
ETL SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2024

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ETL SYSTEMS LIMITED

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ETL SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2024

Introduction

The Directors present the Strategic Report of ETL Systems Limited for the year ended 31 May 2024.

Principal activity

The principal activity of the company is the manufacture of communication equipment other than telegraph, and telephone apparatus and equipment.

Business review

The business has progressed in line with original projections.

The Directors believe that the nature of the business is sufficiently straightforward so as not to require the use of other key performance indicators.

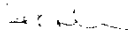
Principal risks and uncertainties

As a significant proportion of the Group's turnover is derived from overseas markets, much focus is placed on ensuring that appropriate risk management strategies are in place in order to contain the downside risk associated with exchange rate fluctuations.

Similarly, credit control procedures are stringently adhered to in order to minimise the risks associated therewith in view of the fact that a large proportion of sales are of a custom-build nature.

The Company's cash flow and liquidity positions remain healthy, and these are continuously monitored and reported on to ensure that this remains the case.

This report was approved by the board and signed on its behalf.


Mr P C Stephens
Director

Date: 30/09/2024

ETL SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2024

The directors present their report and the financial statements for the year ended 31 May 2024.

Results and dividends

The profit for the year, after taxation, amounted to £7,364,112 (2023 - £7,014,537).

Directors

The directors who served during the year were:

Mr J G Hilditch
Dr E Bayar
Mr P C Stephens
Mr K L Dunne

Research and development activities

The Group undertakes research and development, using existing staff. In the opinion of the directors, continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth.

Disclosure of information to auditors


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

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

Auditors

The auditors, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Mr P C Stephens
Director

Date: 30/09/2024

ETL SYSTEMS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MAY 2024**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ETL SYSTEMS LIMITED

Opinion

We have audited the financial statements of ETL Systems Limited (the 'company') for the year ended 31 May 2024 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 31 May 2024 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 Auditor's 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.

ETL SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ETL SYSTEMS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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 directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

ETL SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ETL SYSTEMS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the company's industry and regulation.

We understand that the company complies with the framework through subscribing to relevant updates from external experts, and making changes to internal procedures and controls as necessary.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the company's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key areas identified in this discussion were the risk of manipulation of the financial statements through manual journal entries and the incorrect recognition of revenue. These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Testing of a sample of revenue transactions to underlying documentation; and
- Testing of a sample of manual journal entries, selected through applying specific risk assessments based on the company's processes and controls surrounding manual journal entries.

Overall, the senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities.

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

ETL SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ETL SYSTEMS LIMITED (CONTINUED)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Carl Deane

Carl Deane (Sep 30, 2024 16:56 GMT+1)

Carl Deane (Senior Statutory Auditor)

for and on behalf of

CLA Evelyn Partners Limited

Chartered Accountants
Statutory Auditors

Portwall Place
Portwall Lane
Bristol
BS1 6NA

Date: 30/09/2024

ETL SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2024

	Note	2024 £	2023 £
Turnover	4	29,016,593	27,076,730
Cost of sales		(11,687,257)	(11,259,473)
Gross profit		17,329,336	15,817,257
Administrative expenses		(13,288,105)	(10,805,450)
Other operating income	5	2,769,551	2,825,511
Operating profit	6	6,810,782	7,837,318
Interest receivable and similar income		129,069	76,475
Profit before tax		6,939,851	7,913,793
Tax on profit	10	424,261	(899,256)
Profit for the financial year		7,364,112	7,014,537

There were no recognised gains and losses for 2024 or 2023 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2024 (2023:£NIL).

The notes on pages 12 to 30 form part of these financial statements.

ETL SYSTEMS LIMITED
REGISTERED NUMBER:04679225

BALANCE SHEET
AS AT 31 MAY 2024

	Note	2024 £	2023 £
Fixed assets			
Intangible assets	11	3,705,673	2,886,075
Tangible assets	12	6,470,397	6,147,725
Investments		629	629
		<u>10,176,699</u>	<u>9,034,429</u>
Current assets			
Stocks	14	5,876,711	6,292,219
Debtors: amounts falling due within one year	15	18,313,430	10,975,285
Current asset investments	16	1,317,690	863,647
Cash at bank and in hand	17	5,396,227	6,519,742
		<u>30,904,058</u>	<u>24,650,893</u>
Creditors: amounts falling due within one year	18	<u>(3,600,197)</u>	<u>(3,948,208)</u>
Net current assets		<u>27,303,861</u>	<u>20,702,685</u>
Total assets less current liabilities		<u>37,480,560</u>	<u>29,737,114</u>
Provisions for liabilities			
Deferred Taxation		(1,632,060)	(1,252,726)
Net assets		<u><u>35,848,500</u></u>	<u><u>28,484,388</u></u>
Capital and reserves			
Called up share capital	21	210,750	210,750
Share premium account	22	147,301	147,301
Merger reserve	22	(634,214)	(634,214)
Profit and loss account	22	36,124,663	28,760,551
		<u>35,848,500</u>	<u>28,484,388</u>

ETL SYSTEMS LIMITED
REGISTERED NUMBER:04679225

BALANCE SHEET (CONTINUED)
AS AT 31 MAY 2024

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



Mr K L Dunne
Director

Date: 30/09/2024

The notes on pages 12 to 30 form part of these financial statements.

ETL SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2024

	Called up share capital £	Share premium account £	Merger reserve £	Profit and loss account £	Total equity £
At 1 June 2022	210,750	147,301	(634,214)	21,746,014	21,469,851
Profit for the year	-	-	-	7,014,537	7,014,537
At 1 June 2023	<u>210,750</u>	<u>147,301</u>	<u>(634,214)</u>	<u>28,760,551</u>	<u>28,484,388</u>
Profit for the year	-	-	-	7,364,112	7,364,112
At 31 May 2024	<u><u>210,750</u></u>	<u><u>147,301</u></u>	<u><u>(634,214)</u></u>	<u><u>36,124,663</u></u>	<u><u>35,848,500</u></u>

The notes on pages 12 to 30 form part of these financial statements.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2024

1. General information

ETL Systems Limited is a private company limited by shares and incorporated in England and Wales. The address of the registered office is Coldwell Radio Station, Madley, Hereford, Herefordshire, HR2 9NE.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Eagle Topco Limited as at 31 May 2024 and these financial statements may be obtained from 3rd Floor, 44 Esplanade, St. Helier, Jersey, JE4 9WG.

The consolidated financial statements may also be obtained from the parent company, ETL Midco Limited, at Coldwell Radio Station, Kingstone, Hereford, England, HR2 9NE.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of a state other than the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2024

2. Accounting policies (continued)

2.4 Going concern

The directors are confident that the Company and the Group have adequate resources to continue in operation for at least 12 months from the date of signing, and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2024

2. Accounting policies (continued)

2.8 Warranty cost accrual

Anticipated costs to be incurred in respect of servicing the standard warranty provided on product sales are estimated and accrued for at each period end.

2.9 Grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to *expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates*. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.10 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2024

2. Accounting policies (continued)

2.12 Current and deferred taxation

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

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

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

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

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

2.13 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Research and development expenditure is capitalised in the year it is incurred when relating to long term projects. It is then amortised over the expected period of sale, but no more than four years.

Other research and development expenditure is written off in the year it is incurred.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2024

2. Accounting policies (continued)

2.14 Tangible fixed assets

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

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2% straight line (land - 0%)
Plant & machinery	-	16.67% straight line
Motor vehicles	-	25% straight line
Fixtures & fittings	-	16.67% straight line
Office equipment	-	12.5-33.3% straight line
Other fixed assets	-	33.3% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.15 Impairment of fixed assets and goodwill

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

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, with cost determined using the first-in, first-out basis. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2024

2. Accounting policies (continued)

2.18 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

2.19 Financial instruments

Financial instruments are recognised in the Company's Balance Sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Other financial assets

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2024

2. Accounting policies (continued)

2.19 Financial instruments (continued)

recognised. The impairment reversal is recognised in the profit or loss.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after the deduction of all its liabilities.

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Derecognition of financial instruments

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Company will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024**

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

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The areas where the most judgement is required are highlighted below:

Stock Valuation

Stock is valued at the lower of cost and net realisable value. Where stock is considered to be impaired, it is written down to net realisable value which requires management to make an assessment of the projected retail value of that item together with the costs expected to be incurred in achieving the sale.

Development costs

Development expenditure is capitalised in the year it is incurred when relating to long term projects. It is then amortised over the expected period of sale, but over no more than four years. Other research and development expenditure is written off in the year it is incurred.

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2024 £	2023 £
United Kingdom	2,804,555	3,871,303
Rest of World	26,212,038	23,205,427
	<u>29,016,593</u>	<u>27,076,730</u>

5. Other operating income

	2024 £	2023 £
Other operating income	2,422,171	2,476,808
Grants receivable	347,380	348,703
	<u>2,769,551</u>	<u>2,825,511</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024**

6. Operating profit

The operating profit is stated after charging:

	2024	2023
	£	£
Research & development charged as an expense	(943,556)	(689,244)
Depreciation of tangible fixed assets	848,774	833,994
Amortisation of intangible assets	876,017	266,482
(Profit)/loss on disposal of tangible fixed assets	3,832	-
Exchange differences	476,861	(191,124)
Other operating lease rentals	213,708	205,542
Defined contribution pension cost	357,581	305,245
	<u>357,581</u>	<u>305,245</u>

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

	2024	2023
	£	£
Fees payable to the Company's auditors for the audit of the Company's financial statements	35,000	32,500
	<u>35,000</u>	<u>32,500</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024**

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2024	2023
	£	£
Wages and salaries	9,568,084	8,033,654
Social security costs	873,985	812,520
Cost of defined contribution pension scheme	357,581	305,245
	<u>10,799,650</u>	<u>9,151,419</u>

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

	2024	2023
	No.	No.
Production	113	115
Distribution	15	13
Administration	46	32
	<u>174</u>	<u>160</u>

9. Directors' remuneration

	2024	2023
	£	£
Directors' emoluments	1,097,367	878,667
Company contributions to defined contribution pension schemes	30,731	22,600
	<u>1,128,098</u>	<u>901,267</u>

During the year retirement benefits were accruing to 4 directors (2023 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £393,936 (2023 - £266,006).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,844 (2023 - £4,182).

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024

10. Taxation

	2024 £	2023 £
Corporation tax		
Current tax on profits for the year	-	640,566
Adjustments in respect of previous periods	(803,595)	174,759
	<u>(803,595)</u>	<u>815,325</u>
Total current tax	<u>(803,595)</u>	<u>815,325</u>
Deferred tax		
Origination and reversal of timing differences	313,500	81,946
Adjustment in respect of prior periods	65,834	1,985
	<u>379,334</u>	<u>83,931</u>
Total deferred tax	<u>379,334</u>	<u>83,931</u>
Tax on profit	<u>(424,261)</u>	<u>899,256</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024**

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2023 - *lower than*) the standard rate of corporation tax in the UK of 25% (2023 - 20%). The differences are explained below:

	2024 £	2023 £
Profit on ordinary activities before tax	6,939,851	7,913,793
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023 - 20%)	1,734,963	1,582,759
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,419	2,565
Fixed asset differences	12,913	18,524
Adjustments to tax charge in respect of prior periods	(803,595)	176,960
Adjustments to tax charge in respect of prior periods - deferred tax	65,834	-
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	(623,248)	(178,987)
Additional deduction for R&D expenditure	(301,000)	(133,398)
R&D expenditure credits	-	19,763
Group relief	(512,547)	(506,511)
RDEC	-	(98,800)
Remeasurement of deferred tax for changes in tax rates	-	16,381
Total tax charge for the year	(424,261)	899,256

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024

11. Intangible assets

	Development expenditure £	Goodwill £	Total £
Cost			
At 1 June 2023	3,119,514	958,097	4,077,611
Additions	1,688,759	-	1,688,759
At 31 May 2024	<u>4,808,273</u>	<u>958,097</u>	<u>5,766,370</u>
Amortisation			
At 1 June 2023	923,283	268,253	1,191,536
Charge for the year on owned assets	179,317	10,301	189,618
Impairment charge	-	679,543	679,543
At 31 May 2024	<u>1,102,600</u>	<u>958,097</u>	<u>2,060,697</u>
Net book value			
At 31 May 2024	<u>3,705,673</u>	<u>-</u>	<u>3,705,673</u>
At 31 May 2023	<u>2,196,231</u>	<u>689,844</u>	<u>2,886,075</u>

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024

12. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £	Other fixed assets £	Total £
Cost or valuation							
At 1 June 2023	4,508,324	3,676,903	103,630	290,638	1,602,760	297,857	10,480,112
Additions	2,416	904,750	-	17,846	208,001	51,856	1,184,869
Disposals	(766)	(95,402)	-	(48,157)	(303,118)	(7,330)	(454,773)
At 31 May 2024	4,509,974	4,486,251	103,630	260,327	1,507,643	342,383	11,210,208
Depreciation							
At 1 June 2023	680,777	2,091,094	77,155	210,974	1,042,349	230,038	4,332,387
Charge for the year on owned assets	116,842	456,150	19,858	19,561	184,611	51,752	848,774
Disposals	-	(94,622)	-	(44,328)	(295,070)	(7,330)	(441,350)
At 31 May 2024	797,619	2,452,622	97,013	186,207	931,890	274,460	4,739,811
Net book value							
At 31 May 2024	3,712,355	2,033,629	6,617	74,120	575,753	67,923	6,470,397
At 31 May 2023	3,827,547	1,585,809	26,475	79,664	560,411	67,819	6,147,725

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024

13. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 June 2023	629
At 31 May 2024	<u>629</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
ETL Systems Inc	13873 Park Center Road, Suite 370, Herndon, VA 20171- 3223	Ordinary	100%

14. Stocks

	2024 £	2023 £
Raw materials and consumables	3,592,720	3,364,363
Work in progress (goods to be sold)	995,727	1,857,747
Finished goods and goods for resale	1,288,264	1,070,109
	<u>5,876,711</u>	<u>6,292,219</u>

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024

15. Debtors

	2024	2023
	£	£
Trade debtors	5,570,372	4,872,028
Amounts owed by group undertakings	10,882,711	5,196,257
Other debtors	344,976	291,811
Prepayments and accrued income	780,542	615,189
Tax recoverable	734,829	-
	<u>18,313,430</u>	<u>10,975,285</u>

16. Current asset investments

	2024	2023
	£	£
Listed investments	1,317,690	863,647
	<u>1,317,690</u>	<u>863,647</u>

All current asset investments are shares held in funds which are valued on a regular basis.

17. Cash and cash equivalents

	2024	2023
	£	£
Cash at bank and in hand	5,396,227	6,519,742
	<u>5,396,227</u>	<u>6,519,742</u>

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024

18. Creditors: Amounts falling due within one year

	2024 £	2023 £
Trade creditors	1,157,331	771,448
Corporation tax	-	543,096
Other taxation and social security	259,772	247,950
Other creditors	305,686	271,411
Accruals and deferred income	1,877,408	2,114,303
	<u>3,600,197</u>	<u>3,948,208</u>

19. Financial instruments

	2024 £	2023 £
Financial assets		
Cash and cash equivalents	5,396,227	6,519,742
Financial assets that are debt instruments measured at amortised cost	5,915,348	4,904,067
	<u>11,311,575</u>	<u>11,423,809</u>
Financial liabilities		
Financial liabilities at amortised cost	<u>(2,867,512)</u>	<u>(2,180,192)</u>

Financial assets comprise cash balances, trade and other debtors. Financial liabilities comprise accruals, trade and other creditors.

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024**

20. Deferred taxation

	2024 £
At beginning of year	(1,252,726)
Charged to profit or loss	(379,334)
At end of year	<u>(1,632,060)</u>

The provision for deferred taxation is made up as follows:

	2024 £	2023 £
Accelerated capital allowances	(1,642,884)	(1,274,912)
Timing differences	10,824	22,186
	<u>(1,632,060)</u>	<u>(1,252,726)</u>

21. Share capital

	2024 £	2023 £
Allotted, called up and fully paid		
201,300 (2023 - 201,300) Ordinary shares of £1.00 each	201,300	201,300
9,450 (2023 - 9,450) Ordinary B shares of £1.00 each	9,450	9,450
	<u>210,750</u>	<u>210,750</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2024**

22. Reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Merger Reserve

The merger reserve was created following the group reconstruction where assets and liabilities were hived up from a subsidiary company.

Profit & loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

23. Commitments under operating leases

At 31 May 2024 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2024 £	2023 £
Not later than 1 year	166,525	195,868
Later than 1 year and not later than 5 years	80,479	247,541
	<u>247,004</u>	<u>443,409</u>

24. Related party transactions

During the year the Company paid and received management charges to the parent company ETL Bidco Limited of £1,523,682 paid (2023: £1,036,227) and £1,385,165 received (2023: £942,024). The Company also received a management charge from its subsidiary company ETL Systems Inc of £1,037,006 (2023: £1,534,784).

25. Controlling party

The ultimate parent company is Eagle Topco Limited. Eagle Topco Limited is also the parent of both the smallest and largest groups which consolidate these financial statements. The financial statements of Eagle Topco Limited are available from the company's registered office.

There is no ultimate controlling party of the group.