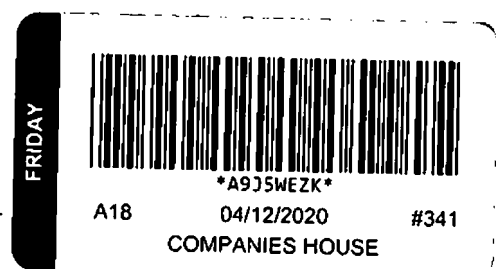


COMPANY REGISTRATION NUMBER: 01398551

PP Control & Automation Limited
Financial Statements
For the year ended 31 December 2019



PP Control & Automation Limited
Financial Statements
For the year ended 31 December 2019

Contents	Pages
Officers and professional advisers	1
Strategic report	2 to 3
Directors' report	4 to 6
Directors' responsibilities statement	7
Independent auditor's report to the members	8 to 10
Statement of income and retained earnings	11
Statement of financial position	12
Notes to the financial statements	13 to 27

PP Control & Automation Limited

Officers and Professional Advisers

The board of directors

A Hague
I J Marlow
A Dunn
IR Knight
SJ Cayley
S Robertson
G Myatt

Registered office

Landywood Green
Cheslyn Hay
Walsall
West Midlands
WS6 7AL

Auditor

Ernst & Young LLP
No 1 Colmore Square
Birmingham
West Midlands
B4 6HQ

Bankers

Clydesdale Yorkshire Bank
136-138 New Street
Birmingham
West Midlands
B2 4QJ

PP Control & Automation Limited

Strategic Report

For the year ended 31 December 2019

Principal activity

The principal activity of the company during the year was the supply of strategic outsourcing solutions to machine builders.

Review of business

The results for the year were once again very encouraging, Q1-Q3 were particularly strong with some softening in Q4 caused by "Brexit" uncertainty coupled with a general election which resulted in a fall in manufacturing confidence and a general economic slowdown across a number of industry sectors

The results for the year are set out in the Statement of Income and Retained Earnings on page 10. The company is pleased to report a strong result for the year. Market conditions have continued to be positive during 2019 and this has resulted in a profit after taxation of £971,620 (2018 £1,452,769) for the 12 months ended 31 December 2019. The year on year reduction has been particularly impacted by a Q4 2019 softening against higher margin customers.

Further investment was made in 2019 in such areas as a new IT system which provides several performance and efficiency benefits as well as new automation in areas of cable manufacture and test providing additional quality and capacity benefits to the organisation. Further investment was made in creating new ESD (Electro-static-discharge) build area in order to offer clients additional services in the assembly of delicate electronics and new business has already been secured for this capability.

The company closed the year with a strong Statement of Financial Position (as shown on page 11).

Principal risks and uncertainties

Bank finance was obtained as part of the 2018 Ardenton acquisition. These loan arrangements carry an annual debt service requirement made up of interest, which makes the company subject to the risk of interest rate fluctuations, and principal repayments. Strategic plans and cash flow forecasting is undertaken in order to ensure that sufficient cash reserves are maintained to satisfy repayment obligations. The directors do not expect any significant interest rate movements and hence no significant risk to the business.

Risk is seen as high in global manufacturing at this point in time, whether linked to on-going UK-EU negotiations and what new trade deals will materialize, ongoing US-China trade "wars" and the COVID-19 pandemic and the forecast of impact on the wider global macro-economic climate.

PPC&A has positioned itself clearly as a leading controls & automation solutions provider within the UK for OEMs in a wide range of industrial sectors. Utilising a clearly defined sales process, sales & marketing resource has been focused on this process. More recent growth opportunities have been further enhanced by the development of capabilities that can be offered, including more focus on both mechanical assembly and electronics. We expect to see further appetite across UK manufacturers to seek out contract manufacturing partners that are "closer to home", this is seen as a de-risking strategy following supply chain disruption associated with COVID-19 and pending Brexit uncertainty.

PP Control & Automation Limited

Strategic Report (continued)

For the year ended 31 December 2019

Principal risks and uncertainties (continued)

Maintaining operating margins - the company continues to consolidate its presence in the market focusing on improvements in manufacturing and operating techniques as well as controlling the purchase of component parts by continual audit of the supply chain, to guarantee customer satisfaction. A rigorous quality control procedure aids the company's ability to achieve its financial performance and strength.

Exchange rate risk - the company buys and sells in sterling, euros and US dollars and is therefore regularly affected by changes in exchange rates. The company seeks to mitigate the risk associated with such fluctuations by holding dollar and euro bank accounts.

Development and performance

The directors continue to be encouraged by the direction of the business and the extensive opportunities for future growth. Experience has shown us that we can return a similar level of profit margins and cash generation, in the event of a volume reduction. Given the fact that our customers cover a wide range of different industry sectors and the clearly defined growth strategy we have deployed, we consider the future to be extremely positive and full of opportunity.

Post year end, the business was delighted to play a significant part in the UK Ventilator Challenge through the production of tens of thousands of cable harnesses going into various medical device platforms.


The business continues to invest significantly in all areas of the production processes, training & development of employees and supporting functions to continually drive growth.

Financial key performance indicators

The company regards the key financial performance indicators to be those that disclose the financial performance and strength of the company.

The directors consider these to be turnover and profit margins. During the year, the company's turnover remained in line, when comparing to the prior period (£23m is the 11 months result in 2018, if we extrapolate over 12 months it remains consistent). Profit levels have decreased slightly, due to a Q4 2019 softening against higher margin customers, impacted by "Brexit" uncertainty coupled with a general election which resulted in a fall in manufacturing confidence and a general economic slowdown across a number of industry sectors.

This report was approved by the board of directors on 2nd December 2020 and signed on behalf of the board by:



A Hague
Director

PP Control & Automation Limited

Directors' Report

For the year ended 31 December 2019

The directors present their report and the financial statements of the company for the year ended 31 December 2019.

Principal activities

The principal activity of the company is the supply of strategic outsourcing solutions to machine builders.

Directors

The directors who served the company during the year and up to the date of signature of the financial statements are as follows:

A Hague
I J Marlow
A Dunn
IR Knight
SJ Cayley
S Robertson (appointed on 19 February 2020)
G Myatt (appointed on 19 February 2020)

Dividends

Dividends paid during the period amounted to £627,567 (2018 - £1,840,567).

Future developments

The company will pursue a strategy of organic growth in the UK (including new vertical market sectors) and new process capabilities (widening our solution offering to current clients).. In addition, the company is evaluating new M&A opportunities that will bring complimentary skills and processes into the organization as well as facilitating new market access that could create exciting new opportunities. We expect to see further appetite across UK manufacturers to seek out contract manufacturing partners that are "closer to home", this is seen as a de-risking strategy following supply chain disruption associated with COVID-19 and pending Brexit uncertainty. The impact of COVID19 may delay some of these plans but they remain central to the company's overall strategic direction.

Qualifying Indemnity provision

Directors and officer's indemnity insurance was in force throughout the period up to the value of £5,000,000 per claim. Employer Practices Liability cover of £2,500,000 was also in force.

Disclosure of Information in the strategic report

In accordance with section 414C(11) of the companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 the company has produced a Strategic Report which can be seen on pages 2 and 3 of the financial statements.

PP Control & Automation Limited

Directors' Report (continued)

For the year ended 31 December 2019

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487((2) of the Companies Act 2006.

Going concern

At the time of approving the financial statements, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Production output is expected to increase again in the coming year and the directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Covid19 has clearly impacted the UK economic landscape greatly with demand down on historic levels. The Company has experienced this and has adjusted its operating model accordingly to match organizational structure to market conditions. The company continues based on these actions to operate at historic operating margins and through proactive management of cashflow and workflow the company continues to be in a strong position.

The company and its parent have external debt on which repayments are due and certain covenants are in place. To date, in order to meet required loan repayments, dividends have been paid up from the company to its parent to provide sufficient funds as needed. The company and its parent continue to service this debt and have complied with quarterly covenant requirements throughout 2020 despite the reductions in revenue suffered in Q2. The company has prepared revised post COVID forecasts for the period through to 31 December 2021 which it considers to be prepared on a prudent basis and these forecasts demonstrate that covenants and debt repayments will continue to be met throughout this period. The company has sensitized these forecasts and has considered controllable mitigating actions that can be taken when sensitivities are applied. Based on these sensitivities and actions the company is expected to be able to operate within its facilities and covenants through to 31 December 2021.

For these reasons the Directors have prepared the financial statements on a going concern basis.

Subsequent Events note

The directors continue to be encouraged by the direction of the business and the extensive opportunities for future growth, however we are clearly mindful of the short-midterm challenges during the Covid-19 pandemic crisis.

Q2 2020 saw a 17% fall in turnover because of the Covid-19 pandemic. The company subsequently realigned resources to match the falls in demand, making appropriate use of the job retention scheme and VAT payment deferral scheme. Profit margins were delivered in line with historic levels.

Q3 2020 started to show a return to pre Covid-19 turnover levels. The company resources were realigned to match the increased demand. Profit margins were delivered in line with historic levels.

PP Control & Automation Limited

Directors' Report (continued)

For the year ended 31 December 2019

Q4 2020 has seen the commencement of the execution of a clearly defined organic growth strategy, that will underpin significant growth and expansion during 2021.

Current expectations are that 2020 will close at £22m turnover, with an anticipated profit margin in line with historic levels. This would represent an overall 12% year on year reduction from 2019 much of which is directly attributable to the Covid-19 pandemic.

Experience has shown us that we can return a similar level of profit margins and cash generation, in the event of a volume reduction. Given the fact that our customers cover a wide range of different industry sectors and the clearly defined organic growth strategy we have deployed, we consider the future to be extremely positive and full of opportunity.

This report was approved by the board of directors on 2nd December 2020 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'A Hague', with a long horizontal flourish extending to the right.

A Hague
Director

PP Control & Automation Limited

Directors' responsibilities statement

For the year ended December 2019

The directors are responsible for preparing the strategic report, 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 period. 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). 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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

PP Control & Automation Limited

Independent Auditor's Report to the Members of PP Control & Automation Limited

For the year ended 31 December 2019

Opinion

We have audited the financial statements of PP Control & Automation Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of income and retained earnings, statement of financial position and the related notes 1 to 25, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of the profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter relating to COVID-19

We draw attention to Note 25 of the financial statements, which describes the directors' view of the impact of COVID-19 which may impact on customer demand or on the company's ability to perform in accordance with expectations. Our opinion is not modified in this respect.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

PP Control & Automation Limited

Independent Auditor's Report to the Members of PP Control & Automation Limited (continued)

For the year ended 31 December 2019

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. 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.

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 period 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 group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

PP Control & Automation Limited

Independent Auditor's Report to the Members of PP Control & Automation Limited (*continued*)

For the year ended 31 December 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

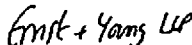
Auditor's responsibilities for the audit of the financial statements

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 Financial Reporting Council's website at <http://www.frc.org.uk/auditors-responsibilities>. The description forms part of our auditors report.

Use of the 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.

DocuSigned by:

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Helen Hemming (Senior Statutory Auditor)

For and on behalf of
Ernst & Young LLP (Statutory Auditor)
Birmingham

December 2, 2020

PP Control & Automation Limited
Statement of Income and Retained Earnings
For the year ended 31 December 2019

		Year Ended 31 Dec 19	Period from 11 months ended 31 Dec 18
	Note	£	£
Turnover	4	25,355,761	23,549,829
Cost of sales		<u>19,901,199</u>	<u>17,809,880</u>
Gross profit		5,454,562	5,739,949
Administrative expenses		4,151,681	3,861,632
Other operating income		<u>(500)</u>	<u>(2,486)</u>
Operating profit	5	1,303,381	1,880,803
Interest payable	8	<u>68,927</u>	<u>50,934</u>
Profit before taxation		1,234,454	1,829,869
Taxation on ordinary activities	9	<u>262,834</u>	<u>377,100</u>
Profit for the financial year and total comprehensive income		<u>971,620</u>	<u>1,452,769</u>
Dividends paid and payable	10	<u>(627,567)</u>	<u>(1,840,567)</u>
Retained earnings at the start of the year		<u>3,629,988</u>	<u>4,017,786</u>
Retained earnings at the end of the year		<u>3,974,041</u>	<u>3,629,988</u>

All the activities of the company are from continuing operations.

The notes on pages 13 to 27 form part of these financial statements

PP Control & Automation Limited

Statement of Financial Position

For the year ended 31 December 2019

	Note	31-Dec-19 £	31-Dec-18 £
Fixed Assets			
Intangible Assets	11	21,393	-
Tangible Assets	12	<u>2,259,912</u>	<u>2,240,015</u>
		2,281,305	2,240,015
Current Assets			
Stocks	13	3,046,604	2,537,025
Debtors	14	3,996,603	5,447,284
Cash at bank and in hand		<u>736,418</u>	<u>529,978</u>
		7,779,625	8,514,287
Creditors: amounts falling due within one year	15	<u>4,689,385</u>	<u>5,677,078</u>
Net current assets		<u>3,090,240</u>	<u>2,837,209</u>
Total assets less current liabilities		5,371,545	5,077,224
Creditors: amounts falling due after more than one year	16	1,296,845	1,411,236
Provisions			
Taxation including deferred tax	17	<u>90,659</u>	<u>26,000</u>
Net assets		<u>3,984,041</u>	<u>3,639,988</u>
Capital and reserves			
Called up share capital	20	10,000	10,000
Profit and loss account	21	<u>3,974,041</u>	<u>3,629,988</u>
Total equity shareholder's funds		<u>3,984,041</u>	<u>3,639,988</u>

These financial statements were approved by the board of directors and authorised for issue on 2nd December 2020, and are signed on behalf of the board by:



A Hague
Director

Company registration number: 01398551

The notes on pages 13 to 27 form part of these financial statements

PP Control & Automation Limited

Notes to the Financial Statements

For the year ended 31 December 2019

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Landywood Green, Cheslyn Hay, Walsall, West Midlands, WS6 7AL.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" and the requirements of the Companies Act 2006.

3. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis. The financial statements are prepared in sterling, which is the functional currency of the entity.

(b) Going concern

At the time of approving the financial statements, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Production output is expected to increase again in the coming year and the directors therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Covid19 has clearly impacted the UK economic landscape greatly with demand down on historic levels. The Company has experienced this and has adjusted its operating model accordingly to match organizational structure to market conditions. The company continues based on these actions to operate at historic operating margins and through proactive management of cashflow and workflow the company continues to be in a strong position.

The company and it's parent have external debt on which repayments are due and certain covenants are in place. To date, in order to meet required loan repayments, dividends have been paid up from the company to it's parent to provide sufficient funds as needed. The company and it's parent continue to service this debt and have complied with quarterly covenant requirements throughout 2020 despite the reductions in revenue suffered in Q2. The company has prepared revised post COVID forecasts for the period through to 31 December 2021 which it considers to be prepared on a prudent basis and these forecasts demonstrate that covenants and debt repayments will continue to be met throughout this period. The company has sensitized these forecasts and has considered controllable mitigating actions that can be taken when sensitivities are applied. Based on these sensitivities and actions the company is expected to be able to operate within its facilities and covenants through to 31 December 2021.

For these reasons the Directors have prepared the financial statements on a going concern basis.

PP Control & Automation Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. Accounting policies (continued)

(c) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of PPCA Holdco Limited financial statements which can be obtained from 3 Hardman Square, Spinningfields, Manchester M3 3EB. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- Section 4. 12(a)(iv) Statement of Financial Position - Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' - Presentation of a statement of cash flow and related notes and disclosures;
- The relevant paragraphs of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches;
- Section 33. 7 'Related Party Disclosures' Compensation for key management personnel.

(d) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and Judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such judgements have been made in respect of stock provisions when net realisable value is estimated to be less than cost. No revisions to this area are expected as a result of the impact of Covid-19.

(e) Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

(f) Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original three months or less, and bank overdrafts. Bank overdrafts are shown within current liabilities.

PP Control & Automation Limited
Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. Accounting policies (continued)

(g) Taxation

The taxation expense represents the aggregate amount of current and deferred tax.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(h) Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

(i) Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

(j) Intangible assets

Intangible assets are initially recorded at cost and are subsequently stated at cost less any accumulated amortization and impairment losses.

(k) Amortisation

Amortisation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Software	-	25% on original cost
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PP Control & Automation Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. Accounting policies (continued)

(l) Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

(m) Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold buildings	Plant & Machinery
2% on cost	25% on original cost

(n) Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs 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 been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case 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 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or 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.

(o) Stocks

Stock and work in progress are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

PP Control & Automation Limited

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2019

3. Accounting policies *(continued)*

(p) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

(q) Financial Instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

PP Control & Automation Limited
Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3. Accounting policies (continued)

(r) Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(s) Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(t) Reporting period

The financial statements presented are for the 12-month period to 31 December 2019. The comparative period is for the 11-month period ended 31 December 2018. Note the year end was changed in 2018, to align with the group financial statements, following the change in control in that period. As a result of this change the comparative information given in the financial statements is not entirely comparable

4. Turnover

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
Turnover arises from:		
Sales of goods	<u>25,355,761</u>	<u>23,549,829</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
United Kingdom	24,777,676	22,958,168
Overseas	<u>578,085</u>	<u>591,661</u>
	<u>25,355,761</u>	<u>23,549,829</u>

PP Control & Automation Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

5. Operating profit

Operating profit or loss is stated after charging/(crediting):

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
Depreciation of tangible assets	159,827	113,406
Loss on disposal of tangible assets	-	72,857
Amortisation of intangible assets	2,675	-
Cost stocks recognised as an expense	16,671,554	14,447,048
Foreign exchange differences	1,819	(51,299)
Fees payable for the audit of the financial statements	37,500	30,900
Auditor other fees - Tax Services	7,000	5,425
Operating lease costs - Plant and equipment	<u>155,061</u>	<u>115,021</u>

6. Particulars of employees

The average number of persons employed by the company during the period, including the directors, amounted to:

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	No.	No.
Production Staff	186	197
Management and administration staff	36	29
Directors	<u>2</u>	<u>4</u>
	<u>224</u>	<u>230</u>

PP Control & Automation Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6. Particulars of employees (continued)

The aggregate payroll costs incurred during the period, relating to the above, were:

	Year Ended	11 Months Ended
	Dec 19	31 Dec 18
	£	£
Wages and salaries	4,949,777	4,978,188
Social security costs	413,465	440,924
Other pension costs	89,188	46,703
	<u>5,452,430</u>	<u>5,465,815</u>

7. Directors' remuneration

Of the three directors that the company had as at 31 December 2019, two are employed by the business, one is employed by the immediate parent company PPCA Holdco (their remuneration is recharged to PP Control) and two are employed by another member of the Ardenton Group (their costs are not directly recharged to PP Control). The director remuneration disclosures that have been presented include the two directors employed by the business and the one director whose remuneration has been recharged by PPCA Holdco to the company.

The directors' aggregate remuneration in respect of qualifying services was:

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
Remuneration	395,080	734,197
Company pension contributions to defined contribution schemes	<u>8,584</u>	<u>1,207</u>

Remuneration of the highest paid director in respect of qualifying services:

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
Remuneration	219,760	316,677
Company pension contributions to defined contribution schemes	<u>1,289</u>	<u>670</u>

8. Interest payable

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
Interest on banks loans and overdrafts	54,126	39,579
Interest payable on trade debtor factoring arrangements	<u>14,801</u>	<u>11,355</u>
	<u>68,927</u>	<u>50,934</u>

PP Control & Automation Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

9. Taxation on ordinary activities

Major components of tax expense/(income)

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
Current tax:		
UK current tax expense	224,107	377,100
Adjustments in respect of prior periods	(25,931)	-
		-
Total current tax	198,176	377,100
Deferred tax:		
Origination and reversal of timing differences	21,953	-
Adjustments in respect of prior periods	45,016	-
Effect of changes in tax rates	(2,311)	-
Taxation on ordinary activities	262,834	377,100

Reconciliation of tax expense/(income)

Tax expense for the period is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences explained below:

	Year Ended	Period from
	31 Dec 19	1 Feb 18 to
	£	31 Dec 18
	£	£
Profit on ordinary activities before taxation	1,234,454	1,829,869
Profit on ordinary activities by rate of tax	234,546	347,675
Expenses not deductible	11,514	8,280
Adjustment from previous periods	19,085	-
Depreciation on assets ineligible for tax allowances	-	20,279
Tax rate changes	(2,311)	866
	262,834	377,100

Factors that may affect future tax expense

Deferred tax has been stated at 17%, being the substantively enacted rate at the company's balance sheet 31 December 2019. However, the Chancellor at the 11 March 2020 budget and subsequent Finance Bill (Finance Bill 2020 published on 19 March 2020), confirmed that the proposed reduction in the Corporation Tax rate to 17% from 1 April 2020 will no longer apply and that the 19% rate would continue to be applicable for the financial years starting 1 April 2020 and 1 April 2021

10. Dividends

Dividends paid during the year amounted to £627,567 (11 month ended 31 December 2018: £1,840,567). This represents £62.76 and £184.05 per share respectively.

PP Control & Automation Limited

Notes to the Financial Statements (*continued*)

For the year ended 31 December 2019

11. Intangible Assets

	Software £
Cost	
At 1 January 2019	-
Additions	24,068
At 31 December 2019	<u>24,068</u>
Amortisation	
At 1 January 2019	-
Charge for the period	2,675
At 31 December 2019	<u>2,675</u>
Carrying amount	
At 31 December 2019	<u>21,393</u>
At 31 December 2018	<u>-</u>

12. Tangible Asset

	Land and buildings £	Plant and machinery £	Total £
Cost			
At 1 January 2019	2,546,030	2,220,736	4,766,766
Additions	5,177	174,547	179,724
Disposals	-	-	-
At 31 December 2019	<u>2,551,207</u>	<u>2,395,283</u>	<u>4,946,490</u>
Depreciation			
At 1 January 2019	588,565	1,938,186	2,526,751
Charge for the period	54,000	105,827	159,827
Disposals	-	-	-
At 31 December 2019	<u>642,565</u>	<u>2,044,013</u>	<u>2,686,578</u>
Carrying amount			
At 31 December 2019	<u>1,908,642</u>	<u>351,270</u>	<u>2,259,912</u>
At 31 December 2018	<u>1,957,465</u>	<u>282,550</u>	<u>2,240,015</u>

PP Control & Automation Limited

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2019

13. Stocks

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
Raw materials	2,017,540	1,328,353
Work in progress	695,033	857,294
Finished goods	<u>334,031</u>	<u>351,378</u>
	<u>3,046,604</u>	<u>2,537,025</u>

14. Debtors

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
Trade debtors	3,546,399	4,726,992
Amounts owed by group undertakings	-	637,076
Prepayments and accrued income	60,778	83,216
Corporation tax receivable	241,544	-
Factoring debtors	30,287	-
Other debtors	<u>117,595</u>	<u>-</u>
	<u>3,996,603</u>	<u>5,447,284</u>

Amounts owed by group undertakings are current and do not attract interest.

PP Control & Automation Limited

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2019

15. Creditors: amounts falling due within one year

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
Bank loans and overdrafts	114,373	112,370
Group relief creditor	437,281	-
Trade creditors	3,313,321	3,774,684
Amounts owed to group undertakings	7,614	-
Accruals and deferred income	341,706	67,033
Corporation tax	-	339,002
Other taxation and social security	417,478	571,779
Other creditors from factoring debtors	-	563,145
Other creditors	57,612	249,065
	<u>4,689,385</u>	<u>5,677,078</u>

The bank overdraft is secured by way of an unlimited debenture incorporating a fixed and floating charge over the company's assets.

16. Creditors: amounts falling due after more than one year

	Year Ended	11 Months Ended
	31 Dec 19	31 Dec 18
	£	£
Bank loans and overdrafts	<u>1,296,845</u>	<u>1,411,236</u>

PP Control & Automation Limited

Notes to the Financial Statements *(continued)*

For the year ended 31 December 2019

16. Creditors: amounts falling due after more than one year *(continued)*

The bank loans and overdrafts of the company and the company's immediate parent company PPCA Holdco Limited, are secured by way of a fixed charge over the company's freehold property, trade debtors book and cash balances in addition to a floating charge over the company's remaining assets.

The company has also given a guarantee in respect of the bank loans and overdraft of its immediate parent. No liability has been recognised or has arisen in respect of this guarantee.

The loan is repayable in equal quarterly instalment of £25,833 at a margin of 2.75% plus charges above the bank base rate and has a maturity date of 7 June 2023. The amounts included above are net of issue costs.

17. Provisions

Deferred tax (note 18)

	Year end 31 Dec 19 £
At 1 January 2019	26,000
Adjustment in respect of prior years	<u>45,016</u>
Deferred tax charge to income statement for the period	<u>19,642</u>
At 31 December 2019	<u>90,659</u>

18. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Year Ended 31 Dec 19 £	11 Months Ended 31 Dec 18 £
Included in provisions (note 17)	<u>90,659</u>	<u>26,000</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Year Ended 31 Dec 19 £	11 Months Ended 31 Dec 18 £
Accelerated capital allowances	92,003	26,000
Other timing differences	<u>(1,344)</u>	<u>-</u>
	<u>90,659</u>	<u>26,000</u>

The deferred tax liability resulted from accelerated capital allowances and is expected to be released over the next three to four years.

PP Control & Automation Limited

Notes to the Financial Statements (*continued*)

For the year ended 31 December 2019

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £89,188 (2018: £46,703).

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme is held separately from those of the company in an independently administered fund.

20. Called up share capital

Authorised share capital

	31 Dec 19 No	31 Dec 19 £	31 Dec 18 No	31 Dec 18 £
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

Issued, called up and fully paid

	31 Dec 19 No	31 Dec 19 £	31 Dec 18 No	31 Dec 18 £
Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

21. Reserves

Profit and loss account – this reserve records retained earnings.

22. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Year Ended	11 Months Ended
	31 Dec 19 £	31 Dec 18 £
Not later than 1 year	54,488	55,345
Later than 1 year and not later than 5 years	<u>96,934</u>	<u>131,109</u>
	<u>151,422</u>	<u>186,454</u>

PP Control & Automation Limited

Notes to the Financial Statements (*continued*)

For the year ended 31 December 2019

23. Related party transactions

Exemption has been taken from disclosing transactions with 100% owned companies.

24. Controlling party

Since 7 June 2018, the immediate parent undertaking is PPCA Holdco Limited which prepares consolidated accounts. The registered office of this company is Landywood Green, Cheslyn Hay, Walsall, West Midlands, WS6 7AL.

The ultimate controlling party is Ardenton Capital Corp which is Incorporated in Canada, registered office 1021 West Hastings Street, Suite 2400, Vancouver, BC V6E 0C3, Canada.

The company is consolidated into the accounts of its parent company, PPCA Holdco Limited and the ultimate holding company, Ardenton Capital Corp.

25. Subsequent Event

The directors continue to be encouraged by the direction of the business and the extensive opportunities for future growth, however we are clearly mindful of the short-midterm challenges during the Covid-19 pandemic crisis.

Q2 2020 saw a 17% fall in turnover because of the Covid-19 pandemic. The company subsequently realigned resources to match the falls in demand, making appropriate use of the job retention scheme and VAT payment deferral scheme. Profit margins were delivered in line with historic levels.

Q3 2020 started to show a return to pre Covid-19 turnover levels. The company resources were realigned to match the increased demand. Profit margins were delivered in line with historic levels.

Q4 2020 has seen the commencement of the execution of a clearly defined organic growth strategy, that will underpin significant growth and expansion during 2021.

Current expectations are that 2020 will close at £22m turnover, with an anticipated profit margin in line with historic levels. This would represent an overall 12% year on year reduction from 2019 much of which is directly attributable to the Covid-19 pandemic.

The Directors have considered the impact of the pandemic on the accounts for the 31 December 2019 noting that it is a non-adjusting post balance sheet event. Based on the experience to date it is not expected that any adjustments will be required.