Registered number: 03913109

SARCLAD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY INFORMATION

Directors	E A Roskovensky E H Stoeckel S H Meadows R S Cowlishaw
Company secretary	S H Meadows
Registered number	03913109
Registered office	Unit 3 - Evolution Advanced Manufacturing Park Whittle Way Rotherham South Yorkshire S60 5BL
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1 Holly Street Sheffield South Yorkshire S1 2GT
Bankers	HSBC Bank plc Market Place Chesterfield S40 1TN

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The company's principal activity is the development and assembly of high-technology surface conditioning and monitoring equipment for use in steel manufacturing and processing.

Business review

The results for the year are shown in the Statement of Comprehensive Income on page 10.

Principal risks and uncertainties

Competitor Risk
Competition from companies in Asia and North America can have an impact on the profitability of specific products. Technical innovation and maintaining a strong reputation are considered the best ways to respond to these risks.

The company aims to strengthen its market position by following a course of technical development programmes in support of its product range and to develop new products in complimentary markets. Strong relationships are formed with its leading customers by providing a high level of technical support and service.

Credit Risk
The company's principal financial assets are bank and cash balances and trade and other receivables. The company's credit risk is attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparts and customers. Appropriate trade terms are negotiated with suppliers and customers and management reviews these terms and the relationships with suppliers and customers and manages any exposure on normal trade terms. Debtors includes amounts recoverable on long term contracts. The timing of settlement of these amounts can vary, being dependent on a number of contractual phases subsequent to the delivery of machinery to site, including install, commissioning, and performance testing.

Interest Rate Risk
Amounts owed to related undertakings are held at fixed interest rates. As at 31 December 2022 the company had no interest bearing external debt.

Liquidity Risk
The directors consider that the company's banking facilities are adequate going forward.
The directors believe that, by keeping all the company's liquid assets in reputable financial institutions, they are minimising the risk of financial losses to the company.

Currency Risk
A large proportion of the company's sales are in foreign currency, predominantly US dollars and Euros, and amounts owed to related undertakings are denominated in US dollars. This creates currency risk through exposure to movements in exchange rates. Where it is considered to be beneficial the company takes out forward exchange contracts to manage the risk accordingly.

Brexit
Following the formal exit of the UK from the EU, the company has put in place necessary steps to enable it to continue to trade effectively with its customers and suppliers in the EU. The company will continue to monitor the implications of Brexit and take steps where possible to minimise the impact.

Principal risks and uncertainties (continued)

COVID-19
While management recognises that it will be necessary to continue to monitor the evolution of COVID-19, and respond to any changes and government guidelines accordingly, there is no current expectation of any material ongoing impact on the business activities from the pandemic.

Financial and other key performance indicators

Turnover has decreased by 27% in the year, reflecting the timing of projects and lower volumes in particular from China, as continued lockdowns and local economic drivers held back investment in capital equipment. The sales volume decrease together with foreign exchange fluctuations on long term intercompany debt balances totaling £1,038,121 led to a reduction in earnings, with the business generating an operating loss of £2,414,475 *(2021: operating profit of £593,188)*.

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

Richard Cowlishaw

R S Cowlishaw
Director

Date: 21 September 2023

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The loss for the year, after taxation, amounted to £2,614,490 *(2021: profit £448,689)*.

The directors do not recommend the payment of a dividend *(2021: £Nil)*.

Directors

The directors who served during the year were:

E A Roskovensky
E H Stoeckel
S H Meadows
R S Cowlishaw

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The company has obtained a letter of support from The Heico Companies LLC and from Heico Holding, Inc. confirming that they would not recall intercompany loans for at least 12 months from the date of approval of the financial statements if the company's forecasts indicated that it cannot afford repayments due, and that they will have the resources available to provide this financial support.

Based on the above, the directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that Sarclad Limited has sufficient resources and available facilities to continue in existence for the foreseeable future, including support from the parent company. The directors have reviewed forecasts for the period of at least 12 months after the date the financial statements are signed and for this reason the directors consider that the adoption of the going concern basis in preparing the financial statements is appropriate and do not consider that there are any material uncertainties that may cast significant doubt over the company's ability to operate as a going concern.

Future developments

We continue to invest in product development to maintain our position as the market leader in our key product areas and are enhancing our structures and processes to better identify and develop new products to support our longer term growth objectives.

Disclosure of information to auditor

The directors confirm that:

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

Auditor

The auditor, Grant Thornton UK LLP, 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.

R S Cowlishaw Richard Cowlishaw
Director

Date: 21 September 2023

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SARCLAD LIMITED

Opinion

We have audited the financial statements of Sarclad Limited (the 'company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and 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 31 December 2022 and of its loss 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the war in Ukraine, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analyzed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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 other information comprises the information included in the Strategic report and Directors' report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Strategic report and Director's report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is 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.

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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, 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.

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. 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 frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting frameworks (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the company operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to the health and safety, employee matters, data protection, environmental, and bribery and corruption practices.
- We understood how the company is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes and legal expenses.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by discussions with management to understand where management considered there is a susceptibility to fraud.
- Audit procedures performed by the engagement team included:
  - evaluation of the controls established to address the risks related to irregularities and fraud;
  - testing manual journal entries, in particular journal entries determined to be large or relating to unusual transactions based on our understanding of the business;
  - identifying and testing related party transactions;
  - completion of audit procedures to conclude on the compliance of disclosures in the Strategic report and Director's report and accounts with applicable financial reporting requirements.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates;
  - understanding of the legal and regulatory requirements specific to the entity.

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

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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 Auditor's Report.

Use of our report

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

Grant Thornton UK LLP

Peter Edwards
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield

21 September 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	*2021* *£*
Turnover	4	**9,026,833**	*12,296,465*
Cost of sales		**(7,102,273)**	*(8,462,427)*
Gross profit		**1,924,560**	*3,834,038*
Distribution costs		**(678,965)**	*(483,703)*
Administrative expenses		**(3,660,070)**	*(2,777,501)*
Other operating income	5	**-**	*20,354*
Operating (loss)/profit	6	**(2,414,475)**	*593,188*
Interest receivable and similar income	10	**150,718**	*187,388*
Interest payable and similar expenses	11	**(398,463)**	*(387,363)*
(Loss)/profit before tax		**(2,662,220)**	*393,213*
Tax on (loss)/profit	12	**47,730**	*55,476*
(Loss)/profit for the financial period/year		**(2,614,490)**	*448,689*
Other comprehensive (charge)/income for the period/year		**-**	*-*
Total comprehensive (charge)/income for the period/year		**(2,614,490)**	*448,689*

The above activities relate to continuing operations. There was no other comprehensive income for the period ended December 2022 *(year ended 2021: £Nil).*

The notes on pages 15 to 33 form part of these financial statements.

SARCLAD LIMITED
REGISTERED NUMBER:03913109

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note		2022 £		2021 £
Fixed assets					
Tangible assets	13		**145,177**		*186,597*
			145,177		*186,597*
Current assets					
Stocks	14	**2,615,426**		*2,134,132*	
Debtors	15	**8,834,871**		*8,408,136*	
Cash at bank and in hand	16	**497,049**		*1,514,289*	
		11,947,346		*12,056,557*	
Creditors: amounts falling due within one year	17	**(5,328,775)**		*(5,813,943)*	
Net current assets			**6,618,571**		*6,242,614*
Total assets less current liabilities			**6,763,748**		*6,429,211*
Creditors: amounts falling due after more than one year	18		**(11,053,064)**		*(8,103,434)*
Provisions for liabilities					
Other provisions	21	**(6,178)**		*(6,781)*	
			(6,178)		*(6,781)*
Net liabilities			**(4,295,494)**		*(1,681,004)*
Capital and reserves					
Called up share capital	23		**2**		*2*
Share premium account	22		**3,285,083**		*3,285,083*
Profit and loss account	22		**(7,580,579)**		*(4,966,089)*
			(4,295,494)		*(1,681,004)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 September 2023.

Richard Cowlishaw

R S Cowlishaw
Director

The notes on pages 15 to 33 form part of these financial statements.

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

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2022	2	3,285,083	(4,966,089)	(1,681,004)
Comprehensive income for the year				
Loss for the year	-	-	(2,614,490)	(2,614,490)
At 31 December 2022	2	3,285,083	(7,580,579)	(4,295,494)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	2	3,285,083	(5,414,778)	(2,129,693)
Comprehensive income for the year				
Profit for the year	-	-	448,689	448,689
At 31 December 2021	2	3,285,083	(4,966,089)	(1,681,004)

The notes on pages 15 to 33 form part of these financial statements.

SARCLAD LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Cash flows from operating activities		
(Loss)/profit for the financial year	**(2,614,490)**	*448,689*
Adjustments for:		
Depreciation of tangible assets	**70,500**	*108,873*
Interest paid	**398,463**	*387,363*
Interest received	**(150,718)**	*(187,388)*
Taxation charge	**(47,730)**	*(55,476)*
(Increase)/decrease in stocks	**(481,295)**	*468,145*
(Increase) in debtors	**(301,022)**	*(3,168,316)*
(Increase) in amounts owed by groups	**(244,333)**	*(519,601)*
Increase in creditors	**385,816**	*1,508,886*
Increase in amounts owed to groups	**2,097,285**	*2,405,273*
(Decrease)/increase in provisions	**(603)**	*5,507*
Corporation tax received	**166,350**	*33,999*
Net cash (used)/generated from operating activities	**(721,777)**	*1,435,954*
Cash flows from investing activities		
Purchase of tangible fixed assets	**(29,080)**	*-*
Interest received	**150,718**	*187,388*
Finance lease interest paid	**(3,199)**	*(4,807)*
Net cash from investing activities	**118,439**	*182,581*

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Cash flows from financing activities		
Repayment of finance leases	**(18,638)**	*(17,030)*
Interest paid	**(395,264)**	*(382,556)*
Net cash used in financing activities	**(413,902)**	*(399,586)*
Net (decrease)/increase in cash and cash equivalents	**(1,017,240)**	*1,218,949*
Cash and cash equivalents at beginning of year	**1,514,289**	*295,340*
Cash and cash equivalents at the end of year	**497,049**	*1,514,289*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**497,049**	*1,514,289*

The notes on pages 15 to 33 form part of these financial statements.

1. General information

Sarclad Limited is a private company limited by shares & incorporated in England and Wales. Its registered office is located at Unit 3 - Evolution, Advanced Manufacturing Park, Rotherham, South Yorkshire, S60 5BL.

The company is principally engaged in the development and assembly of high-technology surface conditioning and monitoring equipment for use within the steel manufacturing industry.

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 company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3). All transactions with the group entities are conducted at arm's length.

Consolidation

The company is a wholly owned subsidiary of Sarclad Acquisition LLC and of its ultimate parent The Heico Companies LLC. It is included in the consolidated financial statements of The Heico Companies LLC. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

Sarclad Limited is the parent company of Sarclad China Limited, a company incorporated and trading in the People's Republic of China.

These financial statements are the company's separate financial statements.

The following principal accounting policies have been applied:

2.2 Going concern

The company has obtained a letter of support from The Heico Companies LLC and from Heico Holding, Inc. confirming that they would not recall intercompany loans for at least 12 months from the date of approval of the financial statements if the company's forecasts indicated that it cannot afford repayments due, and that they will have the resources available to provide this financial support.

Based on the above the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that Sarclad Limited has sufficient resources and available facilities to continue in existence for the foreseeable future, including support from the parent company. The directors have reviewed forecasts for the period of at least 12 months after the date the financial statements are signed and for this reason the directors consider that the adoption of the going concern basis in preparing the financial statements is appropriate and do not consider that there are any material uncertainties that may cast significant doubt over the company's ability to operate as a going concern.

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue 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 revenue is recognised:

Sale of goods

Revenue 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 revenue 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.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

The business undertakes contractual work, covering the design and supply of capital equipment and related on-site services, as well as aftermarket sales of spares parts and service.

For contractual work, the fair value of revenue attributable to the supply of equipment is recognised on delivery, being the point at which the design, procurement, build, testing and shipment phases of contract have been completed. The fair value of revenue attributable to the on-site supervision of the installation and commissioning of the equipment is recognised on issue of the relevant acceptance certificate, confirming contractual obligations related to this phase of the contract have been completed.

Revenue attributable to spare part sales is recognised on delivery. Revenue attributable to the provision of services is recognised on completion.

2. Accounting policies (continued)

2.4 Tangible Assets

Tangible fixed assets 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.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is provided on the following basis:

Long term leasehold property	- 10 years
Plant & machinery	- 5 to 10 years
Fixtures & fittings	- 10 years
Computer equipment	- 3 to 5 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Statement of Comprehensive Income.

Assets under construction are accounted for at cost, based on the direct costs incurred to 31 December. They are not depreciated until they are brought in to use.

2.5 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

2.6 Stocks

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

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

2.7 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. Accounting policies (continued)

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.9 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

2. Accounting policies (continued)

2.9 Financial instruments (continued)

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.10 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 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 the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents and all other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

2.12 Finance costs

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

2. Accounting policies (continued)

2.13 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 the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.14 Interest income

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

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured within the Statement of Financial Position at the best estimate of expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2. Accounting policies (continued)

2.16 Current and deferred taxation

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

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

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

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

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

2.17 Research and development

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

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

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

Useful economic lives and tangible assets
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic 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 the physical condition of the assets. See note 13 for the carrying amount of the property plant and equipment, and note 2.4 for the useful economic lives for each class of assets.

Stock provisioning
The company is engaged in the development and assembly of high-technology surface conditioning and monitoring equipment and is subject to changing consumer demands and technology developments. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 14 for the net carrying amount of the stock and associated provision.

Impairment of debtors
The company make an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the current credit rating of the debtor, the ageing profile and the historical experience of the debtor.

4. Turnover

Analysis of turnover by country of destination:

	2022	*2021*
	£	*£*
United Kingdom	**497,336**	*739,887*
Rest of Europe	**1,937,995**	*1,379,072*
Rest of the world	**6,591,502**	*10,177,506*
	9,026,833	*12,296,465*

5. Other operating income

	2022	*2021*
	£	*£*
Covid Job Retention Scheme	**-**	*20,354*

6. Operating (loss)/profit

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

	2022	*2021*
	£	*£*
Depreciation of tangible fixed assets	**70,500**	*108,873*
Bad debt expense	**17,700**	*15,321*
Research and development expenditure	**228,947**	*132,623*
Loss on exchange differences	**1,038,121**	*155,846*
Operating lease rentals	**261,772**	*213,046*

7. Auditor's remuneration

	2022	*2021*
	£	*£*
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	**27,700**	*26,725*

Fees payable to the company's auditor and its associates in respect of:

Taxation compliance services	**4,900**	*3,800*
Accounts preparation services	**1,300**	*1,245*
RDEC services	**20,000**	*-*

8. Employees

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

	2022 £	*2021* *£*
Wages and salaries	**2,670,062**	*3,055,278*
Social security costs	**324,948**	*303,928*
Cost of defined contribution scheme	**635,455**	*635,645*
	3,630,465	*3,994,851*

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

	2022 No.	*2021* *No.*
Production	**35**	*35*
Selling	**9**	*8*
Administration	**17**	*20*
	61	*63*

9. Directors' remuneration

	2022 £	*2021* *£*
Directors' emoluments	**148,997**	*114,899*
Company contributions to defined contribution pension schemes	**23,072**	*21,674*
	172,069	*136,573*

During the year retirement benefits were accruing to 1 director *(2021: 1)* in respect of defined contribution pension schemes.

The directors are also considered to be key management personnel.

10. Interest receivable

	2022 £	*2021* *£*
Other interest receivable	**150,718**	*187,388*

11. Interest payable and similar charges

	2022 £	2021 £
Interest payable	**395,264**	*382,556*
Finance leases and hire purchase contracts	**3,199**	*4,807*
	398,463	*387,363*

12. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on (loss)/profit for the year	**(43,130)**	*(50,900)*
Adjustments in respect of previous periods	**(4,600)**	*(66,568)*
	(47,730)	*(117,468)*
Total current tax	**(47,730)**	*(117,468)*
Deferred tax		
Origination and reversal of timing differences	-	*59,170*
Adjustments in respect of prior periods	-	*17,023*
Remeasurement of deferred tax for changes in tax rates	-	*(14,201)*
Total deferred tax	-	*61,992*
Taxation on loss on ordinary activities	**(47,730)**	*(55,476)*

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021: lower than)* the standard rate of corporation tax in the UK of 19% *(2021: 19%)*. The differences are explained below:

	2022 £	*2021* *£*
(Loss)/profit on ordinary activities before tax	**(2,662,220)**	*393,213*
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2021: 19%)*	**(505,822)**	*74,710*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**3,997**	*824*
Fixed asset differences	**1,068**	*11,754*
Adjustments to tax charge in respect of prior periods	**(4,600)**	*-*
Remeasurement of deferred tax for changes in tax rates	**-**	*(13,590)*
Adjustments to tax charge in respect of prior periods - deferred tax	**-**	*17,023*
Movement in deferred tax not recognised	**490,640**	*56,624*
R&D expenditure credits	**(33,013)**	*(111,842)*
Impact of prior year restatement	**-**	*(90,979)*
Total tax (credit) for the year	**(47,730)**	*(55,476)*

13. Tangible fixed assets

	Long term leasehold property £	Plant & machinery £	Fixtures & fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2022	880,484	83,543	8,730	270,695	1,243,452
Additions	-	-	-	29,080	29,080
At 31 December 2022	880,484	83,543	8,730	299,775	1,272,532
Depreciation					
At 1 January 2022	744,298	79,190	5,747	227,620	1,056,855
Charge for the year on owned assets	47,749	1,645	873	20,233	70,500
At 31 December 2022	792,047	80,835	6,620	247,853	1,127,355
Net book value					
At 31 December 2022	88,437	2,708	2,110	51,922	145,177
At 31 December 2021	*136,186*	*4,353*	*2,983*	*43,075*	*186,597*

14. Stocks

	2022 £	*2021 £*
Raw materials and consumables	**587,986**	*481,306*
Work in progress (goods to be sold)	**2,027,440**	*1,652,826*
	2,615,426	*2,134,132*

Stocks are stated after a provision for impairment of £455,378 *(2021: £322,616).*

Work in progress as at 31 December 2022 includes £388,350 in relation to contracts in the course of construction for a Russian customer. Following the establishment of sanctions by the UK government, the business is currently prohibited from proceeding with shipment of the contract to Russia. The Directors remain satisfied that the value of the asset on the balance sheet is recoverable in full, either through a legally compliant resolution to the contractual arrangement or following the lifting of sanctions.

15. Debtors

	2022 £	*2021 £*
Due within one year		
Trade debtors	**2,759,865**	*3,334,278*
Amounts owed by group undertakings	**6,684**	*8,925*
Other debtors	**537,291**	*262,573*
Prepayments and accrued income	**469,843**	*223,454*
Amounts recoverable on long-term contracts	**2,216,761**	*1,981,053*
	5,990,444	*5,810,283*

Trade debtors are stated after provision for impairment of £44,795 *(2021: £27,095).*

	2022 £	*2021 £*
Due after more than one year		
Amounts owed by group undertakings	**2,844,427**	*2,597,853*

Amounts owed by related undertakings are due from Sarclad China Limited, accruing interest at a fixed rate of 6.75%.

16. Cash and cash equivalents

	2022 £	*2021 £*
Cash at bank and in hand	**497,049**	*1,514,289*

17. Creditors: Amounts falling due within one year

	2022 £	*2021 £*
Payments received on account	**1,177,411**	*642,151*
Trade creditors	**1,319,106**	*947,723*
Amounts owed to group undertakings	**1,706,035**	*2,578,778*
Other taxation and social security	**84,367**	*93,715*
Obligations under finance lease and hire purchase contracts	**20,398**	*18,638*
Accruals and deferred income	**1,021,458**	*1,532,938*
	5,328,775	*5,813,943*

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

	2022 £	*2021 £*
Net obligations under finance leases and hire purchase contracts	**4,692**	*25,090*
Amounts owed to group undertakings	**11,048,372**	*8,078,344*
	11,053,064	*8,103,434*

Amounts owed to related undertakings are unsecured and fall due for repayment between 31 December 2022 and 31 December 2023.

19. Financial instruments

	2022 £	2021 £
Financial assets measured at amortised cost		
Trade debtors	**2,759,865**	*3,334,278*
Amounts owed by related undertakings	**2,851,111**	*2,606,778*
Other debtors	**537,291**	*262,573*
Amounts recoverable on long term contracts	**2,216,761**	*1,981,053*
Cash at bank and in hand	**497,049**	*1,514,289*
	8,862,077	*9,698,971*

	2022 £	2021 £
Financial liabilities measured at amortised cost		
Trade creditors	**1,319,106**	*947,723*
Amounts owed to related undertakings	**12,754,407**	*10,657,122*
Other taxation & social security	**-**	*93,715*
Accruals and deferred income	**1,021,458**	*1,532,938*
Net obligations under finance leases and hire purchase contracts	**25,090**	*43,728*
	15,120,061	*13,275,226*

The company enters into forward foreign currency contracts to mitigate the exchange risk for certain foreign currency receivables. At 31 December 2022, there were no outstanding contracts.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP: USD and GBP: EUR.

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Within one year	**21,838**	*21,837*
Between 1-5 years	**4,763**	*26,601*
Less: Finance charges	**(1,511)**	*(4,710)*
	25,090	*43,728*

21. Provisions

	Warranty provision £
At 1 January 2022	6,781
Movement during the year	(603)
At 31 December 2022	**6,178**

The warranty provision is in respect of the company's undertaking to repair or replace those items that fail to perform satisfactorily.

22. Reserves

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit & loss account

Includes all current and prior period retained profits and losses.

23. Share capital

	2022 £	*2021 £*
Authorised, allotted, called up and fully paid		
2 *(2021: 2)* Ordinary shares of £1 each	2	*2*

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

24. Contingent liabilities

The company has set up guarantees to third parties in respect of advance payment, performance and warranty guarantees on machine sales given in the normal course of business. At 31 December 2022 guarantees amounted to £1,697,603 *(2021: £1,122,884)*. These guarantees were provided through the banking facilities of The Heico Companies LLC.

25. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	*2021* £
Not later than 1 year	**253,733**	*33,020*
Later than 1 year and not later than 5 years	**489,222**	-
Later than 5 years	**466,667**	-
	1,209,622	*33,020*

26. Related party transactions

Details of related party transactions occurring during the period are as follows:

To Sarclad North America LP, affiliate company, recharges were made of £142,417 and sales were made of £1,093,715 (*2021: £673,561*) with £Nil debtor balance at the period end (*2021: £Nil*). Purchases were made of £99,813 (*2021: £88,978*) with a creditor balance at the period end of £1,601,810 (*2021: £1,420,403*). Interest expense for the period ended December 2022 totalled £91,697.

To Neo Industries Inc, affiliate company, recharges were received of £92,881 and no sales were made (*2021: £9,044*) with £Nil debtor balance at the period end (*2021: £Nil*). No purchases were made (*2021: £Nil*) with a creditor balance at the period end of £7,701 (*2021: £7,264*).

From The Heico Companies LLC, ultimate parent company, no recharges were received or purchases made (*2021: £Nil*) with a creditor balance at the period end of £2,716,074 *(2021: £3,063,645)*. Interest expense for the period ended December 2022 totalled £198,826. No sales were made (*2021: £Nil*) with £Nil debtor balance at the period end (*2021: £Nil*).

From Heico Holdings, Inc, a company with a preferred interest in The Heico Companies LLC recharges were received of £189,683 and no sales were made (*2021: £Nil*) with £Nil debtor balance at the period end (*2021: £Nil*). Purchases were made of £306,831 (*2021: £279,811*) with a creditor balance at the period end of £7,426,191 (*2021: £5,360,605*). Interest expense for the period ended 2022 totalled £104,741.

To Sarclad China Limited, subsidiary undertaking, recharges were received of £50,498 and sales were made of £648,864 (*2021: £740,533*) with a debtor balance at the period end of £2,844,427 (*2021: £2,597,853*). Purchases were made of £621,328 (*2021: £167,649*) with £Nil creditor balance at the period end (*2021: £Nil*). Interest income for the period end December 2022 totalled £150,718.

To Ancra International LLC, affiliate company, recharges were received of £99,925 and £Nil sales were made (*2021: £Nil*) with £Nil debtor balance at the period end (*2021: £Nil*). No purchases were made in the period (*2021: £Nil*) with a creditor balance at the period end of £1,002,632 (*2021: £805,505*).

To Wakefield Vette, affiliate company, recharges were made of £87,363 (*2021: £75,201*) with a debtor balance of £Nil at the period end (*2021: £5,822*). No purchases were made in the period (*2021: £Nil*) with a creditor balance at the period end of £Nil *(2021: £Nil)*.

26. Related party transactions (continued)

To Sarclad India Private Limited, affiliate company, no sales were made *(2021: £Nil)* with a debtor balance of £Nil at the period end *(2021: £Nil)*. No purchases were made in the period *(2021: £Nil)* with a creditor balance at the period end of £Nil *(2021: £Nil)*.

To Shred Tech (UK) Limited, affiliate company, recharges were made of £32,188 *(2021: £7,465)* sales were made of £1,500 *(2021: £12,750)* with a debtor balance of £6,684 at the period end *(2021: £3,103)*. No purchases were made in the period *(2021: £Nil)* with a creditor balance at the period end of £Nil *(2021: £Nil)*.

The key management personnel during the year comprised the directors as disclosed per note 9.

27. Controlling party

The company's immediate parent company is Sarclad Acquisition LLC, a company incorporated in the USA.

The company's ultimate controlling party is The Heico Companies LLC, a company incorporated in the USA.

The largest group in which the results are consolidated is that headed by The Heico Companies LLC. The financial statements are available at 5600 Three First National Plaza, Chicago, IL 60602.

The smallest group in which the results are consolidated is that headed by Sarclad Acquisition LLC.

28. Analysis of net debt

	At 1 January 2022 £	Cash flows £	New finance leases £	At 31 December 2022 £
Cash at bank and in hand	1,514,289	(1,017,240)	-	497,049
Finance leases	(43,728)	-	18,638	(25,090)
	1,470,561	(1,017,240)	18,638	471,959