
Distribution costs		(115,900)	(112,453)
Administrative expenses		<u>(6,999,601)</u>	<u>(6,094,294)</u>
		959,289	(204,920)
Other operating income		23,250	203,205
OPERATING PROFIT/(LOSS)		982,539	(1,715)
Interest receivable and similar income	7	3,680	3,501
PROFIT BEFORE TAXATION	8	986,219	1,786
Tax on profit	9	(70,179)	380,006
PROFIT FOR THE FINANCIAL YEAR		916,040	381,792
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		916,040	381,792

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
31ST DECEMBER 2022

	Notes	2022 £	2021 £
FIXED ASSETS			
Property, plant and equipment	10	4,102,074	4,039,863
CURRENT ASSETS			
Inventories	11	9,173,423	5,633,702
Debtors	12	7,011,483	5,258,437
Cash at bank and in hand		5,216,844	6,170,649
		<u>21,401,750</u>	<u>17,062,788</u>
CREDITORS			
Amounts falling due within one year	13	<u>(6,631,112)</u>	<u>(3,145,979)</u>
NET CURRENT ASSETS		<u>14,770,638</u>	<u>13,916,809</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,872,712</u>	<u>17,956,672</u>
CAPITAL AND RESERVES			
Called up share capital	16	50,000	50,000
Revaluation reserve	17	377,438	382,739
Retained earnings	17	18,445,274	17,523,933
SHAREHOLDERS' FUNDS		<u>18,872,712</u>	<u>17,956,672</u>

The financial statements were approved by the Board of Directors and authorised for issue on 16th August 2023 and were signed on its behalf by:

D W Jones - Director

G D Jones - Director

V H Jones - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2022

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1st January 2021	50,000	17,136,840	388,040	17,574,880
Changes in equity				
Total comprehensive income	-	387,093	(5,301)	381,792
Balance at 31st December 2021	50,000	17,523,933	382,739	17,956,672
Changes in equity				
Total comprehensive income	-	921,341	(5,301)	916,040
Balance at 31st December 2022	50,000	18,445,274	377,438	18,872,712

The notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2022

		2022	2021
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	474,193	(288,681)
Tax paid		-	(88,000)
Taxation refund		-	205,759
Net cash from operating activities		<u>474,193</u>	<u>(170,922)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(1,184,111)	(310,168)
Sale of tangible fixed assets		30,000	63,278
Interest received		3,680	3,501
Net cash from investing activities		<u>(1,150,431)</u>	<u>(243,389)</u>
Cash flows from financing activities			
Loans from directors		(277,567)	(206,215)
Net cash from financing activities		<u>(277,567)</u>	<u>(206,215)</u>
Decrease in cash and cash equivalents		<u>(953,805)</u>	<u>(620,526)</u>
Cash and cash equivalents at beginning of year	2	6,170,649	6,791,175
Cash and cash equivalents at end of year	2	<u>5,216,844</u>	<u>6,170,649</u>

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2022

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2022	2021
	£	£
Profit before taxation	986,219	1,786
Depreciation charges	1,121,900	940,877
Profit on disposal of fixed assets	(30,000)	(43,643)
Finance income	(3,680)	(3,501)
	<u>2,074,439</u>	<u>895,519</u>
Increase in inventories	(3,539,721)	(536,356)
Increase in trade and other debtors	(1,823,225)	(20,553)
Increase/(decrease) in trade and other creditors	3,762,700	(627,291)
Cash generated from operations	<u><u>474,193</u></u>	<u><u>(288,681)</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of cash flows in respect of cash and cash equivalents are in respect of these Statement of financial position amounts:

Year ended 31st December 2022

	31.12.22	1.1.22
	£	£
Cash and cash equivalents	<u>5,216,844</u>	<u>6,170,649</u>

Year ended 31st December 2021

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	<u>6,170,649</u>	<u>6,791,175</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.22	Cash flow	At 31.12.22
	£	£	£
Net cash			
Cash at bank and in hand	<u>6,170,649</u>	<u>(953,805)</u>	<u>5,216,844</u>
	<u>6,170,649</u>	<u>(953,805)</u>	<u>5,216,844</u>
Total	<u><u>6,170,649</u></u>	<u><u>(953,805)</u></u>	<u><u>5,216,844</u></u>

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022

1. **STATUTORY INFORMATION**

Preci-Spark Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. **STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention.

Significant judgements and estimates

In the application of the company's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

Useful economic life of tangible assets:

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets.

Revenue

Revenue represents the total invoice value, excluding value added tax, trade discounts and all other taxes of sales made during the year.

Revenue recognition

Revenue is recognised when goods have been delivered and services supplied to customers such that risks and rewards of ownership have transferred to them.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022

3. ACCOUNTING POLICIES - continued

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Land and buildings	- 50 years straight line
Plant and machinery	- 20% on cost and 10% on cost
Fixtures and fittings	- 20% on cost and 10% on cost
Motor vehicles	- 50% on cost and 20% on cost

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets.

Land and buildings were professionally valued in the year to 31st December 2013 by James Blenkin & Partners, Chartered Surveyors, at open market value. The company adopted the transition exemption under FRS 102 paragraph 35.10(d) and has elected to use previous revaluation as deemed cost.

Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

Financial instruments

Basic financial instruments are recognised at amortised cost, except for investments in non-conversable preference and non-puttable ordinary shares which are measured at fair value, with changes recognised in the income statement. Derivative financial instruments are initially recognised at cost and thereafter at fair value with changes recognised in the income statement.

Current tax

Tax for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred tax assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022

3. **ACCOUNTING POLICIES - continued**

Deferred tax

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leasing commitments

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Government grants

Government revenue grants are recognised in the income statement in the period the related costs are incurred by the entity for which the grant is intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022

4. REVENUE

The revenue and profit before taxation are attributable to the one principal activity of the company.

An analysis of revenue by geographical market is given below:

	2022	2021
	£	£
United Kingdom	12,718,358	12,217,506
Europe	11,102,775	6,461,901
Far East	2,336,196	1,400,549
North America	6,899,274	4,739,230
	<u>33,056,603</u>	<u>24,819,186</u>

5. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	17,865,299	14,253,820
Social security costs	461,693	409,121
Other pension costs	551,003	398,173
	<u>18,877,995</u>	<u>15,061,114</u>

The average number of employees during the year was as follows:

	2022	2021
Office and administration	28	28
Production and manufacture	378	336
	<u>406</u>	<u>364</u>

6. DIRECTORS' EMOLUMENTS

	2022	2021
	£	£
Directors' remuneration	<u>3,383,169</u>	<u>3,208,679</u>

Information regarding the highest paid director is as follows:

	2022	2021
	£	£
Emoluments etc	<u>691,946</u>	<u>613,068</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£	£
Interest received	<u>3,680</u>	<u>3,501</u>

8. PROFIT BEFORE TAXATION

The profit is stated after charging/(crediting):

	2022	2021
	£	£
Hire of plant and machinery	936	7,607
Other operating leases	62,892	24,811
Depreciation - owned assets	1,121,900	940,877
Profit on disposal of fixed assets	(30,000)	(43,643)
Auditors' remuneration	25,000	25,000
Research and development	681,424	458,256
Net foreign exchange loss	<u>(94,186)</u>	<u>7,353</u>

9. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit for the year was as follows:

	2022	2021
	£	£
Current tax:		
Prior year adjustment	-	(306,560)
Deferred tax	<u>70,179</u>	<u>(73,446)</u>
Tax on profit	<u>70,179</u>	<u>(380,006)</u>

UK corporation tax has been charged at 19% (2021 - 19%).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022

9. TAXATION - continued

Reconciliation of total tax charge/(credit) included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2022 £	2021 £
Profit before tax	<u>986,219</u>	<u>1,786</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	187,382	339
Effects of:		
Expenses not deductible for tax purposes	6,207	6,708
Income not taxable for tax purposes	(7,980)	-
Capital allowances in excess of depreciation	(173,232)	(5,057)
Utilisation of tax losses	(12,377)	(1,990)
Adjustments to tax charge in respect of previous periods	-	(306,560)
Deferred tax	<u>70,179</u>	<u>(73,446)</u>
Total tax charge/(credit)	<u>70,179</u>	<u>(380,006)</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £	Plant and machinery £	Fixtures and fittings £
Cost			
At 1st January 2022	1,884,187	38,527,807	973,136
Additions	-	952,337	25,651
Disposals	-	-	-
At 31st December 2022	<u>1,884,187</u>	<u>39,480,144</u>	<u>998,787</u>
Depreciation			
At 1st January 2022	181,854	36,366,935	969,870
Charge for year	18,140	945,758	8,396
Eliminated on disposal	-	-	-
At 31st December 2022	<u>199,994</u>	<u>37,312,693</u>	<u>978,266</u>
Net book value			
At 31st December 2022	<u>1,684,193</u>	<u>2,167,451</u>	<u>20,521</u>
At 31st December 2021	<u>1,702,333</u>	<u>2,160,872</u>	<u>3,266</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022

10. PROPERTY, PLANT AND EQUIPMENT - continued

	Motor vehicles £	Computer equipment £	Totals £
Cost			
At 1st January 2022	994,754	-	42,379,884
Additions	159,351	46,772	1,184,111
Disposals	(99,450)	-	(99,450)
At 31st December 2022	<u>1,054,655</u>	<u>46,772</u>	<u>43,464,545</u>
Depreciation			
At 1st January 2022	821,362	-	38,340,021
Charge for year	134,015	15,591	1,121,900
Eliminated on disposal	(99,450)	-	(99,450)
At 31st December 2022	<u>855,927</u>	<u>15,591</u>	<u>39,362,471</u>
Net book value			
At 31st December 2022	<u>198,728</u>	<u>31,181</u>	<u>4,102,074</u>
At 31st December 2021	<u>173,392</u>	<u>-</u>	<u>4,039,863</u>

Included in cost of land and buildings is freehold land of £ 977,276 (2021 - £ 977,276) which is not depreciated.

Land and buildings is comprised wholly of freehold land and buildings.

11. INVENTORIES

	2022 £	2021 £
Raw materials	4,581,465	2,112,303
Other stocks	122,000	80,000
Work-in-progress	4,469,958	3,441,399
	<u>9,173,423</u>	<u>5,633,702</u>

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Trade receivables	6,389,775	4,590,160
Deferred tax asset	304,196	374,375
Prepayments and accrued income	317,512	293,902
	<u>7,011,483</u>	<u>5,258,437</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022

12. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued**

Deferred tax asset	2022	2021
	£	£
Accelerated capital allowances	218,146	292,426
Tax losses carried forward	86,050	81,949
	<u>304,196</u>	<u>374,375</u>

13. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2022	2021
	£	£
Trade payables	2,454,395	1,359,073
Social security and other taxes	572,432	379,241
VAT	8,434	209,453
Other creditors	37,681	72,279
Directors' loan accounts	178,426	455,993
Accruals and deferred income	3,379,744	669,940
	<u>6,631,112</u>	<u>3,145,979</u>

14. **LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2022	2021
	£	£
Within one year	241,968	174,949
Between one and five years	551,396	516,515
	<u>793,364</u>	<u>691,464</u>

The operating leases in place relate to land and buildings and motor vehicles.

15. **DEFERRED TAX**

Balance at 1st January 2022	£
	(374,375)
Charge to Statement of comprehensive income during year	70,179
Balance at 31st December 2022	<u>(304,196)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022	2021
			£	£
50,000	Ordinary shares	£1	<u>50,000</u>	<u>50,000</u>

17. RESERVES

	Retained earnings	Revaluation reserve	Totals
	£	£	£
At 1st January 2022	17,523,933	382,739	17,906,672
Profit for the year	916,040		916,040
Unrealised movement on revaluation of property	5,301	(5,301)	-
At 31st December 2022	<u>18,445,274</u>	<u>377,438</u>	<u>18,822,712</u>

The revaluation reserve balance has arisen from historical valuation of freehold property permitted under the previous financial reporting framework applied.

18. CAPITAL COMMITMENTS

	2022	2021
	£	£
Contracted but not provided for in the financial statements	<u>321,613</u>	<u>-</u>

19. RELATED PARTY DISCLOSURES

At the year end an amount of £178,426 (2021 - £455,993) was loaned to the company by the directors.

During the year the company paid rent amounting to £311,825 (2021 - £311,825) in respect of land and buildings owned by the Preci-Spark Limited Self Administered Pension Scheme, in which the directors are beneficiaries.

These transactions are considered to be at arm's length.

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