

**STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022
FOR
HEXATRONIC UK LTD**

Compass Accountants Limited
Chartered Accountants and Statutory Auditors
Venture House
The Tanneries
East Street
Titchfield
Hampshire
PO14 4AR

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	5
Report of the Independent Auditors	7
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Cash Flow Statement	12
Notes to the Cash Flow Statement	13
Notes to the Financial Statements	14

HEXATRONIC UK LTD

COMPANY INFORMATION FOR THE YEAR ENDED 31ST DECEMBER 2022

DIRECTORS:	H O L Lyon M Angermund
REGISTERED OFFICE:	Unit B Quay West Business Centre Quay Lane Gosport Hampshire PO12 4LJ
REGISTERED NUMBER:	06329180 (England and Wales)
SENIOR STATUTORY AUDITOR:	Kerry Lawrance FCA
AUDITORS:	Compass Accountants Limited Chartered Accountants and Statutory Auditors Venture House The Tanneries East Street Titchfield Hampshire PO14 4AR
BANKERS:	Danske Bank 75 King William St. London EC4N 7DT

**STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2022**

The directors present their strategic report for the year ended 31st December 2022.

REVIEW OF BUSINESS

The directors believe that the financial statements present a fair and accurate summary of the company's position and provides the necessary information to assess the company's performance and profitability.

Hexatronic UK's main focus is on the FTTH (Fibre To The Home) market in the United Kingdom. This is currently a very strong market and there has been substantial investment from both Private and Government institutions.

Forecasts predict the market will continue to grow for several years to come, with still only 12% of UK homes with a full fibre connection.

We targeted an additional 30% sales growth this year by maintaining our strong close relationships with existing customers and focusing our resource to bring in new business and revenue throughout the year from the new customers entering the market. Turnover in 2022 finished at £76.2m, an 84% increase (2021: £41.5m).

We established a new distribution site in Aylesbury back in October 2020. The facility more than double our previous stock capacity. The increased storage capacity gives customers assurances that we can maintain adequate stock levels at all times. This in local distribution capability is a service that some of our competitors cannot offer.

With the new site, increased sales and productivity, we have increased our average permanent employee numbers to 81 at the end of the year (2021: 54).

PRINCIPAL RISKS AND UNCERTAINTIES

We have the ongoing conflict in Ukraine which has had a negative impact on supply of some raw materials. This will be an ongoing cost risk for some of our products with increased raw material costs.

There is some uncertainty surrounding Global Finance, primarily around the increased costs of borrowing, investors are now more controlled in their funding of infrastructure projects.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2022**

SECTION 172(1) STATEMENT

Section 172 of the companies act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires directors to have regard to, among other matters, the:

- Likely consequences of any decisions in the long term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers, and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the matters set out above. In addition we also have regard to other factors which we consider relevant to the decision being made. Those factors for example include our relationship with our other group companies, the group shareholders, our quality and environmental policy certification boards and our health and safety obligations.

By considering the company's purpose, vision and values together with its strategic priorities and having a process in place for decision making, we aim to make sure that our decisions are consistent and predictable.

We delegate authority for day to day management of the company to the senior directors and then engage management in setting, approving and overseeing the execution of the business strategy and related policies. Board meetings and senior management meetings are held periodically where the directors consider the company's activities and make decisions. As part of those meetings the directors receive information in a range of different formats to ensure that they have regard to section 172 matters when making relevant decisions.

The company's key stakeholders are its workforce, customers, suppliers, the Hexatronic Group and the Hexatronic Group shareholders. The views of and the impact of the company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. The size and spread of both the Company's stakeholders and the Hexatronic Group means that generally our stakeholder engagement takes place at an operational and group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For examples of this please refer to the Hexatronic Groups:

<https://group.hexatronic.com/hubfs/financial-reports/Hexatronic-Group-AB-Corporate-governance-report-2022.pdf>
and

<https://group.hexatronic.com/hubfs/financial-reports/Hexatronic-Group-AB-Annual-and-sustainability-report-2022.pdf>.

DEVELOPMENT AND PERFORMANCE

At the end of this financial year, the directors are confident that the business will continue to grow due to the high level of market activity, growing customer base and development of new products. An increase in sales and profitability will once again be a target.

Our technical and sales team will continue to work closely with our customers in developing and maintaining key products in line with market needs and evolution.

The directors are of the opinion that, in order to keep the rate of growth, there will be some key employee additions to key departments across the business.

With these additions, the directors feel they will have adequate resources to continue to operate at a high level for the foreseeable future and are satisfied that the company is well positioned to take advantage of future opportunities.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2022**

KEY PERFORMANCE INDICATORS

The directors regularly review the performance of the company and have chosen several KPIs to compare this year's results against 2021:

- 1) Turnover: 76.2m (2021 - 41.58m)
- 2) Permanent Employees: 81 (2021 - 54)
- 3) Gross Margin: 21.05% (2021 - 22.22%)

ON BEHALF OF THE BOARD:

H O L Lyon - Director

10th May 2023

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2022**

The directors present their report with the financial statements of the company for the year ended 31st December 2022.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2022.

FUTURE DEVELOPMENTS

At the beginning of the year, we have signed a significant contract with an existing customer, Cityfibre. The initial contract is for 3 years with an additional 2 year extension and has a value of over £100m. We have also signed a direct supply agreement with Virgin Media which will provide new income opportunities over the short and long term.

We have expanded our presence at our UK headquarters in Gosport, with more space being acquired to allow for increased production, warehousing and R&D. This will significantly increase our capacity to serve our expanding customer base.

We have also added several new senior managers in areas critical to our rapid expansion. These include positions in Sales, Quality, Logistics and Engineering.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st January 2022 to the date of this report.

H O L Lyon
M Angermund

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

We continue to take every opportunity to engage with our suppliers, customers and associated trade / quality bodies. Whenever possible we meet face to face and have two facilities, Gosport and Aylesbury, in the UK that we regularly invite customers, suppliers and others to visit. We also actively participate in industry specific events both in the UK and internationally to enable engagement.

When face to face meetings are not possible, we reach out through social media and have many meetings via Microsoft teams.

STREAMLINED ENERGY AND CARBON REPORTING

UK annual quantity of emissions in tonnes of CO2 equivalent resulting from activities for which the company is responsible involving consumption of fuel for the purposes of transport - 17.86 tonnes of CO2

Annual quantity of emissions in tonnes of CO2 equivalent resulting from the purchase of electricity for its own use, including for the purposes of transport - 170,000 kWh

The information above has been taken from the company's energy providers covering the 2 UK sites in Gosport and Aylesbury.

One ratio which expresses the company's annual emissions in relation to a quantifiable factor associated with the company's activities is as follows:

Energy Intensity, MWh/MGBP sales 2.24

The company is always looking at ways of increasing its energy efficiency and will aim to reduce the electric consumption in both of the UK sites by installing PIR sensor lighting systems. We will also be increasing the proportion of travel free meetings by using a more digital approach.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2022**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Compass Accountants Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

H O L Lyon - Director

10th May 2023

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HEXATRONIC UK LTD

Opinion

We have audited the financial statements of Hexatronic UK Ltd (the 'company') for the year ended 31st December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors.

We have nothing to report in respect of the following matters where 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HEXATRONIC UK LTD

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page six, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We gained an understanding of the legal and regulatory framework applicable to the company and the sector in which it operates through discussions with management, sector research, and the application of relevant audit knowledge and experience
- We made enquiries of management around actual and potential litigation and claims
- We made enquiries of management and relevant staff, and designed our audit procedures, including reviewing financial statement disclosures and testing of supporting documentation, to assess compliance with applicable laws and regulations. We focussed on laws and regulations which could give rise to material misstatement in the financial statements including, but not limited to, the Companies Act 2006 and the Financial Reporting Standard 102.
- We identified the risk of material misstatement of the financial statements due to fraud and designed audit procedures to respond to the risk. We performed audit procedures designed to address the risk of fraud arising from management override of controls, including, but not limited to, testing of journal entries and other adjustments, reviewing accounting estimates for evidence of bias, and evaluating the business rationale of significant transactions outside the normal course of business.

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 accounts 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 accounts, 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 Report of the Auditors.

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 a Report of the Auditors 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.

Kerry Lawrance FCA (Senior Statutory Auditor)
for and on behalf of Compass Accountants Limited
Chartered Accountants and Statutory Auditors
Venture House
The Tanneries
East Street
Titchfield
Hampshire
PO14 4AR

12th May 2023

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Notes	2022 £	2021 £
REVENUE		76,200,908	41,587,212
Cost of sales		60,161,629	32,345,560
GROSS PROFIT		16,039,279	9,241,652
Administrative expenses		6,421,896	3,844,808
OPERATING PROFIT	4	9,617,383	5,396,844
Interest receivable and similar income		-	1,158
		9,617,383	5,398,002
Interest payable and similar expenses	5	153,450	51,050
PROFIT BEFORE TAXATION		9,463,933	5,346,952
Tax on profit	6	1,834,256	938,070
PROFIT FOR THE FINANCIAL YEAR		7,629,677	4,408,882
OTHER COMPREHENSIVE INCOME			
Share option reserve		31,001	37,155
Income tax relating to other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		31,001	37,155
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,660,678	4,446,037

HEXATRONIC UK LTD (REGISTERED NUMBER: 06329180)**BALANCE SHEET
31ST DECEMBER 2022**

	Notes	2022 £	£	2021 £	£
FIXED ASSETS					
Property, plant and equipment	7		1,306,266		1,278,457
CURRENT ASSETS					
Inventories	8	30,343,250		15,026,221	
Debtors	9	9,095,194		6,657,930	
Cash at bank		<u>94</u>		<u>94</u>	
		39,438,538		21,684,245	
CREDITORS					
Amounts falling due within one year	10	<u>24,561,778</u>		<u>14,519,199</u>	
NET CURRENT ASSETS			<u>14,876,760</u>		<u>7,165,046</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>16,183,026</u>		<u>8,443,503</u>
CREDITORS					
Amounts falling due after more than one year	11		(2,481)		(6,993)
PROVISIONS FOR LIABILITIES	13		<u>(316,757)</u>		<u>(233,400)</u>
NET ASSETS			<u>15,863,788</u>		<u>8,203,110</u>
CAPITAL AND RESERVES					
Called up share capital	14		2,000		2,000
Other reserves	15		80,044		49,043
Retained earnings	15		<u>15,781,744</u>		<u>8,152,067</u>
SHAREHOLDERS' FUNDS			<u>15,863,788</u>		<u>8,203,110</u>

The financial statements were approved by the Board of Directors and authorised for issue on 10th May 2023 and were signed on its behalf by:

H O L Lyon - Director

HEXATRONIC UK LTD (REGISTERED NUMBER: 06329180)**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1st January 2021	2,000	3,743,185	11,888	3,757,073
Changes in equity				
Total comprehensive income	-	4,408,882	37,155	4,446,037
Balance at 31st December 2021	<u>2,000</u>	<u>8,152,067</u>	<u>49,043</u>	<u>8,203,110</u>
Changes in equity				
Total comprehensive income	-	7,629,677	31,001	7,660,678
Balance at 31st December 2022	<u>2,000</u>	<u>15,781,744</u>	<u>80,044</u>	<u>15,863,788</u>

The notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	1	2,174,423	1,464,192
Interest paid		(153,450)	(51,050)
Tax paid		(1,790,571)	(678,455)
Taxation refund		-	41,717
Net cash from operating activities		<u>230,402</u>	<u>776,404</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(225,890)	(773,055)
Interest received		-	1,158
Net cash from investing activities		<u>(225,890)</u>	<u>(771,897)</u>
Cash flows from financing activities			
Capital repayments in year		(4,512)	(4,513)
Net cash from financing activities		<u>(4,512)</u>	<u>(4,513)</u>
Decrease in cash and cash equivalents		<u>-</u>	<u>(6)</u>
Cash and cash equivalents at beginning of year	2	94	100
Cash and cash equivalents at end of year	2	<u>94</u>	<u>94</u>

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2022**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS	2022	2021
	£	£
Profit before taxation	9,463,933	5,346,952
Depreciation charges	188,813	121,148
Loss on disposal of fixed assets	9,268	-
Share option reserve	31,001	37,155
Finance costs	153,450	51,050
Finance income	-	(1,158)
	<u>9,846,465</u>	<u>5,555,147</u>
Increase in inventories	(15,317,029)	(6,996,577)
Increase in trade and other debtors	(2,408,700)	(3,707,554)
Increase in trade and other creditors	10,053,687	6,613,176
Cash generated from operations	<u>2,174,423</u>	<u>1,464,192</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31st December 2022

	31/12/22	1/1/22
	£	£
Cash and cash equivalents	<u>94</u>	<u>94</u>

Year ended 31st December 2021

	31/12/21	1/1/21
	£	£
Cash and cash equivalents	<u>94</u>	<u>100</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/1/22	Cash flow	At 31/12/22
	£	£	£
Net cash			
Cash at bank	<u>94</u>	-	<u>94</u>
	<u>94</u>	-	<u>94</u>
Debt			
Finance leases	<u>(11,505)</u>	<u>4,512</u>	<u>(6,993)</u>
	<u>(11,505)</u>	<u>4,512</u>	<u>(6,993)</u>
Total	<u>(11,411)</u>	<u>4,512</u>	<u>(6,899)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2022**

1. STATUTORY INFORMATION

Hexatronic UK Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Turnover

Turnover from the sale of goods is recognised when significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of turnover can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is usually on dispatch of the goods.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold	- 10% on cost
Plant and machinery	- 10% on cost
Fixtures and fittings	- 10% on cost

Stocks

Stocks are measured at the lower of cost and estimated selling price less cost to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

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.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022**

2. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Basic financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company's financial assets and liabilities consist of cash and cash equivalents, short term investments, trade and other debtors, trade and other creditor, and accrued expenses. The fair value of these items approximates their carrying value due to their short term value. Unless otherwise noted, the company is not exposed to significant interest, foreign exchange or credit risks arising from these instruments.

3. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	3,023,027	2,007,044
Social security costs	477,540	230,109
Other pension costs	47,949	32,742
	<u>3,548,516</u>	<u>2,269,895</u>

The average number of employees during the year was as follows:

	2022	2021
Operations	52	29
Sales	6	6
Administration	23	19
	<u>81</u>	<u>54</u>

	2022	2021
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	2022	2021
	£	£
Hire of plant and machinery	69,797	27,330
Depreciation - owned assets	185,393	117,483
Depreciation - assets on hire purchase contracts	3,420	3,420
Loss on disposal of fixed assets	3,564	-
Auditors' remuneration	8,500	5,100
Auditors' remuneration for non audit work	<u>10,875</u>	<u>8,440</u>

HEXATRONIC UK LTD (REGISTERED NUMBER: 06329180)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022**

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £	2021 £
Loan interest	<u>153,450</u>	<u>51,050</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2022 £	2021 £
Current tax:		
UK corporation tax	1,779,463	855,873
Overprovision of corporation tax	<u>(28,564)</u>	<u>(41,717)</u>
Total current tax	1,750,899	814,156
Deferred tax	<u>83,357</u>	<u>123,914</u>
Tax on profit	<u>1,834,256</u>	<u>938,070</u>

Tax effects relating to effects of other comprehensive income

	Gross £	2022 Tax £	Net £
Share option reserve	<u>31,001</u>	<u>-</u>	<u>31,001</u>
	Gross £	2021 Tax £	Net £
Share option reserve	<u>37,155</u>	<u>-</u>	<u>37,155</u>

7. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold £	Plant and machinery £	Fixtures and fittings £	Totals £
COST				
At 1st January 2022	54,146	951,153	571,529	1,576,828
Additions	-	176,009	49,881	225,890
Disposals	-	<u>(12,794)</u>	-	<u>(12,794)</u>
At 31st December 2022	<u>54,146</u>	<u>1,114,368</u>	<u>621,410</u>	<u>1,789,924</u>
DEPRECIATION				
At 1st January 2022	9,495	248,849	40,027	298,371
Charge for year	5,412	124,770	58,631	188,813
Eliminated on disposal	-	<u>(3,526)</u>	-	<u>(3,526)</u>
At 31st December 2022	<u>14,907</u>	<u>370,093</u>	<u>98,658</u>	<u>483,658</u>
NET BOOK VALUE				
At 31st December 2022	<u>39,239</u>	<u>744,275</u>	<u>522,752</u>	<u>1,306,266</u>
At 31st December 2021	<u>44,651</u>	<u>702,304</u>	<u>531,502</u>	<u>1,278,457</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022

7. **PROPERTY, PLANT AND EQUIPMENT - continued**

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £
COST	
At 1st January 2022 and 31st December 2022	<u>17,117</u>
DEPRECIATION	
At 1st January 2022	6,555
Charge for year	<u>3,420</u>
At 31st December 2022	<u>9,975</u>
NET BOOK VALUE	
At 31st December 2022	<u>7,142</u>
At 31st December 2021	<u>10,562</u>

8. **INVENTORIES**

	2022 £	2021 £
Stocks	30,035,943	14,900,449
Work-in-progress	<u>307,307</u>	<u>125,772</u>
	<u>30,343,250</u>	<u>15,026,221</u>

9. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2022 £	2021 £
Trade debtors	7,870,014	6,138,850
Other debtors	958,484	255,255
Prepayments	<u>266,696</u>	<u>263,825</u>
	<u>9,095,194</u>	<u>6,657,930</u>

10. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2022 £	2021 £
Hire purchase contracts (see note 12)	4,512	4,512
Trade creditors	9,006,232	3,774,834
Amounts owed to group undertakings	7,348,883	5,510,897
Tax	352,484	363,592
VAT	1,882,015	1,453,905
Other creditors	4,361,466	3,112,476
Accrued expenses	<u>1,606,186</u>	<u>298,983</u>
	<u>24,561,778</u>	<u>14,519,199</u>

11. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2022 £	2021 £
Hire purchase contracts (see note 12)	<u>2,481</u>	<u>6,993</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022**

12. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2022	2021
	£	£
Net obligations repayable:		
Within one year	4,512	4,512
Between one and five years	<u>2,481</u>	<u>6,993</u>
	<u>6,993</u>	<u>11,505</u>
	Non-cancellable operating leases	
	2022	2021
	£	£
In more than five years	<u>5,186,847</u>	<u>5,895,227</u>

Total future minimum lease payments under non-cancellable leases are due as follows:

	£
Property	5,096,867
Plant and machinery	89,980

13. PROVISIONS FOR LIABILITIES

	2022	2021
	£	£
Deferred tax	<u>316,757</u>	<u>233,400</u>
		Deferred tax
		£
Balance at 1st January 2022		233,400
Charge to Statement of Comprehensive Income during year		<u>83,357</u>
Balance at 31st December 2022		<u>316,757</u>

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2022	2021
Number:	Class:	Nominal value:	£	£
2,000	Ordinary	£1	<u>2,000</u>	<u>2,000</u>

15. RESERVES

	Retained earnings	Other reserves	Totals
	£	£	£
At 1st January 2022	8,152,067	49,043	8,201,110
Profit for the year	7,629,677		7,629,677
Share option reserve	-	31,001	31,001
At 31st December 2022	<u>15,781,744</u>	<u>80,044</u>	<u>15,861,788</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2022**

16. ULTIMATE CONTROLLING PARTY

The immediate parent company of Hexatronic UK Limited is Hexatronic Group AB (publ), a company incorporated in Sweden. Registered address: Sofierogatan 3A, SE-412 51 Göteborg.

The financial statements of Hexatronic Group AB (publ) are available from www.hexatronicgroup.com/en/investor-relations/financial-reports/.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.