REGISTRAR

Registered number: 01319856

CTDI GLENROTHES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CTDI GLENROTHES LIMITED

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COMPANY INFORMATION

Directors	S T Taylor M Rüth (appointed 1 April 2021) A Reid (appointed 1 April 2021)
Company secretary	CLC Secretarial Services Ltd
Registered number	01319856
Registered office	Featherstone Road Wolverton Mill Milton Keynes MK12 5TH
Independent auditors	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Moorgate House 201 Silbury Boulevard Milton Keynes Buckinghamshire MK9 1LZ

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The directors present their strategic report for the year ended 31 December 2020.

Business review

The Company is engaged in technical repairs, customer support services and product end of life management of electronic equipment. The Company continues to pioneer new technologies building on its expertise of automated testing for its clients.

2020 was a challenging but successful year. While sales fell back on 2019 they remained 6% ahead of the previous year at £30,642k and profit before tax was a healthy £2,895k.

At a divisional level within the Company, we continued to see healthy growth in mobile revenues and profit. For our Set Top Box and Business to Business divisions, the impact of Covid 19 and changes to major contracts caused turnover and gross profit to fall on 2019 levels. However, having secured long term contracts, we expect revenue and profit to recover as we emerge from Covid.

As part of our commitment to improve efficiencies and to protect margins, we have in house expertise focused on using technology in the most effective way possible in our day to day operations. With customer products regularly evolving and changing, we adopt a flexible and innovative approach to our operations, to ensure we meet our customer quality of service targets. In addition to this, we also have in place a review scheme whereby front-line employees can also provide invaluable inputs to process improvements.

The Company has closing shareholder funds at 31 December 2020 of £3,263k (2019 - £9,275k). At 31 December 2020, the Company has net current assets of £2,091k (2019 - £7,805k).

The directors are satisfied with the performance of the business.

The impact of the current COVID-19 pandemic in 2020 on customers, suppliers and employees is being closely monitored by the directors. Our COVID-19 statement included within accounting policy 2.4, sets out in more detail the actions being taken on an ongoing basis to mitigate the effects on our business.

As the business emerges from the impact of COVID-19 and Brexit, the directors expect the business to continue to perform in line with expectations for the foreseeable future. Major contracts have been secured and new business opportunities are growing. On this basis it is believed that the market for products and services that the company offers will enable satisfactory financial results in 2021.

Principal risks and uncertainties

Set out below are some of the principal risks and uncertainties identified by the directors which exist within the Company and are actively dealt with by the directors but nevertheless, could adversely affect the Company, results of operations and financial condition of the Company. The following risk information is not intended to be a comprehensive overview of risks inherent within the business nor is it intended to rank the risks in order of importance of materiality.

Commercial risks: The Company's success relies on revenue from the contracts it has with its customers. Therefore, the Company must offer competitive rates to win and maintain these contracts. Furthermore, the Company also relies on the volume of electronic equipment needing repair from its customers.

System and efficiency risks: The Company's systems are critical in delivering high quality outputs in an efficient manner. Policies and procedures are in place to ensure system integrity is maintained and to deliver consistent customer service.

Legislative and compliance: In order for the Company to meet its ISO requirements and achieve its annual certification, it must adhere to a number of legislative and compliance requirements and pass the annual audits as conducted within the year.

COVID-19: The impact of the current COVID-19 pandemic in 2020, on customers, suppliers and employees is being closely monitored. Our COVID-19 statement included within accounting policy 2.4, sets out in more detail the actions being taken on an ongoing basis to mitigate the effects on our business.

Financial key performance indicators

Key performance indicators (KPI's) include the monitoring of the operating and financial performance of the Company by the directors. The KPI's as adopted by the Company are as follows:-

	2020	2019
Turnover	**£30,642k**	£36,306k
Gross Profit	**£6,936k**	£10,241k
Gross Profit %	**23%**	28%
Profit (before tax)	**£2,895k**	£4,591k
Debtor Days	**33 Days**	22 Days
Creditor Days	**21 Days**	41 Days

The impact of COVID-19 and changes to major contracts led to a fall in turnover and gross profit margins in 2020. Having secured long term contracts, performance is underpinned by new business opportunities and improvements in productivity.

Other key performance indicators

Customer quality and service targets are measured daily. The achievement of these targets remains consistently high within the business.

Directors' statement of compliance with duty to promote the success of the Company

The directors of CTDI Glenrothes Limited consider that individually and together, they have acted in the way they consider would be most likely to promote the success of the business for the benefit of its stakeholders.

The directors plan to ensure the long term success of the business engaged in technical repairs, customer support services and product end of life management of electronic equipment. This will be achieved through developing long term contracts with existing customers and winning contracts with new customers, based on the consistent delivery of quality and achievement of customer service targets.

To achieve this strategic objective the directors plan to behave responsibly in balancing the needs of our employees, our customers and our shareholders.

Our Employees

Our Employees are fundamental to the success of our business. We aim to be a responsible employer in our approach to pay and benefits and ensuring their health, safety and wellbeing. We endeavour to develop our employees through providing opportunities and training. We engage with employees each day to organise and improve production and by holding employee forums on a regular basis.

Our Customers

Meeting Customer expectations through the achievement of quality and service targets is a Key Performance Indicator of the business that is monitored daily. This enables us to build strong customer relationships and secure long term contracts for the business. We respond to customers changing needs on a daily basis and review overall satisfaction together through quarterly business reviews.

Our Shareholders

Each year the business reviews its Strategy and Budget expectations with Shareholders for the following year. In developing the budget and strategic plans the business considers a variety of matters including the interest of various stakeholders, the consequences if its decisions in the long term and the reputation of the business. Once approved, the budget and strategic plans form the basis of investment plans and performance goals for the following year. Performance against these plans is then monitored and reported to shareholders on a daily basis.

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

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S T Taylor
Director

Date: 30/4/21

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Principal activity

The Company is a wholly owned subsidiary of CTDI (Depot) Services Ltd and engages in technical repairs, customer support services and product end of life cycle management of electronic equipment.

Directors

The directors who served during the year were:

S T Taylor
R Kieselstein (resigned 1 April 2021)
G J Parsons (resigned 25 May 2020)
L D Parsons (resigned 25 May 2020)

Results and dividends

The results and dividends for the year are set out on page 11.

Supplier payment policy

It is the Company's policy to set the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them.

Creditors days at the year end were 21 days (2019 - 41 days).

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Engagement with employees

The Company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Company.

Disabled employees

Applications for employments by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Company may continue.

It is the policy of the Company that training, career development and promotion opportunities should be available to all employees.

Disclosure of information to auditors

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

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

Post balance sheet events

The effect of the Covid-19 pandemic have been disclosed in the Strategic Report and accounting policy 2.4.

Auditors

The auditors, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

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S T Taylor
Director

Date: 30/4/21

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CTDI GLENROTHES LIMITED

Opinion

We have audited the financial statements of CTDI Glenrothes Limited (the 'Company') for the year ended 31 December 2020, which comprise the statement of income and retained earnings, the balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CTDI GLENROTHES LIMITED (CONTINUED)

Other information

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

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 5, 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.

Auditors' responsibilities for the audit of the financial statements

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

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

- Enquiry of management around actual and potential litigation and claims;
- Enquiry of entity staff in compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journals entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CTDI GLENROTHES LIMITED (CONTINUED)

Use of our report

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

Martin Herron BA (Hons) ACA (Senior Statutory Auditor)
for and on behalf of
MHA MacIntyre Hudson
Chartered Accountants
Statutory Auditors
Moorgate House
201 Silbury Boulevard
Milton Keynes
Buckinghamshire
MK9 1LZ

Date: 30 APRIL 2021

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
Turnover	4	**30,642**	36,306
Cost of sales		**(23,706)**	(26,065)
Gross profit		**6,936**	10,241
Administrative expenses		**(6,306)**	(7,051)
Other operating income	5	**2,326**	1,357
Operating profit	6	**2,956**	4,547
Interest receivable and similar income	10	**25**	105
Interest payable and similar expenses	11	**(86)**	(61)
Profit before tax		**2,895**	4,591
Tax on profit	12	**(257)**	(571)
Profit after tax		**2,638**	4,020
Retained earnings at the beginning of the year		**8,735**	10,655
Profit for the year		**2,638**	4,020
Dividends declared and paid	13	**(8,650)**	(5,940)
Retained earnings at the end of the year		**2,723**	8,735

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of income and retained earnings.

The notes on pages 13 to 32 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note		2020 £000		2019 £000
Fixed assets					
Tangible assets	15		**1,172**		1,470
			1,172		1,470
Current assets					
Stocks	17	**1,324**		3,148	
Debtors: amounts falling due within one year	18	**3,977**		8,856	
Cash at bank and in hand	19	**9**		21	
		5,310		12,025	
Creditors: amounts falling due within one year	20	**(3,219)**		(4,220)	
Net current assets			**2,091**		7,805
Total assets less current liabilities			**3,263**		9,275
Net assets			**3,263**		9,275
Capital and reserves					
Called up share capital	22		**540**		540
Profit and loss account	26		**2,723**		8,735
			3,263		9,275

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

S T Taylor
Director

Date: 30/4/21

The notes on pages 13 to 32 form part of these financial statements.

1. General information

CTDI Glenrothes Limited is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is Featherstone Road, Wolverton Mill, Milton Keynes, MK12 5TH.

The principal place of business is Bankhead West Industrial Estate, 1 James Watt Avenue, Glenrothes, KY7 4UA.

The principal activity of the Company continued as to engage in technical repairs, customer support services and product end of life cycle management of electronic equipment.

The financial statements are presented in Pound sterling which is also the functional currency of the Company, rounded to the nearest £1k.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of CTDI GmbH as at 31 December 2020 and these financial statements may be obtained from CTDI GmbH, Stephanstr. 4-8 76316 Malsch, Germany.

2. Accounting policies (continued)

2.3 Name of parent of group

CTDI Glenrothes Limited is a wholly owned subsidiary of CTDI (Depot) Services Ltd. Communications Test Design Inc is the ultimate parent of the Company. The results of CTDI Glenrothes Limited are included in the consolidated financial statements of Communications Test Design Inc which are not available to the public. The results of the CTDI Glenrothes Limited are also included in the consolidated financial statements of CTDI GmbH.

A copy of these consolidated financial statements are available from the registered office address of CTDI GmbH,Stephanstr. 4-8 76316 Malsch, Germany.

2.4 Going concern

The financial statements have been prepared on a going concern basis. The Directors have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment.

In order to protect the performance and financial stability of the Company, the impact of COVID 19 on all customers, suppliers and employees is being closely monitored and mitigating actions have been taken.

The business has followed the advice of the Scottish and UK Government measures as communicated in various updates throughout the year.

The activity of the Company is considered essential to the supply chain of its telecommunications customers and was not included within the list of businesses that were instructed to close. CTDI Glenrothes Limited has remained operational throughout this period.

The business has ensured that all measures advised under Public Health Scotland have been followed as regards to employees:
i) All employees that can work from home have worked remotely since the 23rd March 2020, supported through effective technology, regular communication from managers and advice on best practise for home working.

ii) For all on site production staff, processes have been implemented to ensure social distancing and adequate hygiene measures are in place.

As a subsidiary of CTDI Europe, CTDI Glenrothes Limited has continued to receive the same level of management, systems and financial support throughout this period. CTDI Europe is also considered a systems critical company, which is indispensable for the maintenance of telecommunications and has remained operational in sites across Europe.

The Senior Management of CTDI Glenrothes Limited, along with its European and Global Group headquarters have executive steering teams in place that watch developments happening in all areas affecting employees, customers and suppliers and to agree mitigating actions.

Overall customer demand has remained broadly similar to pre COVID 2019 levels. Some customers have adjusted their focus due to changes in their supply chains and customer demand. This has led to less demand on some products and new opportunities on other products. Management have maintained open dialogue with customers throughout this period.

2. Accounting policies (continued)

2.4 Going concern (continued)

Increases in employee absence levels due to sickness and self-isolation subsided after the initial wave of Covid cases in Scotland. This was mitigated through prioritising workflows and using the assistance of other CTDI sites.

Early disruption to some parts of the business supply chain were mitigated through alternative supply options to maintain production. While the supply chain remains challenged through the impact of COVID 19, Brexit and worldwide components shortages, the impact on the business has been minimal.

In order to further protect the financial strength of the business we have reviewed and actioned government assistance where necessary.

A number of redundancies have been avoided under the governments 'Job Retention Scheme' with staff being furloughed. This has affected around 7.9% of employees.

Government assistance as regards loans and delays in tax payments have not been pursued as our cash flow position remains healthy. Financing for CTDI Glenrothes Limited continues to be secured via its cash pooling arrangements within the CTDI Europe. That liquidity is not under threat.

Specific documentation and procedures are in place within CTDI Europe, as part of standard Business Continuity Planning. That documentation has been recently updated to address the specific COVID 19 pandemic. As well as detailing what processes are to be implemented and who is responsible, it also details what specific measures need to be implemented to keep the Company operational not just during the current COVID 19 pandemic but also immediately after. Based on the above assessments and having regard to the resources available to the entity, the directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the financial statements.

2. Accounting policies (continued)

2.5 Revenue

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

Sale of goods

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

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

Rendering of services

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

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

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

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

2. Accounting policies (continued)

2.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Pound sterling.

Transactions and balances

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

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

2.8 Intangible assets

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

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

The estimated useful lives range as follows:

Development expenditure	-	3 years

2.9 Tangible fixed assets

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

2. Accounting policies (continued)

2.9 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 5 years
Plant and machinery	- 3 - 5 years
Motor vehicles	- 5 years
Fixtures and fittings	- 5 years
Assets under construction	- Not depreciated

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

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

2.10 Impairment of fixed assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost to sell and value in use. 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 which the estimates of future cash flows have not be adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Accounting policies (continued)

2.11 Stocks

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

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

2.12 Debtors

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

2.13 Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of fair values at the acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the company in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date is probable and can be measured reliably.

2.14 Investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of income and retained earnings for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.15 Cash and cash equivalents

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

2.16 Creditors

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

2. Accounting policies (continued)

2.17 Financial instruments

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

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

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

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.18 Current and deferred taxation

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

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

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

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

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

2. Accounting policies (continued)

2.19 Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at the present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

2.20 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminating the employment of an employee or to provide termination benefits.

2.21 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.22 Government grants

Grants relating to the Job Retention Scheme are accounted under the accruals model as permitted by FRS 102. The accrued element of grants is included in debtors as accrued income.

Grants relating to the Job Retention Scheme are recognised in the Statement of Comprehensive Income within other operating income in the same period as the related staff costs.

2. Accounting policies (continued)

2.23 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.24 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

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

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

Critical judgements and estimates
The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Intangible assets
Directors and key management assess the useful lives of intangible assets, primarily development costs, at 3 years over which period the intangibles are expected to generate revenue or benefit to the Company. However, intangible assets can potentially generate revenue or a benefit over a shorter or longer period.

Provisions
At the end of each financial year, the Company makes provision against certain balance sheet areas such as obsolete or slow moving stock, stock returns, customer debt provisions etc. Such provisions are calculated using a combination of actual current information and an element using historical data as a basis.

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £000	2019 £000
United Kingdom	**23,755**	25,879
Other European countries	**6,887**	10,133
Rest of the world	**-**	294
	30,642	36,306

5. Other operating income

	2020 £000	2019 £000
Intercompany recharging	**2,146**	1,357
Job retention scheme	**180**	-

6. Operating profit

The operating profit is stated after charging:

	2020 £000	2019 £000
Gain on disposal of property, plant and equipment	**21**	1
Exchange differences (credit) / charge	**(12)**	218

7. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**24**	24

Fees payable to the Company's auditor in respect of:

All other services	**4**	4

8. Employees

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

	2020 £000	2019 £000
Wages and salaries	**9,876**	9,905
Social security costs	**719**	668
Other short-term employee benefits	**25**	29
Cost of defined contribution scheme	**373**	350
	10,993	10,952

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

	2020 No.	2019 No.
Sales and administration	**43**	47
Operations, engineers and technicians	**437**	474
	480	521

9. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	**151**	139
Company contributions to defined contribution pension schemes	**11**	10
	162	149

During the year retirement benefits were accruing to 1 director (2019 - 1) in respect of defined contribution pension schemes.

Only 1 director is remunerated by the Company, remuneration for the other directors for the current and prior period has been borne by other group companies

10. Interest receivable

	2020 £000	2019 £000
Interest receivable from group companies	**25**	105

11. Interest payable and similar expenses

	2020 £000	2019 £000
Bank interest payable	**52**	61
Interest payable to group companies	**34**	-
	86	61

12. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	**385**	600
Adjustments in respect of previous periods	**(180)**	(3)
Total current tax	**205**	597
Deferred tax		
Origination and reversal of timing differences	**52**	(37)
Adjustments in respect of prior periods	**-**	11
Total deferred tax	**52**	(26)
Taxation on profit on ordinary activities	**257**	571

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	**2,895**	4,591
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**550**	872
Effects of:		
Non tax deductible amortisation	**-**	70
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**-**	2
Capital allowances for year in excess of depreciation	**(18)**	(60)
Deferred tax adjustments in respect of prior periods	**-**	11
Adjustments to tax charge in respect of prior periods	**(180)**	(3)
Group relief	**-**	(176)
Patent box relief	**(143)**	(98)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	**(4)**	(10)
Deferred tax movement in the year	**52**	(37)
Total tax charge for the year	**257**	571

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

13. Dividends

	2020 £000	2019 £000
Dividends paid on ordinary shares	**8,650**	5,940

14. Intangible assets

	Development expenditure £000
Cost	
At 1 January 2020	**4,336**
At 31 December 2020	**4,336**
Amortisation	
At 1 January 2020	**4,336**
At 31 December 2020	**4,336**
Net book value	
At 31 December 2020	-
At 31 December 2019	-

15. Tangible fixed assets

	Leasehold Improvements £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost						
At 1 January 2020	368	4,101	10	1,305	22	5,806
Additions	-	86	-	44	148	278
Disposals	(59)	(115)	-	(125)	-	(299)
At 31 December 2020	309	4,072	10	1,224	170	5,785
Depreciation						
At 1 January 2020	325	2,970	7	1,034	-	4,336
Charge for the year on owned assets	17	444	3	86	-	550
Disposals	(55)	(114)	-	(104)	-	(273)
At 31 December 2020	287	3,300	10	1,016	-	4,613
Net book value						
At 31 December 2020	22	772	-	208	170	1,172
At 31 December 2019	43	1,131	3	271	22	1,470

16. Fixed asset investments

The Company holds an investment amounting to £146 (2019 - £146) representing 1% of the ordinary issued share capital of CTDI Belgium (SPRL).

The registered address for CTDI Belgium (SPRL) is Rue de Liege(CO) 70, 6180 Courcelles, Belgium.

Interest in investments are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the statement of income and retained earnings.

17. Stocks

	2020	2019
	£000	£000
Raw materials and consumables	**977**	2,536
Work in progress	**316**	529
Finished goods and goods for resale	**31**	83
	1,324	3,148

18. Debtors

	2020	2019
	£000	£000
Trade debtors	**3,231**	1,315
Amounts owed by group undertakings	**319**	6,777
Other debtors	**33**	15
Prepayments and accrued income	**230**	565
Tax recoverable	**42**	10
Deferred taxation	**122**	174
	3,977	8,856

Interest is charged at 3% on the amounts due from group undertakings and the balance is repayable on demand.

19. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	**9**	21

20. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**1,166**	2,067
Amounts owed to group undertakings	**1,424**	648
Corporation tax	**-**	600
Other taxation and social security	**34**	351
Other creditors	**56**	54
Accruals and deferred income	**539**	500
	3,219	4,220

Interest is charged at 3% on the amounts due to group undertakings and the balance is repayable on demand.

21. Deferred taxation asset

	2020 £000	2019 £000
At beginning of year	**174**	148
Credited/(charged) to profit or loss	**(52)**	26
At end of year	**122**	174

	2020 £000	2019 £000
Unutilised capital allowances	**116**	169
Provisions	**6**	5
	122	174

22. Share capital

	2020	2019
	£000	£000
Allotted, called up and fully paid		
540,000 (2019 - 540,000) Ordinary shares of £1.00 each	**540**	540

23. Financial commitments, guarantees and contingent liabilities

The Company has guaranteed, via fixed and floating charges over the whole of its property, undertaking and assets, the bank borrowings of other companies in the CTDI Group. At 31 December 2020, the liability covered by this guarantee amounted to €52.5m (2019 - €55.5m).

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £362k (2019 - £350k) . Contributions totalling £53k (2019 - £50k) were payable to the fund at the balance sheet date and are included in creditors.

25. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	2019
	£000	£000
Not later than 1 year	**531**	521
Later than 1 year and not later than 5 years	**2,119**	2,115
Later than 5 years	**2,015**	2,550
	4,665	5,186

The amount of non-cancellable operating lease payment recognised as an expense during the year was £521k (2019 - £521k)

26. Reserves

Profit and loss account

The profit and loss account reserve includes all current and prior period retained profit and losses.

27. Related party transactions

As a wholly owned subsidiary, the Company has taken advantage of the exemption contained in Financial Reporting Standard 102 to not disclose transactions with wholly owned group companies.

The Company has paid rent of £485k (2019 - £470k) to a Company which is owned by the owners of Communications Test Design, Inc. As at 31 December 2020 there was no amounts due to the related party (2019 - £nil).

28. Controlling party

The Company's immediate parent is CTDI (Depot) Services Ltd, incorporated in England.

The largest group on which the results of the Company are consolidated is that headed by Communications Test Design, Inc. a company registered at 1373 Enterprise Drive, West Chester, PA 19380, United States of America. The consolidated financial statements of this group are not available to the public.

The smallest group on which they are consolidated is that headed by CTDI GmbH, a company registered at Stephanstr. 4-8, 76316 Malsch, Germany. The consolidated financial statements of this group may be obtained from the registered address of CTDI GmbH.

In the opinion of the directors there is no single controlling party of the ultimate parent company.