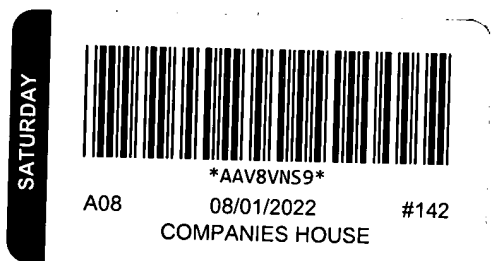


TT Electronics IOT Solutions Limited

Annual report and financial statements

31 December 2020

Registered number 236394



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Strategic report

Business review and future developments

Stadium Group Limited changed its name to TT Electronics IOT Solutions Limited on 26 February 2019.

TT Electronics IOT Solutions Limited's (the "Company" or "TT") core business activities are providing integrated design-led technologies to Original Equipment Manufacturer (OEM) customers in the automotive, healthcare, security, industrial, aerospace and defence and smart-home markets, the design, manufacture and supply of electronic power supplies, transformers and related electronic components and the holding of investments in subsidiaries.

As part of a Group restructuring, the net assets and trade of its subsidiary, Stontronics Limited, were transferred to the Company on 26 April 2019. The financial statements and the strategic report reflect the results of the Company only.

During the year ended 31 December 2020 we were appointed exclusive manufacturing partner by iAbra for Virolens®, a rapid COVID-19 screening device. Evaluation trials of the product are continuing, and iAbra is making good progress with the regulatory approvals process. There continues to be a role for COVID-19 screening to complement the vaccination programme in the UK and elsewhere.

In March 2021, the Medicines and Healthcare products Regulatory Authority ("MHRA"), which is responsible for ensuring that medical devices meet applicable standards of safety, quality and efficacy, has registered Virolens® for use and sale in Great Britain and iAbra has been granted Certificates of Free Sale ("CFS"). This is a welcome milestone in the development of the Virolens technology. Virolens® is a rapid COVID-19 screening device for which TT is the exclusive manufacturing partner. Revenues to TT from the sale of Virolens following the MHRA approval are dependent on iAbra's potential end customers in Great Britain converting expressions of interest into firm orders. A high proportion of the commercial interest in Virolens to date has been outside of Great Britain and any revenues resulting from this interest require further regulatory approval in those territories. There continues to be a wide range of potential commercial outcomes and hence no certainty as to the financial impact on TT.

During 2020 the Company claimed £131,000 from the Coronavirus Job Retention Scheme (furlough) payments from the UK Government. This was fully repaid back to HMRC in February 2021, and this cost of repayment was fully provided for in these 2020 results.

The Company is a subsidiary within the group of companies headed by TT Electronics plc (the Group). Further details of the objectives and future developments for the Group are disclosed in the TT Electronics plc Group consolidated financial statements for the year ended 31 December 2020.

Principal risks and uncertainties

COVID-19

The COVID-19 pandemic impacted the Company's results from March/April 2020 and, while our business is robust and has remained open throughout the period since the start of the pandemic, activity levels have been impacted adversely. Throughout this period, our focus has been on our people, our customers, our communities and our investors and, in particular:

- ensuring the health and safety of our team members and customers;
- continuing to serve the needs of our customers and communities; and
- taking steps to optimise cash flow, reduce operating costs and strengthen further our liquidity position during a period of suppressed activity.

While trading volumes were lower principally as a result of the pandemic, this has been mitigated, in part, by taking steps to re-size the business for the reduced level of demand and manufacturing activities consolidated between the company and its subsidiary Stadium Asia. The Company is designated as an essential business, engineering and manufacturing of electronic products for key customers in Medical, Aerospace, Defence, and Industrial markets.

In early March we took steps to optimise cash flow, reduce operating costs and strengthen further our liquidity position including, but not limited to reducing planned capital expenditure for the year ending December 2020 and reducing other operating expenses consistent with reduced activity levels.

Strategic report (continued)

Principal risks and uncertainties (continued)

The principal external risks to the Company include ongoing advances in technologies, material supply issues, global price competition and economic conditions. In addition, the range of possible commercial outcomes of Virolens® discussed above, represents both a risk and an opportunity for the Company.

The directors regularly review the risks faced by the Company and seek to mitigate these by pursuing opportunities in other market sectors and by ongoing commitment to operational excellence and efficiency improvement initiatives. It also avoids excessive dependence upon a few customers or markets by supplying a wide range of customers across a diverse market place with a varied range of products.

Financial instruments

Financial risk management objectives and policies

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

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Further information on credit risk is provided in note 1.18.

Interest rate risk

The Company finances its operations through a mixture of retained profits and intercompany accounts. The Company's exposure to interest rate fluctuations on its borrowings is managed on a Group basis by the use of fixed and floating facilities.

Liquidity risk

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

Currency risk

The Company is exposed to transaction and translation foreign exchange risk. In relation to translation risk the proportion of assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposures are hedged when known, mainly using the forward hedge market.

Strategic report (continued)

Results and dividends

The key financial and other performance indicators during the year were as follows:

	2020 £000	2019 £000
Turnover	22,716	27,180
Loss before tax (restated see note 28)	(3,795)	(3,087)
Capital expenditure on tangible fixed assets	1,387	808
Average number of employees	120	164

The business achieved sales during the year of £22.7m (2019: £27.2m) a 17% reduction over the prior year principally due to the COVID-19 pandemic.

The loss for the year, after taxation, amounted to £3.6m (2019: loss £3.4m). This was after incurring restructuring and impairment charges of £2.2m (2019: £4.1m) relating to intangible asset impairment and further restructuring and reorganisation costs.

The Company is a component of the group of companies headed by TT Electronics plc (the Group). Further details of the objectives and future developments for the Group are disclosed in the TT Electronics plc Group consolidated financial statements for the year ended 31 December 2020.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: nil).

People

The Group is committed to employment policies that provide and promote equal employment opportunities for all our employees and applicants and to maintaining a workplace that ensures tolerance, respect and dignity for all staff.

During 2020 the Group put in place a suite of comprehensive controls globally to protect our employees and their families from COVID-19. At a Group level we have developed an Equality, Diversity and Inclusion strategy and Committee and ED&I business unit working groups to drive equality and diversity at a local level. Full details of the Group activities and employment policies are included in the Group annual report and accounts for 31 December 2020 which can be found at <http://www.ttelectronics.com/investor-overview>

A review of the Company's engagement activities in 2020 with employees can be found in the Directors' report.

Corporate responsibility

The Group's corporate sustainability strategy and performance is published on its website at www.ttelectronics.com

A summary of the year's activities is included in the TT Electronics plc consolidated financial statements for the year ended 31 December 2020 which is available on the Group's website: <http://www.ttelectronics.com/investor-overview>.

Strategic report (continued)

S172 Statement

Under Section 172 of the Companies Act 2006, Directors are required to promote the success of the Company for the benefit of its shareholders and, in doing so, to have regard to the interests of all of our other stakeholders.

The board of directors of TT Electronics IOT Solutions Limited considers, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2020.

The board of directors have identified the key stakeholders that are impacted by the company's activities and have identified the activities through which the board can either directly or indirectly (through senior management or the wider group's engagement) engage with these stakeholders, see further information in "Engagement with suppliers, customers, employees and others in a business relationship with the Company" on pages 5 to 7 of the Directors' Report.

The board also confirms that decisions affecting the Company made by the board of directors have been made in consideration of the Company's stakeholders and the information they have provided to the wider group of companies facilitates in decision-making at a divisional or group level with regard to the Group's stakeholders.

Approved by the board of directors on 13 December 2021 and signed on its behalf by:



C Peppiatt
Director

Fourth Floor
St Andrews House
West Street
Woking GU21 6EB

Directors' report

The directors present their annual report on the affairs of TT Electronics IOT Solutions Limited (the "Company"), together with the audited Financial Statements and the independent auditor's report, for the year ended 31 December 2020.

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

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

Research and development

The Company commits significant resource to research and development, both internally by enhancing products and processes and externally with collaborative partners. Expenditure on research and development is identified on a project by project basis and where the Group criteria is reached, the R&D is capitalised and written off over the expected length of the product life.

Directors

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

Name	Appointed
C Peppiatt	3 rd October 2011
R Jain	18 th April 2018
S Partridge	18 th April 2018

Directors' remuneration

Directors' remuneration has been disclosed in note 5 to the Financial Statements.

Qualifying third party indemnity provisions

The ultimate parent (TT Electronics plc) maintains Directors' and Officers' Liability insurance. The Directors of the Company also benefit from a qualifying third party indemnity provision in accordance with Section 234 of the Companies Act 2006 and the Company's Articles of Association. The ultimate parent has provided a pension scheme indemnity within the meaning of Section 235 of the Companies Act 2006 to Directors of associated companies.

Engagement with suppliers, customers, employees and others in a business relationship with the Company

Stakeholder Group	Our activities that affect our stakeholders:	How we have engaged:	Outcomes of our engagement:
Parent Company and the TT Group	Operations and production pipeline Safety, quality control, reliability Financial results and dividend policy Footprint optimisation Payment practices Responsible business/ethics	Regular reports to the Executive Management Board regarding operations, site activities, Health and Safety and strategic decisions Regular engagement with Group functions Reporting to Group councils Internal reporting processes share information on health & safety, strategy, production and financial performance from site level through to the Group's Executive Management Board and the Group's board of directors.	All decisions promote the long-term success of the Company for the benefit of its members The Group-wide strategy leads the Company's business operations Group-wide HSE policies and processes are considered in strategic and operational decisions Financial decisions are made based on the long-term success of the company and the benefit to the parent company and wider group of companies

Directors' report (continued)

Engagement with suppliers, customers, employees and others in a business relationship with the Company (continued)

Stakeholder Group	Our activities that affect our stakeholders:	How we have engaged:	Outcomes of our engagement:
Customers and Suppliers	<p>Research and development (R&D)</p> <p>Operations and production pipeline</p> <p>Safety, quality control, reliability</p> <p>Legal and regulatory compliance</p> <p>Payment practices</p> <p>Responsible business/ethics</p>	<p>Direct interactions with customers and suppliers through the commercial teams.</p> <p>"Voice of the customer" feedback informs our business development, R&D and operations approaches.</p> <p>Regular updates and reports are received from customer liaison on our responses to the challenges faced by our customers and the key customer and supplier initiatives within the Company.</p> <p>Payment practices, and the effect this has on our suppliers is reported publicly every six months.</p>	<p>Board decisions are considered in terms of the impact on the customer experience.</p> <p>Regulatory changes are reviewed in consideration of the effects on customers.</p> <p>Group wide policies (e.g. Business Ethics, Modern Slavery, anti-bribery, GDPR) are implemented with consideration to the effects on customers.</p> <p>Board decisions must maintain the company's reputation for high standards of business conduct.</p>
Community and Environment	<p>Employment, training and apprenticeships</p> <p>Pollution, waste, environmental policies</p> <p>Local operational impact</p> <p>Helping local communities</p> <p>Footprint optimisation</p>	<p>TT is a member of the Confederation of British Industry (CBI) and the Responsible Business Alliance and is committed to working in an ethically responsible way towards creating a more prosperous society.</p> <p>The Company has created a Social Value Committee, a team of employees that engage with the local community and local charities to explore options through which TT can positively impact the communities in which it operates.</p> <p>The Company has created a Sustainability council to identify opportunities and priorities to develop our sustainability agenda and to work together to share and embed good practices aligned with TT Electronics' purpose. The Council's focus is on environmental initiatives to minimise TT's negative impact on the environment, whilst maximising its positive impact.</p> <p>The creation of a local 'Green Team' to deliver sustainability objectives and targets at a local site level set by the TT Electronics Sustainability Council (e.g. environmental pledges such as 'Pass on Plastics')</p> <p>The Group publishes its emissions report in the TT Electronics plc annual report which is available on the Group's website: http://www.ttelectronics.com/investor-overview.</p>	<p>Operational and strategic decisions are taken at a divisional and group level with the view of maintaining the Group's reputation for high standards of business conduct.</p> <p>A strong environmental focus leading to a reduction in utility costs, CO2 emissions and the use of single use plastics.</p> <p>The creation of working partnerships with local charities.</p>

Directors' report (continued)

Engagement with suppliers, customers, employees and others in a business relationship with the Company (continued)

Employees	Employment, training and apprenticeships Group employment policies Investment in our sites Diversity/Inclusion Health & Safety Group strategy	<p>Group-wide engagement process to ensure that the voice of the employee is considered in the Group's board decision-making. Further information available in the TT Electronics plc annual report which is available on the Group's website: http://www.ttelectronics.com/investor-overview.</p> <p>During 2020 a Health & Safety site based committee was formed to promote HSE awareness on site and explore how the business could positively impact the environment through site based initiatives.</p> <p>Monthly employee 'Town Hall' meetings are run on site. These meetings are led by senior management and are a vehicle for providing all employees with a Business, HSE, HR, Manufacturing, Finance and Quality Engineering update.</p> <p>An employee led 'Works Council' meet to engage with all employees and discuss site based activity.</p> <p>An employee engagement working group has been created to ensure that employee views are respected, understood, listened to and acted upon. The group reports back to employees each month— showcasing ongoing engagement activity and highlighting how it positively impacts both TT employees and the local community.</p> <p>An employee 'Be Inspired' scheme which allows employees to nominate colleagues for awards that have demonstrated exceptional performance within their roles.</p>	<p>Employee engagement activities and outcomes are considered by the directors and site level and operational decisions are taken with consideration to the effects on employees</p> <p>High levels of employee HSE engagement on site leading to zero reportable accidents for the year.</p> <p>Town Hall and Works Council meetings leading to increased levels of 'employee voice' on site with an increased volume of employee suggestions and improvements implemented.</p>
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Political donations

The Company made no political donations and incurred no political expenditure during the year ended 31 December 2020 (2019: £0).

Share capital

Full details of the Company's issued share capital can be found in note 22 to the Financial Statements.

Going concern

The Company's operations and financial condition, together with factors likely to affect its future development, performance and condition are set out on pages 1 to 4 (Strategic report) and 5 to 9 (Directors' report).

The emergence of the COVID-19 pandemic has had an impact on the end markets and operations of TT Electronics plc and its subsidiaries ("the Group"). Whilst the Group was negatively impacted by COVID-19 in the year with revenues down 9% across the Group on a constant currency basis, the Group's recovery is well underway. Following the impact of COVID-19 in the second quarter of 2020, the Group has been on an improving upward trend in both order intake and production capacity. This trend has been underpinned by strong order intake across the Group through the fourth quarter of the year and has continued into early 2021 across all divisions.

As the Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. Therefore, the directors have reviewed the going concern status of the Company by considering the Company's latest forecasts and those of the Group.

Directors' report (continued)

Going concern (continued)

The Group's financial projections contain key assumptions surrounding revenue and operating profit recovery in 2021, these estimates position the Group remaining below pre-COVID 2019 levels throughout the twelve months from the date of signing these financial statements. Under the Group's base case financial projections, the Group retains significant liquidity and covenant headroom, with both metrics improving from the position as at 31 December 2020.

The Group's financial projections have been stress tested for "business as usual" risks (such as profit growth and working capital variances), and the impact of the following principal risks: general revenue reductions, contractual risks, people and capability, supplier resilience and health and safety (occurring both individually and in unison). Principal risks which were not specifically modelled were either considered not likely to have an impact within the going concern period or their financial effect was covered within the overall downside economic risks implicit within the stress testing. Under the stress tested modelling, the liquidity headroom within the group remains significant. Financial covenants continue to be in compliance under the stress tested model and management have a number of mitigating actions which could be undertaken if required.

A "reverse" stress-test was also modelled to understand the conditions which could jeopardise the ability of the Group to continue as a going concern, including assessing against covenant testing and facility headroom. The stress testing also considered mitigating actions which could be put in place. Mitigating actions included limiting capital expenditure and reducing controllable costs, including items such as discretionary bonuses and pay rises. The reverse stress test is deemed to have a remote likelihood and help inform the Directors' assessment that there are no material uncertainties in relation to going concern.

Details regarding the Company's financial risk management policies and processes, including its exposure to interest rate risk, credit risk and liquidity risk, are given in the Strategic report and in Note 22 of the Group's financial statements which are available as discussed in Note 25 of these accounts. The going concern basis is underpinned by the Group's confirmation to continue to provide financial support to the company for the next 12 months. In addition, Note 16 includes confirmation that the Company's immediate holding company, TT Electronics plc, has agreed not to require repayment of the £31.2m due to it for a period of one year from the date of approval of their 2020 financial statements to enable the Company to meet its financial liabilities as they fall due and to continue to trade.

Based on this analysis, and the director's regular monitoring and review of risk management and internal control systems, we do not believe there are any reasonably foreseeable events that could not be mitigated through the Company's ability to flex its capital expenditure plans and cost base, which would result in the Company not being able to meet its liabilities as they fall due. The nature of the business' other principal risks is such that, while they could affect the Company's ability to achieve its objectives, they are unlikely to prevent the Company from meeting its liabilities as they fall due.

Disclosure of information to auditors

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

Auditor

Following an audit re-tender which concluded in 2019, Deloitte LLP was selected as the Auditor for TT Electronics IOT Solutions Limited for the year ended 31 December 2020. It is intended that Deloitte LLP will be re-appointed as Auditor of the company for the year ended 31 December 2021.

Directors' report (continued)

Directors' statement of responsibility

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Approved by the board of directors on 13 December 2021 and signed on its behalf by:



C Peppiatt

Director

Fourth Floor
St Andrews House
West Street
Woking GU21 6EB

Independent auditor's report to the members of TT Electronics IOT Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of TT Electronics IOT Solutions Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual 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 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.

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.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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 considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and directors about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and Tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.



Robert Knight, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, England
United Kingdom
13 December 2021

**Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2020**

	Note	2020 £000	Restated (see note 28) 2019 £000
Turnover	2	22,716	27,180
Cost of sales		(19,472)	(21,721)
Gross profit		3,244	5,459
Distribution costs		(471)	(108)
Administrative expenses		(4,427)	(6,326)
Restructuring and impairment charges	7	(2,230)	(4,146)
Other income	3	93	2,079
Loss before interest and taxation		(3,791)	(3,042)
Interest received		-	20
Interest payable and similar charges	8	(4)	(65)
Loss before taxation		(3,795)	(3,087)
Tax on loss	9	171	(352)
Loss attributable to equity holders		(3,624)	(3,439)
Other comprehensive income			
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes		(95)	(215)
Tax on remeasurement of defined benefit schemes		-	38
Effective portion of change in fair value of cash flow hedges		(107)	-
Other comprehensive income for the year, net of income tax		(202)	(177)
Total comprehensive income for the year attributable to equity holders		(3,826)	(3,616)

The notes on pages 16 to 42 form part of these financial statements.

Balance Sheet
at 31 December 2020

	Note	2020		Restated 2019		Restated 2018	
		£000	£000	£000	£000	£000	£000
Fixed assets							
Intangible assets	10		12,274		11,760		1,839
Investments	11		13,964		13,964		24,244
Tangible assets	12		3,074		2,102		1,294
Right of use assets	13		32		86		-
Gross pension asset	21		9		-		-
			<u>29,353</u>		<u>27,912</u>		<u>27,377</u>
Current assets							
Stocks	14	6,831		7,731		4,727	
Debtors	15	10,392		10,765		10,878	
Cash at bank and in hand		556		2,631		553	
		<u>17,779</u>		<u>21,127</u>		<u>16,158</u>	
Creditors: amounts falling due within one year	16	<u>(42,612)</u>		<u>(40,567)</u>		<u>(27,931)</u>	
Net current liabilities			<u>(24,833)</u>		<u>(19,440)</u>		<u>(11,773)</u>
Total assets less current assets			<u>4,520</u>		<u>8,472</u>		<u>15,604</u>
Creditors: amounts falling due after more than one year	17	-		(103)		(185)	
Provisions for liabilities and charges	18	(15)		(19)		(145)	
Gross pension liability	21	-		(19)		(4,344)	
			<u>(15)</u>		<u>(141)</u>		<u>(4,674)</u>
Net assets			<u><u>4,505</u></u>		<u><u>8,331</u></u>		<u><u>10,930</u></u>
Capital and reserves							
Called up share capital	22		1,909		1,909		1,909
Share premium account	22		4,378		4,378		4,378
Merger reserve	22		1,559		1,559		1,559
Capital Contribution reserve	22		1,017		1,017		-
Capital redemption account	22		88		88		88
Hedging reserve	23		(107)		-		-
Profit and loss account			<u>(4,339)</u>		<u>(620)</u>		<u>2,996</u>
Shareholders' funds			<u><u>4,505</u></u>		<u><u>8,331</u></u>		<u><u>10,930</u></u>

The notes on pages 16 to 42 form part of these financial statements.

These financial statements were approved by the board of directors on 13 December 2021 and were signed on its behalf by:



C Peppiatt

Director



R Jain

Director

Company registered number: 236394

Statement of changes in equity

	Called up share capital £000	Share Premium Account £000	Merger reserve £000	Capital redemption account £000	Hedging Reserve £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	1,909	4,378	1,559	88	-	-	4,023	11,957
Effect of prior year correction (note 28)	-	-	-	-	-	-	(1,027)	(1,027)
Balance at 1 January 2019 – As restated	1,909	4,378	1,559	88	-	-	2,996	10,930
Loss for the year (restated)	-	-	-	-	-	-	(3,439)	(3,439)
Other comprehensive income:								
Remeasurement of defined benefit pension schemes	-	-	-	-	-	-	(215)	(215)
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	-	-	38	38
Total other comprehensive income	-	-	-	-	-	-	(177)	(177)
Capital contribution in respect of defined benefit pension scheme	-	-	-	-	-	1,017	-	1,017
Transactions with owners recorded directly in equity:								
Balance at 1 January 2020 (restated see note 28)	1,909	4,378	1,559	88	-	1,017	(620)	8,331
Loss for the year	-	-	-	-	-	-	(3,624)	(3,624)
Other comprehensive income:								
Remeasurement of defined benefit pension schemes	-	-	-	-	-	-	(95)	(95)
Total other comprehensive income	-	-	-	-	(107)	-	-	(107)
Balance at 31st December 2020	1,909	4,378	1,559	88	(107)	1,017	(4,339)	4,505

The notes on pages 16 to 42 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting Policies

TT Electronics IOT Solutions Limited (the “Company”) is a private company, incorporated, domiciled and registered in England & Wales under the Companies Act. The address of the registered office is given in the Strategic Report.

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

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of its parent, TT Electronics plc. The consolidated financial statements of TT Electronics plc are prepared in accordance with International Reporting Standards and may be obtained from the company at Fourth Floor, St Andrews House, West Street, Woking GU21 6EB.

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

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

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

- IFRS 2 Share Based Payments in respect of group settled share based payments
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis, except that financial instruments classified as fair value through the profit or loss are stated at fair value.

Notes (continued)

1 Accounting Policies (continued)

1.2 Financial Instruments

Recognition

The Company recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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 realise the asset and settle the liability simultaneously.

Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs.

In determining estimated fair value, investments are valued at quoted bid prices on the trade date.

Loans and receivables comprise loans and advances other than purchased loans. Originated loans and receivables are initially recognised in accordance with the policy stated above and subsequently re-measured at amortised cost using the effective interest method. Allowance for impairment is estimated on a case-by-case basis.

The Company uses derivative financial instruments such as forward foreign exchange contracts to hedge risks associated with foreign exchange fluctuations. These are designated as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

1.3 Foreign currency

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

Notes (continued)

1 Accounting Policies (continued)

1.4 Non-derivative financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.5 Tangible fixed assets

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

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

- Freehold buildings 2%
- Plant and machinery 10% - 25%
- Fixtures and equipment 10% - 25%

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

1.6 Other intangible assets

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets. Intangible assets are amortised from the date they are available for use. The useful lives are as follows:

- Development costs up to five years consistent with the revenue generation profile of the product
- Software costs three to ten years

Goodwill:

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

Notes (continued)

1 Accounting Policies (continued)

1.6 Other intangible assets (continued)

Research and development costs:

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

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.7 Changes in accounting policy

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

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

The Company recognises a lease liability at the lease commencement date (or on initial application), measured as the present value of the future lease payments, discounted at the incremental borrowing rate. The weighted average incremental borrowing rate applied was 5.0%. A corresponding right-of-use asset is recognised separately on the face of the statement of financial position, net of accumulated depreciation and impairment losses. For leases recognised on initial application, the right-of-use asset is initially measured at the carrying amount if IFRS 16 had always been applied.

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

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

1.8 Valuation of investments

Investments in subsidiary undertakings in the accounts of the Company are stated at cost less provision for impairment.

1.9 Stocks and work in progress

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

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

Notes (continued)

1 Accounting Policies (continued)

1.10 Impairment excluding stocks and deferred tax assets (continued)

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

Financial assets (including trade and other debtors)

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

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

Non-financial assets

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

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

CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

Notes (continued)

1 Accounting Policies (continued)

1.11 Pensions

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

Defined benefit plans – a defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.12 Provisions

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

1.13 Turnover

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

1.14 Expenses

Restructuring and Impairment charges

Certain costs have been classified on the face of the income statement as 'restructuring and impairment charges'. These are items which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence for the financial statements to give a true and fair view. These transactions are of a nature that will not be ongoing in the ordinary course of trading and the Company has classified in this manner costs incurred in restructuring and reorganising the business.

1.15 Taxation

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

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

Notes (continued)

1 Accounting Policies (continued)

1.15 Taxation (continued)

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

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

1.16 Interest

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.17 Leases

In the prior year, finance leases, which transfer to the Company substantially all the risks and rewards of ownership of the leased items, were capitalised at the commencement of the lease. Plant and equipment acquired by way of finance lease was stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The capital elements of future obligations under finance lease and hire purchase contracts were included as liabilities in the balance sheet. Lease payments were apportioned between the finance charge and reduction of the finance lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were charged directly against income. Capitalised lease assets were depreciated over the shorter of the estimated useful life of the asset or the lease term. All other leases are treated as operating leases and the cost was expensed to the income statement as incurred.

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

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

Depreciation of right-of-use assets are recognised on a straight line basis over the lease term.

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

In preparing these financial statements, management has made estimates, assumptions and judgements that affect the application of the Company's accounting policies and the reported amounts of assets and liabilities. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Notes (continued)

1 Accounting Policies (continued)

1.18 Accounting estimates and judgements

Assumptions and estimation uncertainties:

Key sources of estimation uncertainty are:

Asset useful life estimates – tangible and intangible assets are depreciated and amortised over their estimated useful lives. Risk arises on determining the actual period that the assets will continue to generate income and therefore the depreciation and amortisation charge appropriate to each financial reporting period.

Development costs and useful life estimates – development expenditure is stated at cost less accumulated amortisation. Development expenditure is capitalised as an internally generated intangible asset once criteria relating to the product's technical and commercial feasibility have been met. Risk arises in assessing the accuracy of technical and commercial feasibility and future period that matches the anticipated revenue generating profile of the product and therefore the amortisation charges appropriate to each financial reporting period.

Stock provisions - the stock provision is based on the age of stock to identify items for which there is no current demand or for which net realisable value is lower than cost.

Expected credit losses - The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Of the trade receivables balance at 31 December 2020, approximately 25% of the gross trade debtor balance, before provisioning, is due from a single customer. The Company recorded an expected credit loss provision of £324k against receivables from this customer. The Company uses an expected probability matrix model to estimate credit losses. Sales to this customer account for approximately 7% (2019: nil) of the Company's revenue for the year. In the prior year, there was no significant concentration of credit risk and hence there was no material ECL provision recorded as at 31 December 2019.

Retirement benefit obligations – refer to note 21 for disclosures of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Tangible and intangible assets - It is necessary to determine whether there are indicators of impairment of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset. These assets are depreciated or amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Restructuring and impairment charges – transactions and expenses classified as exceptional or non-recurring require judgement to be exercised in identifying which items are of a nature that they will not be expected to recur in the ordinary course of trade and are material for the financial statements to present a true and fair view.

Deferred tax assets – the deferred tax asset relates predominantly to historic tax losses as disclosed in note 9. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Whilst the company is currently loss making, the latest company forecasts indicate that taxable profits will arise in future years from which the historic tax losses can be utilised.

Notes (continued)

2 Turnover

	2020 £000	2019 £000
By geographical market		
United Kingdom	19,346	22,531
Rest of Europe	1,915	3,015
North America	1,061	1,274
Rest of World	394	360
	<u>22,716</u>	<u>27,180</u>
By activity		
Technology products	18,143	18,542
Electronic assemblies	4,573	8,638
	<u>22,716</u>	<u>27,180</u>

3 Other Income

	2020 £000	2019 £000
Dividends from subsidiaries	-	2,079
Other	93	-
	<u>93</u>	<u>2,079</u>

4 Auditor's remuneration

Included in profit and loss are the following:

	2020 £000	2019 £000
Auditor's remuneration:		
Audit of these financial statements	<u>60</u>	<u>49</u>

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

5 Directors' remuneration

The Directors of the Company who are employees of TT Electronics plc (the ultimate parent company) received no emoluments for their qualifying services to the Company in the period. They predominately perform services for and are remunerated by TT Electronics plc.

Notes (continued)

5 Directors' remuneration (continued)

The remuneration of other Directors of the company was as follows:

	2020 £000	2019 £000
Emoluments	508	612
Excess retirement benefits of directors and past directors	-	34
	<u>508</u>	<u>646</u>
	2020	2019

The number of directors who:

Are members of a defined benefit pension scheme	1
Exercised options over shares in TT Electronics plc	-
Had awards receivable in the form of shares under a Group long-term incentive scheme	1

The highest paid Director received remuneration of £508,391 (2019: £462,000). The Company's contributions paid to the defined contribution pension scheme in respect of the highest paid Director were £27,195 (2019: £25,600).

6 Staff numbers and costs

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

	Number of employees	
	2020	2019
Direct production (including indirect production)	98	139
Sales and administrative	22	25
	<u>120</u>	<u>164</u>

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	3,834	3,516
Social security costs	361	311
Pension costs	199	141
	<u>4,394</u>	<u>3,968</u>

Notes (continued)

7 Restructuring and Impairment charges

	2020 £000	Restated 2019 £000
Impairment of intangible assets	1,112	1,798
Impairment of right of use assets	-	501
Other restructuring costs	1,118	1,847
	<u>2,230</u>	<u>4,146</u>

In 2020, the restructuring and impairment charges incurred were in relation to a restructuring of the business as a result of the global pandemic which resulted in a significant reduction to the level of demand and manufacturing activities consolidated between the company and its subsidiary Stadium Asia. This restructure was a product rationalisation and headcount reduction programme to reduce the company's fixed costs and re-prioritise remaining resources on a reduced number of engineering projects. Within the 'other restructuring costs' above, £0.5 million was in relation to the streamlining and optimisation of the NPI and manufacturing footprint for the division, £0.1 million for the restructuring of the IoT division, £0.1 million for transfer of the UK Power business and subsequent closure of the Reading site and transfer into the Hartlepool facility and £0.4 million of other costs.

In 2019, the impairment of intangible assets relates to £0.5 million of Electronic Assemblies goodwill, £1.1 million of excess goodwill following the Stontronics hive-up and £0.2m of other impairments. The impairment of the right of use assets were incurred due to exiting a lease early due to the restructuring of the business at our Reading facility.

8 Interest payable and similar charges

	2020 £000	2019 £000
Finance expense on lease liabilities	(4)	(34)
Net interest on defined benefit pension plan liability	-	(21)
Net foreign exchange loss	-	(10)
	<u>(4)</u>	<u>(65)</u>

9 Taxation

Tax charged in the income statement

	2020 £000	2019 £000
Current tax:		
UK corporation tax		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	21	-
	<u>21</u>	<u>-</u>
Total current tax	21	-
Deferred tax:		
Origination and reversal of timing differences	187	174
Changes in tax rate	(209)	(38)
Recognition of previously unrecognised deferred tax assets	(170)	216
	<u>(171)</u>	<u>352</u>
Total tax expense/(credit)	(171)	352

Notes (continued)

9 Taxation (continued)

Reconciliation of effective tax rate

	2020 £000	2019 £000
Loss for the year	(3,624)	(3,439)
Total tax expense/(credit)	(171)	352
Loss excluding tax	<u>(3,795)</u>	<u>(3,087)</u>
Tax using the UK corporation tax rate of 19.0% (2019: 19.0%)	(721)	(587)
Disallowable expenditure	287	930
Adjustments in respect of prior periods	21	-
Deferred tax – changes in tax rates	(209)	(38)
Adjustments to value of deferred tax asset	(170)	216
Group relief	621	(169)
Total tax (credit)/expense	<u>(171)</u>	<u>352</u>

The enacted UK tax rate applicable from 1 April 2017 is 19% and due to changes in legislation enacted in the period this remains the UK rate as the rate drop, originally legislated to occur from 1 April 2020 to 17%, has been reversed. The applicable tax rate for the period is based on the UK standard rate of corporation tax of 19% (2019: 19%).

On 3 March 2021 the UK Government announced changes to the UK corporate tax system and an increase in tax rate from the fiscal year 2023 to 25% from the currently enacted rate of 19%. The change in tax rate will result in a change to the level of deferred tax held in respect of the Company's UK operations and may impact the Company's effective tax rate in future years. The Company, to date, has not identified any other significant tax charges or credits arising from the proposed legislation.

In addition to the above, a deferred tax credit of £nil (2019: credit £38,000) was recognised within other comprehensive income relating to the defined benefit pension schemes.

A deferred tax asset at 31 December 2020 has been calculated based on the rate of 19% substantively enacted at the balance sheet date.

Deferred tax

	2020 £000	2019 £000
The deferred tax asset comprises temporary differences attributed to:		
Property, plant and equipment	56	-
Post-employment benefits	(21)	-
Tax losses	1,643	1,671
Other assets	287	102
	<u>1,965</u>	<u>1,773</u>

The movement in deferred tax asset during this period was:

	£000
Balance as at 1 January 2020	1,773
Income statement movement	192
Balance at 31 December 2020	<u>1,965</u>

Notes (continued)

10 Intangible assets

	Development costs £000	Software £000	Goodwill £000	Total £000
Cost				
Balance at 1 January 2020 (restated see note 28)	3,070	769	11,296	15,275
Additions	1,290	454	-	1,744
Balance at 31 December 2020	4,360	1,223	11,296	17,019
Amortisation and impairment				
Balance at 1 January 2020 (restated see note 28)	(1,120)	(704)	(1,551)	(3,515)
Impairment	(1,112)	-	-	(1,112)
Depreciation charge for the year	(56)	(62)	-	(118)
Balance at 31 December 2020	(2,288)	(766)	(1,551)	(4,745)
Net book value				
At 1 January 2020 (restated see note 28)	1,950	65	9,745	11,760
At 31 December 2020	2,072	457	9,745	12,274

The impairment of the development costs was the result of the restructure of the company. See note 7.

Impairment testing

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

In determining the cost of equity, the Capital Asset Pricing Model ("CAPM") has been used. Under CAPM, the cost of equity is determined by adding a risk premium, based on an industry adjustment ("Beta"), to the expected return of the equity market above the risk-free return. The relative risk adjustment reflects the risk inherent in each group of CGUs relative to all other sectors and geographies on average.

The cost of debt is determined using a risk-free rate based on the cost of government bonds, and an interest rate premium equivalent to a corporate bond with a similar credit rating to TT Electronics plc, adjusted to be specific to the company. The growth rates assume that demand for our products remains broadly in line with the underlying economic environment in the long-term future. Taking into account our expectation of future market conditions, we believe that the evolution of selling prices and cost measures put into place will lead to a sustained improvement in profitability.

Management has detailed plans in place reflecting the latest Budget and strategic growth plan. A pre-tax discount rate of 11.9% has been applied to the five-year management approved forecast.

No impairment losses have been recognised in the current year as recoverable amounts exceed the total carrying value of assets for all of the CGUs. Following an internal review, it was concluded that impairment of goodwill should have taken place in 2019 and 2018 – see note 28 for disclosure on the impact of these prior year adjustments.

Notes (continued)

10 Intangible assets (continued)

Assumptions in the value in use test is the projected performance of the CGUs based on sales growth rates, cash flow forecasts and discount rate. Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities within each CGU. The key assumptions include externally obtained growth rates in the key markets disclosed in note 3 and customer demand for product lines. Cash flow forecasts are determined based on historic experience of operating margins, adjusted for the impact of changes in product mix and cost-saving initiatives, including the impact of our restructuring projects and cash conversion based on historical experience.

The recoverable amounts associated with the goodwill balances which are based on these performance projections and based on current forecast information do not indicate that any goodwill balance is impaired. If a company's actual performance does not meet these projections this could lead to an impairment of the goodwill in future periods. The COVID-19 pandemic is having a significant impact on global end markets in which certain of the Group's businesses operate which has resulted in reduced levels of headroom at the point of forecast.

Sensitivity analysis has been performed on the key assumptions; operating cash flow projections and discount rate. Cash flows can be impacted by changes to sales projections, sales prices, direct costs and replacement capital expenditure; individually they are not significant assumptions. The Directors have not identified changes in significant assumptions that would cause the carrying value of recognised goodwill to exceed its recoverable amount.

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

	2020 £000	Restated 2019 £000
UK Power	9,745	9,745
	<u>9,745</u>	<u>9,745</u>

11 Investments

	£000
Cost	
Balance at 1 January 2020 (restated)	16,299
Balance at 31 December 2020	<u>16,299</u>
Amortisation and impairment	
Balance at 1 January 2020 (restated)	(2,335)
Balance at 31 December 2020	<u>(2,335)</u>
Net book value	
At 1 January 2020	13,964
At 31 December 2020	<u>13,964</u>

The investments are in relation to the subsidiaries listed in note 23.

Notes (continued)

12 Tangible assets

	Freehold land & buildings £000	Plant & machinery £000	Total £000
Cost			
Balance at 1 January 2020	1,826	5,383	7,209
Additions	-	1,387	1,387
Disposals	-	(14)	(14)
Balance at 31 December 2020	1,826	6,756	8,582
Amortisation and impairment			
Balance at 1 January 2020	(1,033)	(4,074)	(5,107)
Disposals	-	14	14
Impairment	-	(28)	(28)
Depreciation charge for the year	(35)	(352)	(387)
Balance at 31 December 2020	(1,068)	(4,440)	(5,508)
Net book value			
At 1 January 2020	793	1,309	2,102
At 31 December 2020	758	2,316	3,074

13 Right of Use Assets

	Land and buildings £000	Other plant and machinery £000	Total £000
Cost			
Balance at 1 January 2020	566	159	725
Balance at 31 December 2020	566	159	725
Amortisation and impairment			
Balance at 1 January 2020	(566)	(73)	(639)
Depreciation charge for the year	-	(54)	(54)
Balance at 31 December 2020	(566)	(127)	(693)
Net book value			
At 1 January 2020	-	86	86
At 31 December 2020	-	32	32

Notes (continued)

14 Stocks

	2020 £000	2019 £000
Raw materials and consumables	3,255	2,984
Work in progress	478	796
Finished goods and goods for resale	3,098	3,951
	<u>6,831</u>	<u>7,731</u>

Stocks are shown net of inventory provisions of £0.6m (2019: £0.2m). Inventories recognised as cost of sales totalled £14.6m (2019: £18.0m).

15 Debtors

	2020 £000	2019 £000
Trade debtors	7,229	7,774
Amounts due from group companies	619	390
Deferred tax asset	1,965	1,773
Other financial asset (see note 19)	86	-
Prepayments and accrued income	270	677
Other debtors	223	151
	<u>10,392</u>	<u>10,765</u>

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

Trade debtors are shown net of impairment loss in respect of bad and doubtful amounts of £346,000 (2019: £34,000).

16 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Lease liabilities	126	202
Trade payables	2,266	3,017
Amounts owed to group companies	38,387	35,375
Tax and social security	756	654
Accruals and deferred income	880	1,319
Other financial liabilities (see note 20)	197	-
	<u>42,612</u>	<u>40,567</u>

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

Notes (continued)

17 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities	-	103
	<u>-</u>	<u>103</u>
	<u>-</u>	<u>103</u>

18 Provisions

	Warranty £000	Total £000
Balance at 1 January 2020	19	19
Provisions released	(4)	(4)
	<u>15</u>	<u>15</u>
Balance at 31 December 2020	<u>15</u>	<u>15</u>

Warranties are provided over the manufacturing quality of products in the normal course of business. Provisions are expected future costs are made based upon the historical level of the claim rate relative to the level of sales. The costs of such claims are generally incurred within 18 months of the original sale. The actual level of costs incurred in remedying a warranty claim could vary significantly from claim to claim, so the directors have applied current experience in assessing the appropriate level of provision.

19 Other Financial Assets

	2020 £000	2019 £000
Amounts falling due within one year		
Financial assets designated as fair value through profit or loss	86	-
	<u>86</u>	<u>-</u>
	<u>86</u>	<u>-</u>

20 Other Financial Liabilities

	2020 £000	2019 £000
Amounts falling due within one year		
Financial liabilities designated as fair value through profit or loss	197	-
	<u>197</u>	<u>-</u>
	<u>197</u>	<u>-</u>

Notes (continued)

21 Retirement benefit obligations

Pension arrangements for current employees are operated through a defined contribution scheme. Two group defined benefit schemes exist but are closed to new entrants.

On 29 March 2019, the Stadium Group plc 1974 Pension Scheme was merged into the main pension scheme of its parent, TT Electronics plc. This was done to improve governance and oversight as well as drive cost efficiency. TT Electronics plc, assumed the Company's net liabilities associated with the Stadium Group (1974) pension scheme amounting to £1.0 million. No consideration was paid in exchange for the parent company assuming these liabilities and the Company has therefore recorded a capital contribution of £1.0m

The Stadium Group plc 1974 Pension Scheme and the Southern & Redfern Limited Scheme are final salary pension plans operating for qualifying employees of the Company and certain of its subsidiaries. The Stadium Group plc 1974 plan was closed to new entrants in 1995 and to future accruals in 2011. The Southern & Redfern plan was closed to new entrants in 1997 and future accruals in 2001.

Both schemes provide employees with a pension on retirement equal to 1/60th per annum of the higher of either:

- their salary at leaving; or
- their salary at the date of closing to future accruals.

Both schemes are legally separate from the Company and administered by separate funds. The board of the Stadium Group plc 1974 Scheme is made up of representatives of the group and former employees as well as an independent chair. The board of the Southern & Redfern Limited Scheme is made up of representatives of the group. By law, the boards are required to act in the best interests of the participants to the schemes and have the responsibility of setting investment, contribution and other relevant policies.

The schemes are exposed to a number of risks, including:

- investment risk: movement of discount rate used (high-quality corporate bonds) against the return from plan assets;
- interest rate risk: decreases/increases in the discount rate used (high-quality corporate bonds) will increase/decrease the defined benefit obligation;
- longevity risk: changes in the estimation of mortality rates of current and former employees; and
- salary risk: increases in future salaries increase the gross defined benefit obligation.

The schemes are funded by the company. Employees do not contribute to the schemes. Contributions by the company are calculated by a separate actuarial valuation based on the funding policies detailed in the scheme agreement. The triennial valuation of the Stadium Group scheme as at April 2017 showed a deficit of £4.3m against the trustee's funding objective. The Company has agreed fixed contributions of £0.6m per annum through to 2025 with the Stadium Group scheme, based on the actuarial deficit at April 2017. The weighted average duration of the defined benefit obligation at 31 December 2018 was approximately 13 years. Employees not participating in the defined benefit scheme are eligible to join a defined contribution scheme.

Notes (continued)

21 Retirement benefit obligations (continued)

The amounts recognised in the balance sheet are as follows:

	2020		2019	
	Southern & Redfern	Stadium Group 1974	Southern & Redfern	Stadium Group 1974
	£000	£000	£000	£000
Present value of funded obligations	(945)	-	(955)	-
Fair value of plan assets	954	-	936	-
Defined benefit (liability)/asset	9	-	(19)	-

The amounts recognised in the profit and loss account are as follows:

	2020		2019	
	Southern & Redfern	Stadium Group 1974	Southern & Redfern	Stadium Group 1974
	£000	£000	£000	£000
Post service cost (non-underlying)	(16)	-	(8)	-
Net interest cost	1	-	1	(21)
Total in profit and loss account	(15)	-	(7)	(21)

Changes in the present value of the defined benefit obligations are:

	2020		2019	
	Southern & Redfern	Stadium Group 1974	Southern & Redfern	Stadium Group 1974
	£000	£000	£000	£000
Opening defined benefit obligation	(955)	-	(946)	(32,552)
Current service cost	-	-	-	-
Interest cost	(18)	-	(26)	(22)
Past service cost – non-underlying	(10)	-	-	-
Included in profit and loss account	(28)	-	(26)	(22)
Experience gains and losses on liabilities	-	-	-	-
Changes in underlying assumption – financial	(43)	-	(68)	-
Changes in underlying assumption - experience	(5)	-	4	-
Changes in underlying assumption - demographic	11	-	11	-
Included in other comprehensive income	(37)	-	(53)	-
Other movements – benefits paid	75	-	70	-
Other movements – Merger of 1974 Scheme	-	-	-	32,574
Closing defined benefit obligation	(945)	-	(955)	-

Notes (continued)

21 Retirement benefit obligations (continued)

Changes in the present value of plan assets are:

	2020		2019	
	Southern & Redfern	Stadium Group 1974	Southern & Redfern	Stadium Group 1974
	£000	£000	£000	£000
Opening fair value of plan assets	936	-	1,118	28,036
Expected return	19	-	27	-
Included in profit and loss account	19	-	27	-
Actuarial return less expected return on assets	42	-	(7)	-
Included in other comprehensive income	42	-	(7)	-
Annuity purchase (loss)	(76)	-	(140)	-
Contribution by employer	108	-	17	3,521
Benefits paid	(75)	-	(79)	-
Other movements	(33)	-	(62)	3,521
Other movements – Merger of 1974 Scheme	-	-	-	(31,557)
Closing value of plan assets	954	-	936	-

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	2020		2019	
	Southern & Redfern	Stadium Group 1974	Southern & Redfern	Stadium Group 1974
Discount rate at 31 December	1.40%	n/a	2.00%	n/a
Inflation rate (RPI)	3.10%	n/a	3.10%	n/a
Increases to pensions in payment (LPI 5% pension increases)	2.40%	n/a	3.10%	n/a
Increases to deferred pensions (CPI)	2.40%	n/a	2.20%	n/a

The mortality tables applied by the actuaries at 31 December 2020 were S2 tables with 105% (male)/ 106% (female) weighting for pensioners and 108% (male)/105% (female) weighting for non-pensioners with a 1.5% long-term rate of improvement in conjunction with CMI 2019 projections. The assumptions are equivalent to life expectancies as follows:

Current pensioners aged 65: 88 years (male), 89 years (female)

Notes (continued)

21 Retirement benefit obligations (continued)

Pension plan assets are made up as follows – Southern & Redfern scheme:

	2020 £000	2019 £000
Insured pensions in payment	915	887
UK equities	4	8
Overseas equities	4	11
Property	2	5
LDI	9	24
Cash	-	1
	934	936

Pension plan assets do not include any of the group's own shares or any property occupied by, or other assets used by, the group. Prices for equity securities and government bonds are quoted in active markets. Government and corporate bonds are issued from European governments and institutions (denominated in the same currency as the post-employment benefit obligations).

The overall expected rate of return on assets is the weighted average expected rate of return on each asset class, based upon long-term historical rates adjusted to take account of current market conditions.

Defined benefit pension plans – Southern & Redfern scheme:

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Defined benefit obligation	(945)	(955)	(946)	(953)	(1,294)
Plan assets	954	936	1,118	1,115	1,394
Net pension (liability)/asset	9	(19)	172	162	100
Effect of asset ceiling	-	-	-	(162)	(100)
Related deferred tax asset	-	-	(29)	-	-
Net (liability)/asset (after taxation)	9	(19)	143	-	-

Sensitivity analysis

The impact on the Southern & Redfern scheme if the assumptions were changed as shown (assuming all other assumptions remain constant):

At 31 December 2020

	£000
0.25% decrease in discount rate	22
0.25% increase in inflation and related assumptions	7
1 year increase in life expectancy	71

Notes (continued)

22 Share capital

Share capital

In thousands of shares	Ordinary shares 2020	2019
On issue at 1 January	38,178	38,178
On issue at 31 December – fully paid	38,178	38,178
	2020	2019
	£000	£000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £0.05 each	1,909	1,909
	1,909	1,909
	2020	2019
	£000	£000
Share Premium Account		
Being the Share premium account	4,378	4,378
	2020	2019
	£000	£000
Merger Reserve		
Being the merger reserve	1,559	1,559
	2020	2019
	£000	£000
Capital Contribution Reserve		
Being the merger of the 1974 Pension Scheme	1,017	1,017
	2020	2019
	£000	£000
Capital Redemption Account		
Being the capital redemption account	88	88

Notes (continued)

23 Financial Instruments

Other comprehensive income – current year

Cash flow hedging reserve

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

	Cash flow hedging reserve £000	Profit and loss account £000	Total Other comprehensive income/(loss) £000
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	107	-	107
Total other comprehensive income	<u>107</u>	-	<u>107</u>

There were no cash flow hedges in place in 2019.

	Fair Value 2020 £000	Fair Value 2019 £000
Financial liabilities designated as fair value through profit or loss (notes 19 & 20)		
Forward Exchange Contracts - Assets	86	-
Forward Exchange Contracts - Liabilities	(197)	-
Total financial asset/ (liability) at fair value through profit or loss	<u>(111)</u>	<u>-</u>

Notes (continued)

23 Financial Instruments (continued)

Class of financial instruments measured at fair value

Valuation technique

Forward exchange contracts

Fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

		2020				
	Carrying amount	Contractual cash flows	1 year or less	1 to <2years	2 to <5years	5 years and over
	£000	£000	£000	£000	£000	£000
Derivative financial liabilities						
Forward exchange contracts used for hedging:						
Outflow	(197)	(197)	(131)	(66)	-	-
Inflow	86	86	70	17	-	-
	(111)	(111)	(62)	(49)	-	-

The following table indicates the periods in which the cash flows associated with the cash flow hedging instruments are expected to occur:

		2020				
	Carrying amount	Contractual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	£000	£000	£000	£000	£000	£000
Forward Exchange contracts						
Assets	86	86	70	17	-	-
Liabilities	(197)	(197)	(131)	(66)	-	-
	(111)	(111)	(62)	(49)	-	-

Notes (continued)

24 Leases

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 13):

	Land and buildings £000	Total £000
Balance at 1 January 2020	86	86
Depreciation charge for the year	(54)	(54)
Balance at 31 December 2020	32	32

25 Ultimate parent company and related undertakings

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

TT Electronics plc has its registered office at:
Fourth floor, St Andrews House
West Street
Woking
Surrey GU21 6EB

Copies of the annual report and financial statements for TT Electronics plc are available at www.ttelectronics.com/investor-overview or from the company secretary at the address above.

The following companies were the subsidiary undertakings of the Company at 31 December 2020.

Name of Subsidiary Undertaking	Country of Incorporation	Proportion of Shares held	Registered office/ principal place of business
Dongguan Arlec Electrical Products Company Limited (a)	China	100.00%	(1)
Shanghai Hongbian Electronics Co. Limited (a)	China	100.00%	(2)
Ying Si Ke Electrical Products Company Limited (a)	China	100.00%	(1)
Stadium Asia Limited	BVI	100.00%	(3)
Stadium Group Inc	USA	100.00%	(4)
Stadium IGT Limited	United Kingdom	100.00%	(5)
Stadium Power Limited	United Kingdom	100.00%	(5)
Stadium United Wireless Limited	United Kingdom	100.00%	(5)
Stontronics Limited	United Kingdom	100.00%	(5)
TT Electronics Sweden AB	Sweden	100.00%	(6)
STMC Limited	Hong Kong	100.00%	(3)
Ferrus Power Limited	United Kingdom	100.00%	(5)
Fox Industries Limited	United Kingdom	100.00%	(5)
Hale End Holdings Limited	United Kingdom	100.00%	(5)
Kingslo Limited	United Kingdom	100.00%	(5)
KRP Power Source (UK) limited	United Kingdom	100.00%	(5)
Stadium Electrical Holdings Limited	United Kingdom	100.00%	(5)
Stadium Electronics Limited	United Kingdom	100.00%	(5)
Stadium Wireless Devices Limited	United Kingdom	100.00%	(5)
Stadium Zirkon UK Limited	United Kingdom	100.00%	(5)
Valuegolden Limited	United Kingdom	100.00%	(5)
Zirkon Holdings Limited	United Kingdom	100.00%	(5)

Notes (continued)

25 Ultimate parent company and related undertakings (continued)

- (1) 4th Building, F Zone, Zheng Wei Science Park, Dongkeng Town, Dongguan, China
- (2) Room 404 A69, East Of Building 1, 29 Jia Tai Road, China (Shanghai) Pilot Free Trade Zone
- (3) Room A, 3/F Bamboos Centre, 52 Hung To Road, Kwun Tong, Kowloon, Hong Kong
- (4) 1209 Orange Street, Wilmington, Delaware 19801, USA
- (5) 4th Floor, St Andrews House, West Street, Woking, Surrey GU21 6EB
- (6) Gullfösgatan 3, 16440 Kista, Sweden
- (a) Owned by a subsidiary undertaking other than TT Electronics IOT Solutions Limited

26 Related parties

The Company has taken advantage of the exemption available under FRS 101.8(k) and has not disclosed transactions with TT Electronics plc or its wholly owned subsidiaries.

27 Critical judgements and estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

See note 1.18 for the key sources of assumption and estimation uncertainty.

28 Prior Year Adjustment

The Company reviewed its impairment review performed in 2018 and concluded that £1.0 million of goodwill relating to Technology Products should have been impaired prior to 1 January 2019. The company reviewed its impairment review performed in 2019 and concluded that £0.5 million of goodwill relating to Electronic Assemblies should have been impaired in 2019. In addition, the company reviewed the accounting in relation to its hive-up of trade and assets from a subsidiary in 2019 and concluded goodwill reallocated from investments in 2019 was overstated by £1.3 million, and the investment in relation to Stontronics should have been impaired by £1.3 million. The accounts have been restated to incorporate these adjustments; summarised below:

Balance Sheet – Extract

At 31 December 2018	As Previously reported £000	Adjustments £000	As restated £000
Intangible Assets	2,866	(1,027)	1,839
Net Assets	11,957	(1,027)	10,930
Profit and Loss Account	4,023	(1,027)	2,996
Shareholder Funds	11,957	(1,027)	10,930

At 31 December 2019	As Previously reported £000	Adjustments £000	As restated £000
Intangible assets	14,585	(2,825)	11,760
Investments – Cost	15,025	1,274	16,299
Investments – Impairment	(1,061)	(1,274)	(2,335)
Net Assets	11,156	(2,825)	8,331
Profit and Loss Account	2,205	(2,825)	(620)
Shareholder Funds	11,156	(2,825)	8,331

Notes (continued)

28 Prior Year Adjustment (continued)

Profit and Loss Account and Other Comprehensive Income - Extract

For the year ended 31 December 2019

	As Previously reported £000	Adjustments £000	As restated £000
Restructuring and Impairment charges	(2,348)	(1,798)	(4,146)
Loss before Taxation	(1,289)	(1,798)	(3,087)
Tax on loss	(352)	-	(352)
Loss attributable to equity holders	(1,641)	(1,798)	(3,439)
Total Comprehensive Income	(1,818)	(1,798)	(3,616)

29 Subsequent Events

The Virolens COVID-19 screening device achieved its first important regulatory milestone in 2021, gaining registration with the MHRA in Great Britain. The Company has now established a product with commercial potential and remain encouraged that active dialogue is continuing with a number of regulators and that commercial potential exists with a range of customers subject to further approvals.