

SpliceGroup Europe Limited

Registered number: 02622534

Annual report and financial statements

For the year ended 31 December 2022

SPLICEGROUP EUROPE LIMITED

COMPANY INFORMATION

Directors	D B Woodhead A Varley
Company secretary	D B Woodhead
Registered number	02622534
Registered office	The Coach House Whitehall Road Drighlington Bradford West Yorkshire BD11 1LN
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor 3 Wellington Place Leeds LS1 4AP
Bankers	HSBC Bank PLC 33 Park Row Leeds LS1 1LD

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

Introduction

We aim to provide a balanced and comprehensive review of the development and performance of the Company during the whole year and its position at the year end. Our view is consistent with the size and complex nature of the Company.

Business review

The trading results for the year are set out on page 10 of the Financial Statements. The Company has had another strong year generating revenue of £11.9m (2021: £12.2m). The Company's continued efforts to drive efficiencies and develop strategic supplier relationships have resulted in a significant increase in the gross profit margin. The Company recognises the effort and dedication of its hard-working team and their commitment in providing a high-quality service to our customers and partners.

The Company is driven by continual investment into innovation. This continual investment has enabled the Company to provide real time solutions to both existing and new customers and improve efficiencies and reporting systems. This has greatly assisted in retaining existing trade and has provided a solid base to attract new customers.

Going concern

The Company's forecasts and projections show that the Company will be able to operate well within its current banking facilities. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for a period of at least twelve months from the date of approval of the financial statements. They thus continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Principal risks and uncertainties

Like all businesses we are exposed to competition in the market. We manage this by providing an excellent service and working closely with our customers. In terms of operational risk, this is proactively managed through our integrated management systems. Our Quality management system, certified to ISO9001, ensures we have procedures in place for the business to work efficiently and maintain expected quality levels. We take the health, safety and wellbeing of our stakeholders very seriously and, in addition to Safe Contractor, Achilles & CHAS certification, our occupational Health & Safety management system is certified to ISO45001 Standard.

Monitoring & Improving on our environmental performance continues to be important to the business and our ISO14001 certification ensures we have the most appropriate environmental management system in-place.

Sustainability Performance

Sustainability remains an area of upmost priority for The Company, and we understand our business has its own role to play in helping to achieve global net-zero ambitions.

As a business we are measuring our Carbon Footprint annually and have set a number of short and medium-term targets, with the aim of reducing our carbon emissions in-line with the IPCC's target of limiting global warming to 1.5°C. Our 2022 emissions were 9% lower than 2021 representing a reduction of 104 tCO²e.

During Q2 2023, we have worked with the SBTi, to obtain approval of our science-based targets and we anticipate these will be published shortly.

We are now sharing our sustainability performance via the EcoVadis and CDP platforms - We recently received a Silver Rating with EcoVadis, a C-rating with CDP and have ambitions to improve on these scores over the coming years.

Financial risk

The Company's principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to finance the Company's working capital requirements. In respect of bank balances, the liquidity risk is managed by ensuring that sufficient cash is held within the bank account to provide the required working capital and to enable the Company to take advantage of any opportunities that may arise. At the year end, the Company had bank balances of £4.7m available as headroom.

Trade debtors are managed in respect of credit and cash flow risk by robust policies and formal agreements in respect of the level of credit offered to customers and the regular monitoring of amounts outstanding in respect of both time and value. The amounts presented in the Statement of Financial Position are net of provisions for any doubtful debts.

The Company prides itself on its creditor payment policy and ensuring that creditors are paid on time and within terms as agreed.

Operational risk

The Company has solid reporting systems and as a result produces timely and accurate management information, which is regularly reviewed by the directors. The IT infrastructure that has been developed and put in place by the business also helps to deliver the first class customer service mentioned below.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Market risk

The major risks to the business are customer loss through non competitive pricing or poor service. The Company mitigates these risks by continually monitoring market prices, ensuring a flexible approach and tailoring its financial commitments to the length of its customer contracts, providing a first class service to customers supported by industry leading I.T. The Directors are focused on developing their relationships and volume of business with existing customers whilst at the same time identifying and bringing on board new customers who can benefit from the Company's services.

Financial key performance indicators

The directors consider the financial KPI's of the business to be:

- Turnover;
- Gross margin;
- Operational costs; and
- Cash flow.

These are monitored on a monthly basis and resultant actions are taken as and when necessary.

In addition non financial KPI's are considered to be:

- High standard of customer service;
- Health & safety compliance; and
- Environmental issues.

Future prospects

The Company continues to research, invest and implement best in class methods which, together with continual innovation are expected to, lead to improved efficiencies and tighter cost control. The Company will continue to pursue increased efficiencies for its customers which will safeguard margins in the next twelve months.

This report was approved by the board on 26 September 2023 and signed on its behalf.

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 £890,819 (2021 - £1,173,268).

Dividends of £1,000,000 (2021: £1,060,058) were declared during the year.

Directors

The directors who served during the year were:

D B Woodhead
A Varley

Research and development activities

The Directors will oversee the Company's continued commitment and investment in research and development, not only in new products but also in establishing improved designs of current products.

Future developments

The Directors see the development of the business in the USA and Europe as important to the continued success of the business. The business will grow organically and focus on its core activities.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Qualifying third party indemnity provisions

Qualifying third party indemnity insurance is in place for the benefit of the directors. This was in place throughout the year and up to the date of this report.

Matters covered in the Strategic Report

Certain information is not shown in the Directors' Report because it is shown in the Strategic Report instead under s414C (11). The Strategic Report includes a business review, the Directors' consideration of going concern, principal risk and uncertainties and key performance indicators.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 26 September 2023 and signed on its behalf.

D B Woodhead

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPLICEGROUP EUROPE LIMITED

Opinion

We have audited the financial statements of SpliceGroup Europe Limited (the 'Company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Conclusions relating to going concern

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

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

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

Other information

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPLICEGROUP EUROPE LIMITED

Other information (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPLICEGROUP EUROPE LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 either the directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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. Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as: tax legislation, pension legislation and the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue (which we pinpointed to the cut-off assertion), loans and transactions with related parties and significant one-off or unusual transactions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPLICEGROUP EUROPE LIMITED

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 auditor's report.

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Ashley Barraclough (Senior Statutory Auditor)

for and on behalf of
Mazars LLP

Chartered Accountants and Statutory Auditor

5th Floor

3 Wellington Place
Leeds
LS1 4AP

26 September 2023

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

	Note	2022 £	As restated 2021 £
Turnover	4	11,896,613	12,170,863
Cost of sales		(7,784,225)	(8,092,700)
Gross profit		4,112,388	4,078,163
Administrative expenses		(3,071,730)	(2,669,819)
Operating profit	5	1,040,658	1,408,344
Interest receivable and similar income	9	3,382	4,657
Interest payable and similar expenses	10	(557)	(421)
Profit before tax		1,043,483	1,412,580
Tax on profit	11	(152,664)	(239,312)
Profit for the financial year		<u>890,819</u>	<u>1,173,268</u>

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

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

The notes on pages 14 to 30 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	13	219,121	274,618
		<u>219,121</u>	<u>274,618</u>
Current assets			
Stocks	14	576,260	562,316
Debtors: amounts falling due within one year	15	4,103,631	3,739,831
Cash at bank and in hand	16	4,744,498	3,926,555
		<u>9,424,389</u>	<u>8,228,702</u>
Creditors: amounts due within one year	17	(6,510,810)	(5,238,385)
Net current assets		<u>2,913,579</u>	<u>2,990,317</u>
Total assets less current liabilities		<u>3,132,700</u>	<u>3,264,935</u>
Creditors: amounts due after more than one year	18	-	(11,053)
Deferred tax	20	-	(12,001)
Net assets		<u><u>3,132,700</u></u>	<u><u>3,241,881</u></u>
Capital and reserves			
Called up share capital	21	4,750	4,750
Capital redemption reserve	25	419	419
Other reserves	25	250	250
Profit and loss account	25	3,127,281	3,236,462
		<u><u>3,132,700</u></u>	<u><u>3,241,881</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2023.

D B Woodhead
Director

The notes on pages 14 to 30 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2021	4,750	419	250	3,123,252	3,128,671
Comprehensive income for the year					
Profit for the year	-	-	-	1,173,268	1,173,268
Total comprehensive income for the year	-	-	-	1,173,268	1,173,268
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(1,060,058)	(1,060,058)
Total transactions with owners	-	-	-	(1,060,058)	(1,060,058)
At 1 January 2022	4,750	419	250	3,236,462	3,241,881
Comprehensive income for the year					
Profit for the year	-	-	-	890,819	890,819
Total comprehensive income for the year	-	-	-	890,819	890,819
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(1,000,000)	(1,000,000)
Total transactions with owners	-	-	-	(1,000,000)	(1,000,000)
At 31 December 2022	<u>4,750</u>	<u>419</u>	<u>250</u>	<u>3,127,281</u>	<u>3,132,700</u>

The notes on pages 14 to 30 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	£	£
Cash flows from operating activities		
Profit for the financial year	890,819	1,173,268
Adjustments for:		
Depreciation of tangible assets	81,501	78,310
Profit on disposal of tangible assets	(3,073)	-
Interest paid	557	421
Interest received	(3,382)	(4,657)
Taxation charge	152,664	239,312
(Increase)/decrease in stocks	(13,944)	15,756
(Increase) in debtors	(362,717)	(109,078)
Increase in creditors	1,371,345	799,705
Corporation tax (paid)	(257,144)	(90,852)
Net cash generated from operating activities	<u>1,856,626</u>	<u>2,102,185</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(26,817)	(60,239)
Sale of tangible fixed assets	3,886	-
Interest received	3,382	4,657
Net cash from investing activities	<u>(19,549)</u>	<u>(55,582)</u>
Cash flows from financing activities		
Repayment of loans	(18,577)	(7,132)
Dividends paid	(1,000,000)	(1,060,058)
Interest paid	(557)	(421)
Net cash used in financing activities	<u>(1,019,134)</u>	<u>(1,067,611)</u>
Net increase in cash and cash equivalents	817,943	978,992
Cash and cash equivalents at beginning of year	3,926,555	2,947,563
Cash and cash equivalents at the end of year	<u>4,744,498</u>	<u>3,926,555</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	4,744,498	3,926,555
	<u>4,744,498</u>	<u>3,926,555</u>

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

1. General information

SpliceGroup Europe Limited is a private company, limited by shares, registered in England and Wales, registration number 02622534. The registered office is The Coach House, Whitehall Road, Drighlington, West Yorkshire, BD11 1LN.

The principal activity of the Company is the design, manufacture, installation and service maintenance of advanced fibre cabling systems for the data and telecommunications industry.

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 following principal accounting policies have been applied:

2.2 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for a period of at least twelve months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

2. Accounting policies (continued)

2.3 Revenue

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

Sale of goods

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

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

Rendering of services

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

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

2.4 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.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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.

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

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is provided on the following bases:

Buildings	-	2% - 20% straight line
Plant & machinery	-	25% straight line
Fixtures & fittings	-	25% straight line
Computer and office equipment	-	33% 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 the Statement of Comprehensive Income.

2.5 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

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

2.6 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.

At each reporting 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 the Statement of Comprehensive Income.

2.7 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.

2.8 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.

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

2. Accounting policies (continued)

2.9 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.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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

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

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

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

2.10 Creditors

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

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

2. Accounting policies (continued)

2.11 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 the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within other operating income.

2.12 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid.

2.14 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. 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)

2.15 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.16 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.17 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 the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

2.18 Research and development

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

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

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

2. Accounting policies (continued)

2.19 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 reporting 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 reporting 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 reporting date.

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

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

The critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability and where applicable, the ability of the asset to be operated as planned. There have been no indicators of impairments identified during the current financial year.

(ii) Assessing recoverability of related parties balances

Related party balances represent financial assets measured at cost less impairment. In assessing whether there is objective evidence of impairment at the balance sheet date, the directors have considered the financial position of the related parties at the balance sheet date and determined the ability of the related parties to repay the amounts as they fall due. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the directors' best estimate of recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date. Impairment losses are recognised in the Statement of Comprehensive Income.

Key sources of estimation uncertainty

The directors do not believe there are any key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial statements.

4. Turnover

Analysis of turnover by country of destination:

	2022	2021
	£	£
United Kingdom	10,691,222	10,853,466
Rest of Europe	1,000,624	1,144,979
Rest of the world	204,767	172,418
	<u>11,896,613</u>	<u>12,170,863</u>

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

5. Operating profit

The operating profit is stated after charging:

	2022	2021
	£	£
Research & development charged as an expense	198,107	156,576
Exchange differences	131,359	8,469
Operating lease rental cost	98,005	83,239
Depreciation charge	<u>81,501</u>	<u>78,310</u>

6. Auditor's remuneration

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

	2022	2021
	£	£
Fees payable to the Company's auditor for the audit of the Company's financial statements	<u>34,500</u>	<u>25,000</u>

7. Employees

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

	2022	As restated 2021
	£	£
Wages and salaries	3,355,450	3,182,888
Social security costs	410,121	368,932
Cost of defined contribution scheme	91,424	90,766
	<u>3,856,995</u>	<u>3,642,586</u>

A prior year restatement has been made to the wages note to exclude subcontractor invoiced costs.

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

	2022	2021
	No.	No.
Installation	44	47
Production	5	4
Administration	22	20
	<u>71</u>	<u>71</u>

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

8. Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	195,383	181,685
Company contributions to defined contribution pension schemes	25,200	25,200
	<u>220,583</u>	<u>206,885</u>

During the year retirement benefits were accruing to 1 director (2021 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £195,383 (2021 - £181,685).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £25,200 (2021 - £25,200).

9. Interest receivable

	2022	2021
	£	£
Interest receivable	<u>3,382</u>	<u>4,657</u>

10. Interest payable and similar expenses

	2022	2021
	£	£
Bank interest payable	<u>557</u>	<u>421</u>

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

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	171,232	256,123
Adjustments in respect of previous periods	(6,975)	-
Double taxation relief	(17,700)	-
Foreign tax		
Foreign tax on income for the year	19,191	-
Total current tax	<u>165,748</u>	<u>256,123</u>
Deferred tax		
Origination and reversal of timing differences	(9,910)	(16,811)
Adjustments in respect of prior periods	(3,174)	-
Total deferred tax	<u>(13,084)</u>	<u>(16,811)</u>
Taxation on profit on ordinary activities	<u>152,664</u>	<u>239,312</u>
Factors affecting tax credit for the year		

The tax assessed for the year is lower 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>1,043,483</u>	<u>1,412,580</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	198,262	268,390
Effects of:		
Expenses not deductible for tax purposes	3,703	2,928
Fixed asset differences	456	3,787
Adjustments to tax charge in respect of prior periods	(6,975)	-
Adjustments to tax charge in respect of prior periods - deferred tax	(3,174)	-
Remeasurement of deferred tax for changes in tax rates	(2,378)	2,881
Adjustment in research and development tax credit leading to a decrease in the tax charge	(38,721)	(38,674)
Unrelieved foreign tax	1,491	-
Total tax charge for the year	<u>152,664</u>	<u>239,312</u>

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

11. Taxation (continued)

Factors that may affect future tax charges

The measures announced as part of the March 2021 Budget, include an increase in the standard rate of corporation tax from 19% to 25% with effect from 1 April 2023. The full impact of this change will be reflected in the 2022 financial statements once the Finance Bill has been substantively enacted but is not expected to be material.

12. Dividends

	2022 £	2021 £
Dividends	<u>1,000,000</u>	<u>1,060,058</u>

13. Tangible fixed assets

	Land and buildings £	Plant & machinery £	Fixtures & fittings £	Computer and office equipment £	Total £
Cost					
At 1 January 2022	262,067	237,274	42,903	206,512	748,756
Additions	-	789	13,824	12,204	26,817
Disposals	-	(4,633)	-	(1,723)	(6,356)
At 31 December 2022	<u>262,067</u>	<u>233,430</u>	<u>56,727</u>	<u>216,993</u>	<u>769,217</u>
Depreciation					
At 1 January 2022	134,769	135,979	41,673	161,717	474,138
Charge for the year	8,472	44,161	1,505	27,363	81,501
Disposals	-	(4,442)	-	(1,101)	(5,543)
At 31 December 2022	<u>143,241</u>	<u>175,698</u>	<u>43,178</u>	<u>187,979</u>	<u>550,096</u>
Net book value					
At 31 December 2022	<u>118,826</u>	<u>57,732</u>	<u>13,549</u>	<u>29,014</u>	<u>219,121</u>
At 31 December 2021	<u>127,298</u>	<u>101,295</u>	<u>1,230</u>	<u>44,795</u>	<u>274,618</u>

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

14. Stocks

	2022	2021
	£	£
Raw materials, consumables and finished goods	<u>576,260</u>	<u>562,316</u>

An impairment loss of £17,580 (2021: £14,588) was recognised in cost of sales against stock during the period due to slow-moving and obsolete stock.

15. Debtors

	2022	2021
	£	£
Trade debtors	1,929,919	2,410,666
Other debtors	888,094	807,225
Prepayments and accrued income	1,284,535	521,940
Deferred taxation	1,083	-
	<u>4,103,631</u>	<u>3,739,831</u>

16. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	<u>4,744,498</u>	<u>3,926,555</u>

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

17. Creditors: Amounts falling due within one year

	2022 £	2021 £
Bank loan	-	7,524
Trade creditors	980,426	758,893
Corporation tax	165,763	257,159
Other taxation and social security	808,724	800,506
Other creditors	1,327,536	688,167
Accruals and deferred income	3,228,361	2,726,136
	<u>6,510,810</u>	<u>5,238,385</u>

The bank loan was secured by a debenture and first legal charge over the freehold property known as North East of King Street, Drighlington dated 8 July 2008 and a fixed floating charge over all assets dated 2 July 2008.

18. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Bank loan	<u>-</u>	<u>11,053</u>

The bank loan was secured by a debenture and first legal charge over the freehold property known as North East of King Street, Drighlington dated 8 July 2008 and a fixed floating charge over all assets dated 2 July 2008.

19. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due within one year		
Bank loan	-	7,524
Amounts falling due 1-2 years		
Bank loan	-	7,524
Amounts falling due 2-5 years		
Bank loan	-	3,529
	<u>-</u>	<u>18,577</u>

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

20. Deferred taxation asset/(liability)

	2022 £	2021 £
At beginning of year	(12,001)	(28,812)
Released to the Statement of Comprehensive Income	13,084	16,811
At end of year	<u>1,083</u>	<u>(12,001)</u>

The deferred taxation balance is made up as follows:

	2022 £	2021 £
Fixed asset timing differences	(27,986)	(42,569)
Short term timing differences	29,069	30,568
	<u>1,083</u>	<u>(12,001)</u>

21. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
4,750 (2021 - 4,750) Ordinary shares of £1.00 each	<u>4,750</u>	<u>4,750</u>

22. Analysis of net funds

	At 1 January 2022 £	Cash flows £	Other non-cash changes £	At 31 December 2022 £
Cash at bank and in hand	3,926,555	817,943	-	4,744,498
Debt due after 1 year	(11,053)	11,053	-	-
Debt due within 1 year	(695,691)	7,524	(389,861)	(1,078,028)
	<u>3,219,811</u>	<u>836,520</u>	<u>(389,861)</u>	<u>3,666,470</u>

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

23. 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 £91,424 (2021 - £90,766). Contributions totalling £12,429 (2021 - £11,343) were payable to the fund at the Statement of Financial Position date and are included in creditors.

24. 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	40,740	25,228
Later than 1 year and not later than 5 years	16,528	13,690
	<u>57,268</u>	<u>38,918</u>

25. Reserves**Capital redemption reserve**

This reserve arose from the historic issuing of 419 Ordinary shares of £1 each at a premium of £154 per share. The shares were subsequently purchased by the company and cancelled.

Other reserves

This reserve arose when the company purchased 250 ordinary shares of £1 each.

Profit & loss account

This reserve represents cumulative profits and losses less dividends paid. The full reserve is available for distribution.

26. Prior year restatement

At 1 January 2021 an adjustment has been made to reclassify Swedish branch wages costs from administrative expenses to cost of sales, leading to a decrease in administrative expenses of £380,774 and a corresponding increase in cost of sales. There is no impact on profit after tax or net assets of the Company.

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

27. Related party transactions

During the year the Company sold goods amounting to £43,811 (2021 - £51,031) and purchased goods amounting to £962,784 (2021 - £1,344,910) from Splice Tech & Logistics Inc. D B Woodhead, a director of the Company, is the majority shareholder of Splice Tech & Logistics Inc. At the year end, £1,133,562 (2021: £1,101,328) was owed from Splice Tech & Logistics Inc., of which £350,000 (2021: £350,000) was provided for.

During the year, the Company sold goods amounting to £4,525 (2021 - £2,132) and purchased goods amounting to £116,712 (2021: £Nil) from SpliceGroup (USA) Inc. D B Woodhead, a director of the Company is the majority shareholder of SpliceGroup (USA) Inc. At the year end, £556,722 (2021: £473,507) was owed from SpliceGroup (USA) Inc., of which £455,557 (2021: £426,226) was provided for.

During the year, the Company purchased goods amounting to £135,596 (2021 - £195,873) from Splice Asia Inc. D B Woodhead, the owner of SpliceGroup Europe Limited is the majority shareholder of SpliceGroup Asia Inc. At the year end, £633,101 (2021: £633,101) was owed from Splice Asia Inc., of which £633,101 (2021: £633,101) was provided for.

The Company pays rent to a director for use of part of the Company's offices. The total rent charged in the year to 31 December 2022 was £45,000 (2021 - £45,000).

The Company paid dividends of £1,000,000 to a director during the year (2021 - £1,060,058). At the year end the Director's loan account of Mr D B Woodhead was in credit by £1,078,028 (2021 - £688,167).

28. Controlling party

The company is wholly owned by D B Woodhead.

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