

CMBF PRODUCTS (U.K.) LIMITED

Annual Report and Financial Statements

For the Year Ended 31 December 2022

CMBF PRODUCTS (U.K.) LIMITED

Company Information

Directors	Robert Spielvogel Tony Lee Karl Messmer (resigned 1 January 2022) Roger Roundhouse Matthew Pauli
Registered number	05501054
Registered office	Omega 500 Mamhilad Technology Park Old Abergavenny Road Pontypool Wales NP4 0JJ
Independent auditors	PKF Smith Cooper Audit Limited Statutory Auditors Prospect House 1 Prospect Place Millenium Way Derby DE24 8HG

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Strategic Report
For the Year Ended 31 December 2022

Introduction

The directors present their Strategic Report for CMBF Products (U.K.) Limited for the year ended 31 December 2022. The principal activities of the Company are the design, manufacture and supply of off highway brake products. The Company carries out research and development work in relation to the products supplied.

Business review

Turnover for the 2022 year has increased by 9.8% to £26,896,257. This compares to the 2021 revenue of £24,493,277, the 2022 increase in revenue is driven by increases in pricing related to cost increases and by volume growth for hydraulic boosters. The gross profit earned in 2022 was £4,291,239 representing 16.0% of turnover compared with £3,556,913 in 2021 representing 14.6% of turnover whilst operating profit was £2,021,591 compared with a profit of £2,380,354 in the prior year. During the year, the Company entered into an agreement with another member of the group, whereby research and development costs borne by the Company, for activities carried out on behalf of the group as a whole, are recharged to a fellow group company. The recharge of £1,164,773 is disclosed as other operating income. Similarly, during the period the company entered into a licencing agreement granting the company rights to use certain intellectual property belonging to the licensor. The costs associated with the agreement total £2,029,966 for the financial year and are included in administrative expenses. The Directors consider the year-end financial position of the Company to be satisfactory with net assets of £10,606,466 (2021: £9,863,252).

Environmental matters

The Company recognises the importance of their environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with ISO 14001. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Going concern

The statement of total comprehensive income for the year is set out on page 9. The business experienced improved sales in 2022 compared to 2021, as outlined above.

As a result of worldwide increased demand, the Company has also experienced inflationary pressure, on commodities, labour and transportation. The directors believe that these have been managed effectively, so that the overall forecasts for the Company remains positive for 2023 onward.

The directors believe that the Company is well placed to manage its business risks successfully for a period of at least 12 months from the date of approval of the financial statements. The directors have considered other economic impacts including rising prices and inflation and consider that the business will be able to manage these challenges. In respect of rising prices of raw materials, this could lead to the erosion of profit margins in the short to medium term. The Company will not seek to win business at any price and will need to continue to increase selling prices to individual consumers; continued development of new products should also help mitigate. In respect of rising energy prices, whilst the Company is not a large consumer of energy, increases in global energy prices could impact profit margins. The Company has an energy procurement strategy that provides visibility of its energy prices for between 12 and 18 months and as a result allows adequate time to increase selling prices to mitigate any adverse effect on profit margins. The directors have prepared financial forecasts and cashflows for the Company for a period of 12 months from the approval of the financial statements and believe that it is able to meet its liabilities as they fall due.

Based on the above, the Directors have, at the date of signing of the accounts, a reasonable expectation that the

Strategic Report (continued)
For the Year Ended 31 December 2022

Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

Principal risks and uncertainties

The key business risks affecting the Company are considered to relate to competitor activity, potential disruption to the supply chain and the retention of key employees.

The Company maintains high standards of manufacture, product quality and customer service.

With the recent departure of the UK from the European Union, the Company continues to monitor the risks and will keep up to date with any legislation changes that may affect its supply chain and business activities. The company ensures that it has adequate stocks of raw materials that are sourced from domestic and inter-group suppliers, in order to mitigate any short-term risk to the supply chain.

The Company provides regular training and has clear succession plans to ensure employees are retained. In addition, management staff notice periods are usually longer to minimise the risk of immediate critical skills gaps arising.

Financial Risk Management objectives and policies

The Company's operations expose it to a number of financial risks that include the effect of changes in liquidity risk, commodity price risk and credit risk.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policy set by the board of directors is implemented by the Company's finance department.

Liquidity, interest rate and cashflow risk

All the Company's debt is intercompany. The interest rate risk, liquidity risk and the interest rate cashflow risk are all managed within the CentroMotion Group, although the Company manages its own cashflow.

Commodity price risk

The Company is not exposed to any significant commodity price risk, although the supply side constraints post Covid restrictions had to be managed. A number of key suppliers are within the Group and this helps mitigate some risk.

Credit risk

The Company has implemented policies that require credit checks on potential new customers before sales are made. Credit limits for existing customers are assessed on an ongoing basis and adjusted as appropriate

Financial key performance indicators

The directors consider that the key performance indicators of the Company to be sales and operating profit, detail of which are included under the review of business above.

This report was approved by the board on 17 August 2023 and signed on its behalf.

Matthew Pauli
Director

**Directors' Report
For the Year Ended 31 December 2022**

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

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard 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 of the profit or loss of the Company for that period.

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

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

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

Results and dividends

The profit for the year, after taxation, amounted to £1,553,194 (2021 - £2,034,428).

Dividends paid in the year amounted to £810,000 (2021- £715,000). The directors do not propose any further dividends.

Directors

The directors who served during the year were:

Robert Spielvogel
Tony Lee
Karl Messmer (resigned 1 January 2022)
Roger Roundhouse
Matthew Pauli

Future developments

Any future developments in the Company's business are detailed in the Strategic Report.

Research and development activities

The Company undertakes research and development of its hydraulic products on site. These products are principally used on off highway vehicles.

Directors' Report (continued)
For the Year Ended 31 December 2022

Engagement with employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through both formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned.

In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Matters covered in the Strategic Report

The Company have included details of key risks and uncertainties and business review in the Strategic Report using the provisions of section 414(c) of the Companies Act 2006.

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

There have been no significant events affecting the Company since the year end.

Auditors

Under section 487(2) of the Companies Act 2006, PKF Smith Cooper Audit Limited will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 17 August 2023 and signed on its behalf.

Matthew Pauli
Director

Independent Auditors' Report to the Members of CMBF Products (U.K.) Limited

Opinion

We have audited the financial statements of CMBF Products (U.K.) Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity 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 2022 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.

Other information

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

We have nothing to report in this regard.

Independent Auditors' Report to the Members of CMBF Products (U.K.) Limited (continued)

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 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Members of CMBF Products (U.K.) Limited (continued)

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:

Based on our understanding of the Company and industry, we identify the key laws and regulations affecting the Company.

We identified that the principal risk of fraud or non-compliance with laws and regulations related to:

- management bias in respect of accounting estimates and judgements made;
- management override of control;
- posting of unusual journals or transactions

We focused on those areas that could give rise to a material misstatement in the Company financial statements.

Our procedures included, but were not limited to:

- Enquiry of management and those charged with governance around actual and potential litigation and claims, including instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance where available;
- Reviewing legal expenditure in the period to identify instances of non-compliance with laws and regulations and fraud
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
- Performing audit work over the risk of management override of controls, including testing of journal 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. In particular review of provisions and analytical procedures to identify any unexpected or unusual relationships that might indicate material misstatement due to fraud.

It is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

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 CMBF Products (U.K.) 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.

James Delve (Senior Statutory Auditor)

for and on behalf of

PKF Smith Cooper Audit Limited

Statutory Auditors

Prospect House

1 Prospect Place

Millenium Way

Derby

DE24 8HG

17 August 2023

Statement of Comprehensive Income
For the Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	26,896,257	24,493,277
Cost of sales		(22,605,018)	(20,606,621)
Exceptional cost of sales	14	-	(319,743)
Gross profit		4,291,239	3,566,913
Administrative expenses		(3,434,421)	(1,186,559)
Other operating income	5	1,164,773	-
Operating profit	6	2,021,591	2,380,354
Interest receivable and similar income	10	976	-
Interest payable and similar expenses	11	(1,896)	(2,993)
Profit before tax		2,020,671	2,377,361
Tax on profit	12	(467,477)	(342,933)
Profit for the financial year		1,553,194	2,034,428

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 15 to 30 form part of these financial statements.

Balance Sheet
As at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	15	507,693	692,309
Tangible assets	16	3,556,512	3,418,750
		<u>4,064,205</u>	<u>4,111,059</u>
Current assets			
Stocks	17	7,181,414	4,961,051
Debtors: amounts falling due within one year	18	5,426,293	5,367,719
Cash at bank and in hand	19	2,138,988	1,582,892
		<u>14,746,695</u>	<u>11,911,662</u>
Creditors: amounts falling due within one year	20	(7,941,217)	(6,087,029)
Net current assets		<u>6,805,478</u>	<u>5,824,633</u>
Deferred tax	21	(263,237)	(72,440)
		<u>(263,237)</u>	<u>(72,440)</u>
Net assets		<u><u>10,606,446</u></u>	<u><u>9,863,252</u></u>
Capital and reserves			
Called up share capital	22	3,500,000	3,500,000
Profit and loss account	23	7,106,446	6,363,252
		<u><u>10,606,446</u></u>	<u><u>9,863,252</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 August 2023.

Matthew Pauli
Director

The notes on pages 15 to 30 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2022

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2021	3,500,000	5,043,824	8,543,824
Profit for the year	-	2,034,428	2,034,428
Dividends: Equity capital	-	(715,000)	(715,000)
At 1 January 2022	3,500,000	6,363,252	9,863,252
Profit for the year	-	1,553,194	1,553,194
Dividends: Equity capital	-	(810,000)	(810,000)
At 31 December 2022	3,500,000	7,106,446	10,606,446

The notes on pages 15 to 30 form part of these financial statements.

CMBF PRODUCTS (U.K.) LIMITED
**Statement of Cash Flows
For the Year Ended 31 December 2022**

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	1,553,194	2,034,428
Adjustments for:		
Amortisation of intangible assets	184,616	184,617
Depreciation of tangible assets	497,058	600,410
Impairments of fixed assets	-	319,742
Profit on disposal of tangible assets	(3,100)	-
Interest paid	1,896	2,993
Interest received	(976)	-
Taxation charge	467,477	342,933
(Increase) in stocks	(2,620,404)	(1,475,107)
Decrease/(increase) in debtors	27,778	(1,813,111)
(Increase)/decrease in amounts owed by group undertakings	(119,175)	760,222
(Decrease)/increase in creditors	(868,297)	2,170,383
Increase in amounts owed to group undertakings	3,122,526	198,414
Corporation tax (paid)	(243,857)	(285,206)
Net cash generated from operating activities	1,998,736	3,040,718
Cash flows from investing activities		
Purchase of tangible fixed assets	(634,820)	(745,920)
Sale of tangible fixed assets	3,100	5,190
Interest received	976	-
Net cash from investing activities	(630,744)	(740,730)
Cash flows from financing activities		
Dividends paid	(810,000)	(715,000)
Interest paid	(1,896)	(2,993)
Net cash used in financing activities	(811,896)	(717,993)
Net increase in cash and cash equivalents	556,096	1,581,995
Cash and cash equivalents at beginning of year	1,582,892	897
Cash and cash equivalents at the end of year	2,138,988	1,582,892
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,138,988	1,582,892
	2,138,988	1,582,892

The notes on pages 15 to 30 form part of these financial statements.

Analysis of Net Debt
For the Year Ended 31 December 2022

	At 1 January 2022 £	Cash flows £	At 31 December 2022 £
Cash at bank and in hand	<u>1,582,892</u>	<u>556,096</u>	<u>2,138,988</u>

The notes on pages 15 to 30 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

1. General information

CMBF Products (U.K.) Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activity are set out in the strategic report on pages 2 to 3.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The Company has prepared its financial statements to the nearest £.

The following principal accounting policies have been applied:

2.2 Going concern

The Company's US parent company has a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, providing for a secured credit facility consisting of an asset based revolving credit facility, a term loan and a delayed draw term loan facility. Certain assets of the Company, including all inventory, trade receivables and shares secure the payment of obligations under this credit facility.

The directors believe that the Company is well placed to manage its business risks successfully for a period of at least 12 months from the date of approval of the financial statements. The directors have considered other economic impacts including rising prices and inflation and consider that the business will be able to manage these challenges. In respect of rising prices of raw materials, this could lead to the erosion of profit margins in the short to medium term. The Company will not seek to win business at any price and will need to continue to increase selling prices to individual consumers; continued development of new products should also help mitigate. In respect of rising energy prices, whilst the Company is not a large consumer of energy, increases in global energy prices could impact profit margins. The Company has an energy procurement strategy that provides visibility of its energy prices for between 12 and 18 months and as a result allows adequate time to increase selling prices to mitigate any adverse effect on profit margins. The directors have prepared financial forecasts and cashflows for the Company for a period of 12 months from the approval of the financial statements and believe that it is able to meet its liabilities as they fall due.

Based on the above, the Directors have, at the date of signing of the accounts, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.4 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.

Revenue is recognised on despatch for contracts that transfer the risks and rewards to customer at point of collection and on receipt by customers where contracts do not.

2.5 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.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.6 Research and development

All research and development costs are written off as incurred, unless related to specific projects which can demonstrate the requisite have been met for capitalisation.

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.

2.7 Interest income

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

2.8 Finance costs

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

2.9 Pensions

Defined contribution pension plan

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

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

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.10 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.

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.12 Intangible assets

Goodwill

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

Other intangible assets

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

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

The estimated useful lives range as follows:

Patents	-	10	years
Goodwill	-	20	years

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.13 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Freehold property	- 4-5% Straight line
Plant and machinery	- 10-20% Straight line
Fixtures and fittings	- 10-20% Straight line

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

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

Assets in the course of construction are also not depreciated. No depreciation is provided on assets in the course of construction until they become available for use by the Company. Capital projects that the Company undertakes are recognised as assets under construction until the project has completed and the assets become available for use. Upon finalisation of capital projects, the assets are transferred to the appropriate asset categories and begin depreciating in line with the Company's policies.

2.14 Impairment of fixed assets and goodwill

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

2.15 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.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

2. Accounting policies (continued)

2.16 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.

2.17 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.

2.18 Creditors

Short term creditors are measured at the transaction price.

2.19 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.20 Provisions for liabilities

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

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.21 Financial instruments

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

2.22 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.

Notes to the Financial Statements
For the Year Ended 31 December 2022

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

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 directors have reviewed the estimates and assumptions used in the preparation of the financial statements and have identified key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year. These are discussed further below:

Critical judgements

There is not considered to be any critical judgements that have a risk of causing a material adjustment to the carrying amount of assets and liabilities.

Key sources of estimation uncertainty

The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of the assets and liabilities are as follows:

Stock inventory provisions

The Company uses the recognisable value of inventory which have not been consumed or sold by the Company or any entity in the wider Carlisle Group for 3 years or longer as the basis for setting a stock provision. Provisions are then made against stock lines based on the length of time since last use, the category of stock item as well as management's knowledge of future anticipated use of the stock lines (note 17).

Warranty accruals

The Company considers the likelihood of any potential outflows in respect of obligations under warranty and makes relevant accruals on this basis at the year end (note 20).

4. Turnover

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

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	4,073,358	2,331,619
Rest of Europe	15,288,269	14,807,579
Rest of the world	7,534,630	7,354,079
	<u>26,896,257</u>	<u>24,493,277</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

5. Other operating income

	2022	2021
	£	£
Research and development recharge income	<u>1,164,773</u>	<u>-</u>

6. Operating profit

The operating profit is stated after charging:

	2022	2021
	£	£
Research & development charged as an expense	1,094,116	1,189,653
Depreciation of owned tangible fixed assets	497,058	600,410
Amortisation of intangibles	184,616	184,616
Exchange differences	(109,623)	154,325
Other operating lease rentals	<u>41,338</u>	<u>19,320</u>

7. Auditors' remuneration

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

	2022	2021
	£	£
Fees payable	26,000	30,000

2021 included additional costs for the 2020 audit.

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

8. Employees

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

	2022	2021
	£	£
Wages and salaries	4,258,140	3,991,547
Social security costs	335,034	343,403
Cost of defined contribution scheme	243,019	222,100
	<u>4,836,193</u>	<u>4,557,050</u>

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

	2022	2021
	No.	No.
Production and selling	91	104
Administration	6	6
	<u>97</u>	<u>110</u>

9. Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	-	58,082
Company contributions to defined contribution pension schemes	-	16,920
	<u>-</u>	<u>75,002</u>

During the year retirement benefits were accruing to no directors (2021 - 1) in respect of defined contribution pension schemes.

The directors are remunerated by fellow group companies in their capacity as executives in those companies. The directors received no emoluments for their services as directors to the Company.

10. Interest receivable

	2022	2021
	£	£
Other interest receivable	<u>976</u>	<u>-</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

11. Interest payable and similar expenses

	2022 £	2021 £
Other interest payable	<u>1,896</u>	<u>2,993</u>

12. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	233,098	278,618
Adjustments in respect of previous periods	43,582	(49,832)
	<u>276,680</u>	<u>228,786</u>
Total current tax	<u>276,680</u>	<u>228,786</u>
Deferred tax		
Origination and reversal of timing differences	145,006	44,502
Changes to tax rates	45,791	17,386
Adjustments in respect of previous periods	-	52,259
	<u>190,797</u>	<u>114,147</u>
Total deferred tax	<u>190,797</u>	<u>114,147</u>
Taxation on profit on ordinary activities	<u>467,477</u>	<u>342,933</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

12. Taxation (continued)**Factors affecting tax charge for the year**

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

	2022	2021
	£	£
Profit on ordinary activities before tax	<u>2,020,671</u>	<u>2,377,361</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	383,927	451,699
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	30,362	52,437
Tax rate changes	45,791	17,386
Adjustments to tax charge in respect of prior periods	43,582	2,427
Super deduction capital allowances relief	(36,185)	-
Group relief	-	(181,016)
Total tax charge for the year	<u>467,477</u>	<u>342,933</u>

Factors that may affect future tax charges

The Finance Act 2021 enacted on 10 June 2021 increased the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. As this was substantively enacted at the balance sheet date, deferred taxes on the balance sheet have been measured at 25%.

13. Dividends

	2022	2021
	£	£
Dividends paid	<u>810,000</u>	<u>715,000</u>

14. Exceptional items

	2022	2021
	£	£
Impairment of asset	<u>-</u>	<u>319,743</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

15. Intangible assets

	Patents £	Goodwill £	Total £
Cost			
At 1 January 2022	452,162	3,692,322	4,144,484
At 31 December 2022	452,162	3,692,322	4,144,484
Amortisation			
At 1 January 2022	452,162	3,000,013	3,452,175
Charge for the year on owned assets	-	184,616	184,616
At 31 December 2022	452,162	3,184,629	3,636,791
Net book value			
At 31 December 2022	-	507,693	507,693
At 31 December 2021	-	692,309	692,309

Notes to the Financial Statements
For the Year Ended 31 December 2022

16. Tangible fixed assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Assets in the course of construction £	Total £
Cost					
At 1 January 2022	3,286,952	7,519,725	308,496	943,385	12,058,558
Additions	-	-	-	634,820	634,820
Disposals	-	(113,286)	-	-	(113,286)
Transfers between classes	(7,647)	1,083,794	31,785	(1,107,932)	-
At 31 December 2022	3,279,305	8,490,233	340,281	470,273	12,580,092
Depreciation					
At 1 January 2022	1,759,059	6,252,803	308,203	319,743	8,639,808
Charge for the year on owned assets	124,551	364,401	8,106	-	497,058
Disposals	-	(113,286)	-	-	(113,286)
Transfers between classes	76	(319)	243	-	-
At 31 December 2022	1,883,686	6,503,599	316,552	319,743	9,023,580
Net book value					
At 31 December 2022	1,395,619	1,986,634	23,729	150,530	3,556,512
At 31 December 2021	1,527,893	1,266,922	293	623,642	3,418,750

The net book value of land and buildings may be further analysed as follows:

	2022 £	2021 £
Freehold	1,395,619	1,527,893
	<u>1,395,619</u>	<u>1,527,893</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

17. Stocks

	2022 £	2021 £
Raw materials and consumables	3,497,618	2,374,655
Work in progress (goods to be sold)	787,825	402,169
Finished goods and goods for resale	2,895,971	2,184,227
	<u>7,181,414</u>	<u>4,961,051</u>

The carrying value of stocks are stated net of impairment losses totalling £1,219,994 (2021 - (£1,108,754) . Impairment losses/(reversals) totalling £111,240 (2021 - (£176,882)) were recognised in profit and loss.

18. Debtors

	2022 £	2021 £
Trade debtors	4,192,038	4,246,877
Amounts owed by group undertakings	191,262	72,087
Other debtors	977,787	986,160
Prepayments and accrued income	65,206	62,595
	<u>5,426,293</u>	<u>5,367,719</u>

Trade debtors are stated after a provision for impairment of £Nil (2021 - £Nil). Impairment losses regarding trade debtors totalling £Nil (2021 - £Nil) were recognised in the profit and loss.

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

19. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>2,138,988</u>	<u>1,582,892</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

20. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	2,751,172	3,333,893
Amounts owed to group undertakings	4,389,403	1,266,877
Other taxation and social security	117,690	101,454
Accruals and deferred income	682,952	1,384,805
	<u>7,941,217</u>	<u>6,087,029</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

21. Deferred taxation

	2022 £
At beginning of year	(72,440)
Credited to profit or loss	(190,797)
At end of year	<u><u>(263,237)</u></u>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(285,744)	(135,951)
Short term timing differences	22,507	63,511
	<u><u>(263,237)</u></u>	<u><u>(72,440)</u></u>

The amount expected to reverse in the next 12 months is £263,237.

22. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
3,500,000 (2021 - 3,500,000) Ordinary £1 shares shares of £1.00 each	<u>3,500,000</u>	<u>3,500,000</u>

Notes to the Financial Statements
For the Year Ended 31 December 2022

23. Reserves**Profit and loss account**

Represents the cumulative retained profits and losses less dividends paid and is distributable.

24. Contingent liabilities

The Company's US parent company has a credit agreement with JPMorgan Chase Bank, N.A, as administrative agent, providing for a secured credit facility consisting of an asset based on revolving credit facility, a term loan and a delayed draw term loan facility. Certain assets of the Company, including all inventory, trade receivables and shares secure the payment of obligations under this credit facility Brws Parent's ultimate beneficial owner is One Rock Capital Partners LLC, a private equity firm based in the United States.

25. 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 £243,019 (2021 - £221,100). Contributions totalling £33,435 (2021: £33,364) were payable to the fund at the balance sheet date and are included in creditors.

26. Commitments under operating leases

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

	2022 £	2021 £
Not later than 1 year	20,973	22,289
Later than 1 year and not later than 5 years	20,840	14,058
	<u>41,813</u>	<u>36,347</u>

27. Related party transactions

The Company has purchased £7,624,489 (2021 - £2,791,313) from and made sales of £1,148,941 (2021:- £797,751) to group companies and was owed £191,262 (2021 - £72,087) by and owed £4,389,403 (2021 - £1,266,877) to these companies at 31 December 2022. In the prior year, the Company took the exemptions under FRS102 not to disclose transactions with group companies whose voting rights are 100% controlled within the Group whose consolidated financial statements are publicly available.

The key management personnel were paid a total of £205,873 (2021 - £32,446).

28. Controlling party

The Company is ultimately owned by Brws Parent LLC and its subsidiaries (doing business as CentroMotion). Brws Parent LLC's ultimate beneficial owner is One Rock Capital Partners LLC, a private equity firm based in the United States. The immediate parent company is Power Packer Europa B.V.

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