

Registered number: 04679225

ETL SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023



ETL SYSTEMS LIMITED

COMPANY INFORMATION

Directors	Mr I G Hilditch Dr E Bayar Mr P C Stephens Mr K L Dunne (appointed 23 January 2023)
Company secretary	Mr P C Stephens
Registered number	04679225
Registered office	Coldwell Radio Station Madley Hereford Herefordshire HR2 9NE
Independent auditors	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditors Portwall Place Portwall Lane Bristol BS1 6NA
Bankers	HSBC UK Bank PLC 120 Edmund Street Birmingham B3 2QZ

ETL SYSTEMS LIMITED

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ETL SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2023

Introduction

The Directors present the Strategic Report of ETL Systems Limited for the year ended 31 May 2023.

Principal activity

The principal activity of the company is the manufacture of communication equipment other than telegraph, and telephone apparatus and equipment.

Business review

The business has progressed in line with original projections.

The Directors believe that the nature of the business is sufficiently straightforward so as not to require the use of other key performance indicators.

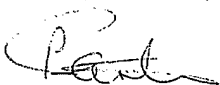
Principal risks and uncertainties

As a significant proportion of the Group's turnover is derived from overseas markets, much focus is placed on ensuring that appropriate risk management strategies are in place in order to contain the downside risk associated with exchange rate fluctuations.

Similarly, credit control procedures are stringently adhered to in order to minimise the risks associated therewith in view of the fact that a large proportion of sales are of a custom-build nature.

The Company's cash flow and liquidity positions remain healthy, and these are continuously monitored and reported on to ensure that this remains the case.

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



Mr P C Stephens
Director

Date: 28/09/2023

ETL SYSTEMS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2023**

The directors present their report and the financial statements for the year ended 31 May 2023.

Results and dividends

The profit for the year, after taxation, amounted to £7,014,537 (2022 - £5,876,206).

Directors

The directors who served during the year were:

Mr I G Hilditch
Dr E Bayar
Mr P C Stephens
Mr K L Dunne (appointed 23 January 2023)

Research and development activities

The Group undertakes research and development, using existing staff. In the opinion of the directors, continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth.

Disclosure of information to auditors

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

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

Auditors

The auditors, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



Mr P C Stephens
Director

Date: 28/09/2023

ETL SYSTEMS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MAY 2023**

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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ETL SYSTEMS LIMITED

Opinion

We have audited the financial statements of ETL Systems Limited (the 'company') for the year ended 31 May 2023 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity and the notes to the financial statements, including 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 May 2023 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.

ETL SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ETL SYSTEMS LIMITED (CONTINUED)

Other information

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

We have nothing to report in this regard.

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 the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

ETL SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ETL SYSTEMS LIMITED (CONTINUED)

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.

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

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the company's industry and regulation.

We understand that the company complies with the framework through subscribing to relevant updates from external experts, and making changes to internal procedures and controls as necessary.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the company's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key areas identified in this discussion were the risk of manipulation of the financial statements through manual journal entries and the incorrect recognition of revenue. These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included:

- Testing of a sample of revenue transactions to underlying documentation; and
- Testing of a sample of manual journal entries, selected through applying specific risk assessments based on the company's processes and controls surrounding manual journal entries.

Overall, the senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

ETL SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ETL SYSTEMS LIMITED (CONTINUED)

Use of our report

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

Carl Deane

Carl Deane (Sep 28, 2023 16:08 GMT+1)

Carl Deane (Senior Statutory Auditor)

for and on behalf of

CLA Evelyn Partners Limited

Chartered Accountants

Statutory Auditors

Portwall Place

Portwall Lane

Bristol

BS1 6NA

Date: 28/09/2023

ETL SYSTEMS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2023**

	Note	2023 £	2022 £
Turnover	4	27,076,730	22,530,934
Cost of sales		(11,259,473)	(8,888,668)
Gross profit		<u>15,817,257</u>	<u>13,642,266</u>
Administrative expenses		(10,805,450)	(8,476,487)
Other operating income	5	2,825,511	1,127,939
Operating profit	6	<u>7,837,318</u>	<u>6,293,718</u>
Interest receivable and similar income		76,475	351
Profit before tax		<u>7,913,793</u>	<u>6,294,069</u>
Tax on profit	10	(899,256)	(417,863)
Profit for the financial year		<u><u>7,014,537</u></u>	<u><u>5,876,206</u></u>

There were no recognised gains and losses for 2023 or 2022 other than those included in the statement of comprehensive income.

The notes on pages 12 to 29 form part of these financial statements.

ETL SYSTEMS LIMITED
REGISTERED NUMBER:04679225

BALANCE SHEET
AS AT 31 MAY 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	11	2,886,075	2,463,312
Tangible assets	12	6,147,725	6,287,885
Investments	13	629	85,629
		<u>9,034,429</u>	<u>8,836,826</u>
Current assets			
Stocks	14	6,292,219	5,046,645
Debtors: amounts falling due within one year	15	10,975,285	9,190,582
Current asset investments	16	863,647	-
Cash at bank and in hand	17	6,519,742	4,214,738
		<u>24,650,893</u>	<u>18,451,965</u>
Creditors: amounts falling due within one year	18	<u>(3,948,208)</u>	<u>(4,642,763)</u>
Net current assets		20,702,685	13,809,202
Total assets less current liabilities		29,737,114	22,646,028
Creditors: amounts falling due after more than one year	19	-	(7,382)
		<u>29,737,114</u>	<u>22,638,646</u>
Provisions for liabilities			
Deferred Taxation	21	(1,252,726)	(1,168,795)
Net assets		28,484,388	21,469,851
Capital and reserves			
Called up share capital	22	210,750	210,750
Share premium account	23	147,301	147,301
Merger reserve	23	(634,214)	(634,214)
Profit and loss account	23	28,760,551	21,746,014
		<u>28,484,388</u>	<u>21,469,851</u>

ETL SYSTEMS LIMITED
REGISTERED NUMBER:04679225

BALANCE SHEET (CONTINUED)
AS AT 31 MAY 2023

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

Ian G Hilditch
Ian G Hilditch (Sep 28, 2023 13:08 GMT+1)

Mr I G Hilditch
Director

Date: 28/09/2023

The notes on pages 12 to 29 form part of these financial statements.

ETL SYSTEMS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2023**

	Called up share capital £	Share premium account £	Merger reserve £	Profit and loss account £	Total equity £
At 1 June 2021	210,750	147,301	(634,214)	15,869,808	15,593,645
Profit for the year	-	-	-	5,876,206	5,876,206
At 1 June 2022	<u>210,750</u>	<u>147,301</u>	<u>(634,214)</u>	<u>21,746,014</u>	<u>21,469,851</u>
Profit for the year	-	-	-	7,014,537	7,014,537
At 31 May 2023	<u><u>210,750</u></u>	<u><u>147,301</u></u>	<u><u>(634,214)</u></u>	<u><u>28,760,551</u></u>	<u><u>28,484,388</u></u>

The notes on pages 12 to 29 form part of these financial statements.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

1. General information

ETL Systems Limited is a private company limited by shares and incorporated in England and Wales. The address of the registered office is Coldwell Radio Station, Madley, Hereford, Herefordshire, HR2 9NE.

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).

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The parent Company has taken advantage of the following disclosure exemptions available under FRS 102:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 7 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11, Financial Instruments, paragraphs 11.39 to 11.48A; and
- the requirements of Section 33, Related Party Disclosures, paragraphs 33.7.

The following principal accounting policies have been applied:

2.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.4 Going concern

The directors are confident that the Company and the Group have adequate resources to continue in operation for at least 12 months from the date of signing, and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Sale of goods

Turnover 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 turnover 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.

2.7 Operating leases: the Company as lessee

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

2.8 Warranty cost accrual

Anticipated costs to be incurred in respect of servicing the standard warranty provided on product sales are estimated and accrued for at each period end.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

2. Accounting policies (continued)

2.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.10 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.11 Pensions

Defined contribution pension plan

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

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

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

2. Accounting policies (continued)

2.12 Current and deferred taxation

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

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

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

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

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

2.13 Intangible assets

Goodwill

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

Other intangible assets

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

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

Research and development expenditure is capitalised in the year it is incurred when relating to long term projects. It is then amortised over the expected period of sale, but no more than four years.

Other research and development expenditure is written off in the year it is incurred.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

2. Accounting policies (continued)

2.14 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Freehold property	-	2% straight line (land - 0%)
Plant & machinery	-	16.67% straight line
Motor vehicles	-	25% straight line
Fixtures & fittings	-	16.67% straight line
Office equipment	-	12.5-33.3% straight line
Other fixed assets	-	33.3% straight line

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

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

2.15 Impairment of fixed assets and goodwill

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

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, with cost determined using the first-in, first-out basis. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023**

2. Accounting policies (continued)

2.18 Provisions for liabilities

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

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

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

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2023

2. Accounting policies (continued)

2.19 Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the group will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank and short-term bank deposits with an original maturity of three months or less.

Financial liabilities and equity instruments issued by the group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

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

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The areas where the most judgement is required are highlighted below:

Stock Valuation

Stock is valued at the lower of cost and net realisable value. Where stock is considered to be impaired, it is written down to net realisable value which requires management to make an assessment of the projected retail value of that item together with the costs expected to be incurred in achieving the sale.

Development costs

Development expenditure is capitalised in the year it is incurred when relating to long term projects. It is then amortised over the expected period of sale, but over no more than four years. Other research and development expenditure is written off in the year it is incurred.

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023**

4. Turnover

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

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	3,871,303	3,854,873
Rest of World	23,205,427	18,676,061
	<u>27,076,730</u>	<u>22,530,934</u>

5. Other operating income

	2023 £	2022 £
Other operating income	2,476,808	1,123,006
Government grants receivable	348,703	4,933
	<u>2,825,511</u>	<u>1,127,939</u>

6. Operating profit

The operating profit is stated after charging:

	2023 £	2022 £
Research & development charged as an expense	(689,244)	(769,402)
Depreciation of tangible fixed assets	833,994	631,947
Amortisation of intangible assets	266,482	215,744
(Profit) / loss on disposal of tangible fixed assets	-	9,451
Exchange differences	(191,124)	(225,488)
Other operating lease rentals	205,542	198,958
Defined contribution pension cost	305,245	256,449
	<u></u>	<u></u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023**

7. Auditors' remuneration

	2023 £	2022 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	32,500	27,000

	2023 £	2022 £
Fees payable to the Company's auditor and its associates in respect of:		
Taxation compliance services	31,225	41,050
Other services relating to taxation	15,695	12,788
	46,920	53,838

8. Employees

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

	2023 £	2022 £
Wages and salaries	8,033,654	6,592,078
Social security costs	812,520	635,483
Cost of defined contribution scheme	305,245	256,449
	9,151,419	7,484,010

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

	2023 No.	2022 No.
Production	115	106
Distribution	13	13
Administration	32	29
	160	148

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023**

9. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	878,667	586,330
Company contributions to defined contribution pension schemes	22,600	13,214
	901,267	599,544

During the year retirement benefits were accruing to 4 directors (2022 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £266,006 (2022 - £204,401).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,182 (2022 - £4,121).

10. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	640,566	(47,120)
Adjustments in respect of previous periods	174,759	(109,063)
Total current tax	815,325	(156,183)
Deferred tax		
Origination and reversal of timing differences	81,946	548,167
Adjustments in respect of prior periods	1,985	25,879
Total deferred tax	83,931	574,046
Taxation on profit on ordinary activities	899,256	417,863

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023**

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - *lower than*) the standard rate of corporation tax in the UK of 20% (2022 - 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	7,913,793	6,294,069
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2022 - 19%)	1,582,759	1,195,873
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,565	(52,933)
Fixed asset differences	18,524	-
Adjustments to tax charge in respect of prior periods	176,960	(83,184)
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	(178,987)	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(133,398)	(126,771)
R&D expenditure credits	19,763	18,781
Group relief	(506,511)	(566,618)
RDEC	(98,800)	(98,845)
Remeasurement of deferred tax for changes in tax rates	16,381	131,560
Total tax charge for the year	899,256	417,863

Factors that may affect future tax charges

Finance Bill 2021 included legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. Deferred tax continues to be calculated at 25%.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023

11. Intangible assets

	Development expenditure £	Goodwill £	Total £
Cost			
At 1 June 2022	2,430,269	958,097	3,388,366
Additions	689,245	-	689,245
At 31 May 2023	<u>3,119,514</u>	<u>958,097</u>	<u>4,077,611</u>
Amortisation			
At 1 June 2022	780,426	144,628	925,054
Charge for the year on owned assets	142,857	123,625	266,482
At 31 May 2023	<u>923,283</u>	<u>268,253</u>	<u>1,191,536</u>
Net book value			
At 31 May 2023	<u>2,196,231</u>	<u>689,844</u>	<u>2,886,075</u>
At 31 May 2022	<u>1,649,843</u>	<u>813,469</u>	<u>2,463,312</u>

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023

12. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £	Other fixed assets £	Total £
Cost or valuation							
At 1 June 2022	4,319,925	3,678,649	103,630	255,633	1,488,262	262,951	10,109,050
Additions	188,399	228,033	-	39,263	200,325	38,665	694,685
Disposals	-	(229,779)	-	(4,258)	(85,827)	(3,759)	(323,623)
At 31 May 2023	<u>4,508,324</u>	<u>3,676,903</u>	<u>103,630</u>	<u>290,638</u>	<u>1,602,760</u>	<u>297,857</u>	<u>10,480,112</u>
Depreciation							
At 1 June 2022	564,309	1,910,099	53,768	197,186	952,700	143,103	3,821,165
Charge for the year on owned assets	116,468	409,956	23,387	18,013	175,476	90,694	833,994
Disposals	-	(228,961)	-	(4,225)	(85,827)	(3,759)	(322,772)
At 31 May 2023	<u>680,777</u>	<u>2,091,094</u>	<u>77,155</u>	<u>210,974</u>	<u>1,042,349</u>	<u>230,038</u>	<u>4,332,387</u>
Net book value							
At 31 May 2023	<u>3,827,547</u>	<u>1,585,809</u>	<u>26,475</u>	<u>79,664</u>	<u>560,411</u>	<u>67,819</u>	<u>6,147,725</u>
At 31 May 2022	<u>3,755,616</u>	<u>1,768,550</u>	<u>49,862</u>	<u>58,447</u>	<u>535,562</u>	<u>119,848</u>	<u>6,287,885</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023**

13. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 June 2022	85,629
Amounts written off	(85,000)
At 31 May 2023	<u>629</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
ETL Systems Inc	Coldwell Radio Station, Kingstone, Hereford, HR2 9NE	Ordinary	100%

The aggregate of the share capital and reserves as at 31 May 2023 and the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

14. Stocks

	2023 £	2022 £
Raw materials and consumables	3,364,363	3,278,737
Work in progress	1,857,747	936,577
Finished goods and goods for resale	1,070,109	831,331
	<u>6,292,219</u>	<u>5,046,645</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023**

15. Debtors

	2023 £	2022 £
Trade debtors	4,872,028	4,157,213
Amounts owed by group undertakings	5,196,257	3,109,351
Other debtors	291,811	352,190
Prepayments and accrued income	615,189	541,641
Tax recoverable	-	1,030,187
	<u>10,975,285</u>	<u>9,190,582</u>

16. Current asset investments

	2023 £	2022 £
Listed investments	863,647	-
	<u>863,647</u>	<u>-</u>

All current asset investments are shares held in funds which are valued on a regular basis.

17. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and in hand	6,519,742	4,214,738
	<u>6,519,742</u>	<u>4,214,738</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023**

18. Creditors: Amounts falling due within one year

	2023	2022
	£	£
Trade creditors	771,448	904,501
Amounts owed to group undertakings	-	700,985
Corporation tax	543,096	-
Other taxation and social security	247,950	193,174
Other creditors	271,411	436,507
Accruals and deferred income	2,114,303	2,407,596
	3,948,208	4,642,763

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

	2023	2022
	£	£
Accruals and deferred income	-	7,382
	-	7,382

20. Financial instruments

	2023	2022
	£	£
Financial assets		
Cash and cash equivalents	6,519,742	4,214,738
Financial assets that are debt instruments measured at amortised cost	4,904,067	5,035,764
	11,423,809	9,250,502
Financial liabilities		
Financial liabilities at amortised cost	(2,180,192)	(4,317,304)
	(2,180,192)	(4,317,304)

Financial assets comprise cash balances, trade and other debtors. Financial liabilities comprise accruals, trade and other creditors.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023

21. Deferred taxation

	2023 £
At beginning of year	(1,168,795)
Charged to profit or loss	(83,931)
At end of year	<u>(1,252,726)</u>

The provision for deferred taxation is made up as follows:

	2023 £	2022 £
Accelerated capital allowances	(1,274,912)	(1,185,003)
Timing differences	22,186	16,208
	<u>(1,252,726)</u>	<u>(1,168,795)</u>

22. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
201,300 (2022 - 201,300) Ordinary shares of £1.00 each	201,300	201,300
9,450 (2022 - 9,450) Ordinary B shares of £1.00 each	9,450	9,450
	<u>210,750</u>	<u>210,750</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023**

23. Reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Merger Reserve

The merger reserve was created following the group reconstruction where assets and liabilities were hived up from a subsidiary company.

Profit & loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

24. Commitments under operating leases

At 31 May 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023	2022
	£	£
Not later than 1 year	195,868	181,600
Later than 1 year and not later than 5 years	247,541	386,000
	<u>443,409</u>	<u>567,600</u>

25. Related party transactions

During the year the Company paid and received management charges to the parent company ETL Bidco Limited of £1,036,227 paid (2022: £739,772) and £942,024 received (2022: £669,507). The Company also received a management charge from its subsidiary company ETL Systems Inc of £1,534,784 (2022: £505,089).

26. Controlling party

The ultimate parent company is Eagle Topco Limited. Eagle Topco Limited is also the parent of both the smallest and largest groups which consolidate these financial statements. The financial statements of Eagle Topco Limited are available from the company's registered office.

There is no ultimate controlling party of the group.