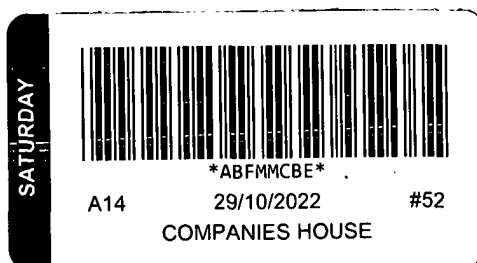


Registered number: 04679225

ETL SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2022



ETL SYSTEMS LIMITED

COMPANY INFORMATION

Directors	Mr I G Hilditch Dr E Bayar Mr P C Stephens
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 2022

Introduction

The Directors present the Strategic Report of ETL Systems Limited for the year ended 31 May 2022.

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

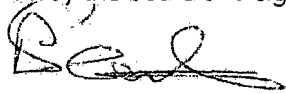
As a significant proportion of the Group's turnover is derived from overseas markets, much focus is placed on ensuring that appropriate risk management strategies are in place in order to contain the downside risk associated with exchange rate fluctuations.

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
Secretary



Date:

19 Oct 2022

ETL SYSTEMS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2022

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

Results and dividends

The profit for the year, after taxation, amounted to £5,694,069 (2021 -£5,315,914).

Directors

The directors who served during the year were:

Mr I G Hilditch
Dr E Bayar
Mr P C Stephens

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:

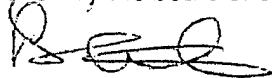
- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors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

Auditors

The auditors, CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson Audit 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
Secretary



Date:

19 Dec 2022

ETL SYSTEMS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MAY 2022**

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 Group and 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 2022 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity and the 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 May 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.

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. 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 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

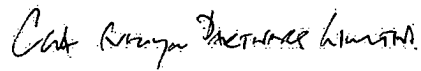
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 (Senior Statutory Auditor)

for and on behalf of
CLA Evelyn Partners Limited

Chartered Accountants
Statutory Auditors

Portwall Place
Portwall Lane
Bristol

BS1 6NA

Date: 19 October 2022

ETL SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2022

	Note	2022 £	2021 £
Turnover	4	22,530,934	18,738,674
Cost of sales		(8,888,668)	(7,243,243)
Gross profit		13,642,266	11,495,431
Administrative expenses		(8,476,487)	(6,943,496)
Other operating income	5	1,127,939	1,616,986
Operating profit	6	6,293,718	6,168,921
Interest receivable and similar income		351	72
Interest payable and expenses		-	(997)
Profit before taxation		6,294,069	6,167,996
Tax on profit	10	(417,863)	(852,082)
Profit for the financial year		5,876,206	5,315,914

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

The notes on pages 12 to 28 form part of these financial statements.

ETL SYSTEMS LIMITED
REGISTERED NUMBER:04679225

BALANCE SHEET
AS AT 31 MAY 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	11	2,463,312	1,819,793
Tangible assets	12	6,287,885	3,865,869
Investments	13	85,629	85,229
		<u>8,836,826</u>	<u>5,770,891</u>
Current assets			
Stocks	14	5,046,645	3,199,577
Debtors: amounts falling due within one year	15	9,190,582	4,764,727
Cash at bank and in hand	16	4,214,738	5,075,272
		<u>18,451,965</u>	<u>13,039,576</u>
Creditors: amounts falling due within one year	17	(4,642,763)	(2,612,296)
Net current assets		<u>13,809,202</u>	<u>10,427,280</u>
Total assets less current liabilities		<u>22,646,028</u>	<u>16,198,171</u>
Creditors: amounts falling due after more than one year	18	(7,382)	(9,777)
Provisions for liabilities			
Deferred taxation	20	(1,168,795)	(594,749)
Net assets		<u>21,469,851</u>	<u>15,593,645</u>
Capital and reserves			
Called up share capital	21	210,750	210,750
Share premium account	22	147,301	147,301
Merger reserve	22	(634,214)	(634,214)
Profit and loss account	22	21,746,014	15,869,808
		<u>21,469,851</u>	<u>15,593,645</u>

ETL SYSTEMS LIMITED
REGISTERED NUMBER:04679225

BALANCE SHEET (CONTINUED)
AS AT 31 MAY 2022

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

Mr I G Hilditch
Director

Date: 19 OCT 22

The notes on pages 12 to 28 form part of these financial statements.

ETL SYSTEMS LIMITED
REGISTERED NUMBER:04679225

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2022

	Called up share capital £	Share premium account £	Merger reserve £	Profit and loss account £	Total equity £
At 1 June 2020	210,750	147,301	-	10,553,894	10,911,945
Profit for the year	-	-	-	5,315,914	5,315,914
Transfer from investment in subsidiary on hive-up	-	-	(634,214)	-	(634,214)
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 31 May 2022	210,750	147,301	(634,214)	21,746,014	21,469,851

The notes on pages 12 to 28 form part of these financial statements.

ETL SYSTEMS LIMITED

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

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).

Exemptions under the reduced disclosure framework

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:

2.2 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.

2.3 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 2022

2. Accounting policies (continued)

2.4 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

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group 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 Group 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.

2.6 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.

2.7 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.

2.8 Interest income

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

ETL SYSTEMS LIMITED

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

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 are accounted for based on the performance model and are recognised in income when related performance conditions are met.

2.10 Finance costs

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

2.11 Pensions

Defined contribution pension plan

The Group 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 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 2022

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 2022

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.

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Land is not depreciated. Depreciation on other fixed 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	-	20-33.3% straight line
Other fixed assets	-	20-33.3% 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 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 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 2022

2. Accounting policies (continued)

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 a settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

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

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

2.18 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.

ETL SYSTEMS LIMITED

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

4. Turnover

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

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	3,854,873	2,492,935
Rest of World	18,676,061	16,245,739
	<u>22,530,934</u>	<u>18,738,674</u>

5. Other operating income

	2022 £	2021 £
Other operating income	1,123,006	1,000,399
Government grants receivable	4,933	616,587
	<u>1,127,939</u>	<u>1,616,986</u>

6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Research & development charged as an expense	(769,402)	(362,979)
Depreciation of tangible fixed assets	631,947	475,800
Amortisation of intangible assets	215,744	91,063
(Profit) / loss on disposal of tangible fixed assets	9,451	(245,808)
Exchange differences	(225,488)	334,814
Other operating lease rentals	198,958	101,351
Defined contribution pension cost	256,449	224,777
	<u>256,449</u>	<u>224,777</u>

ETL SYSTEMS LIMITED

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

7. Auditors' remuneration

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>27,000</u>	<u>26,000</u>
Fees payable to the Company's auditor and its associates in respect of:		
Taxation compliance services	41,050	13,000
Other services relating to taxation	12,788	18,000
	<u>53,838</u>	<u>31,000</u>

8. Employees

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

	2022 £	2021 £
Wages and salaries	6,592,078	5,130,015
Social security costs	635,483	523,852
Cost of defined contribution scheme	256,449	224,777
	<u>7,484,010</u>	<u>5,878,644</u>

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

	2022 No.	2021 No.
Production	106	92
Distribution	13	13
Administration	29	23
	<u>148</u>	<u>128</u>

ETL SYSTEMS LIMITED

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

9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	586,330	645,059
Company contributions to defined contribution pension schemes	13,214	12,679
	599,544	657,738

During the year retirement benefits were accruing to 3 directors (2021 -3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £204,401 (2021 -£224,556).

The value of the Company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £4,121 (2021 -£3,455).

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	(47,120)	558,111
Adjustments in respect of previous periods	(109,063)	(17,680)
Total current tax	(156,183)	540,431
Deferred tax		
Origination and reversal of timing differences	548,167	184,813
Changes to tax rates	-	90,562
Adjustments in respect of prior periods	25,879	36,276
Total deferred tax	574,046	311,651
Taxation on profit on ordinary activities	417,863	852,082

ETL SYSTEMS LIMITED

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

10. Taxation (continued)

Factors affecting tax charge 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>6,294,069</u>	<u>6,167,996</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 -19%)	1,195,873	1,171,919
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(52,933)	(43,596)
Adjustments to tax charge in respect of prior periods	(83,184)	18,596
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(126,771)	(166,547)
R&D expenditure credits	18,781	-
Other differences leading to an increase (decrease) in the tax charge	-	(3,611)
Group relief	(566,618)	(124,679)
2022 RDEC	(98,845)	-
Remeasurement of deferred tax for changes in tax rates	131,560	-
Total tax charge for the year	<u><u>417,863</u></u>	<u><u>852,082</u></u>

Factors that may affect future tax charges

The UK Government's 2021 Budget announced that the standard rate of UK corporation tax will increase from 19% to 25%, this change being effective from 1 April 2023. A further announcement was made by the UK Government on 23 September 2022 such that the rate is now expected to remain at 19% however this has not yet been enacted.

ETL SYSTEMS LIMITED

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

11. Intangible assets

	Development expenditure £	Goodwill £	Total £
Cost			
At 1 June 2021	1,571,006	958,097	2,529,103
Additions	859,263	-	859,263
At 31 May 2022	<u>2,430,269</u>	<u>958,097</u>	<u>3,388,366</u>
Amortisation			
At 1 June 2021	688,706	20,604	709,310
Charge for the year on owned assets	91,720	124,024	215,744
At 31 May 2022	<u>780,426</u>	<u>144,628</u>	<u>925,054</u>
Net book value			
At 31 May 2022	<u>1,649,843</u>	<u>813,469</u>	<u>2,463,312</u>
<i>At 31 May 2021</i>	<u>882,300</u>	<u>937,493</u>	<u>1,819,793</u>

ETL SYSTEMS LIMITED

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

12. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £	Other fixed assets £	Total £
Cost or valuation							
At 1 June 2021	2,763,116	2,393,473	103,630	231,829	1,342,715	248,154	7,082,917
Additions	1,559,406	1,298,048	-	35,966	167,038	16,415	3,076,873
Disposals	(2,597)	(12,872)	-	(12,162)	(21,491)	(1,618)	(50,740)
At 31 May 2022	<u>4,319,925</u>	<u>3,678,649</u>	<u>103,630</u>	<u>255,633</u>	<u>1,488,262</u>	<u>262,951</u>	<u>10,109,050</u>
Depreciation							
At 1 June 2021	492,497	1,630,203	27,861	192,115	815,667	58,705	3,217,048
Charge for the year on owned assets	72,676	279,896	25,907	15,508	153,562	84,398	631,947
Disposals	(864)	-	-	(10,437)	(16,529)	-	(27,830)
At 31 May 2022	<u>564,309</u>	<u>1,910,099</u>	<u>53,768</u>	<u>197,186</u>	<u>952,700</u>	<u>143,103</u>	<u>3,821,165</u>
Net book value							
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>
At 31 May 2021	<u>2,270,619</u>	<u>763,270</u>	<u>75,769</u>	<u>39,714</u>	<u>527,048</u>	<u>189,449</u>	<u>3,865,869</u>

ETL SYSTEMS LIMITED

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

13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

14. Stocks

	2022	2021
	£	£
Raw materials and consumables	3,278,737	2,154,640
Work in progress	936,577	798,563
Finished goods and goods for resale	831,331	246,374
	<u>5,046,645</u>	<u>3,199,577</u>

15. Debtors

	2022	2021
	£	£
Trade debtors	4,157,213	2,857,781
Amounts owed by group undertakings	3,109,351	1,098,559
Other debtors	352,190	273,280
Prepayments and accrued income	541,641	535,107
Tax recoverable	1,030,187	-
	<u>9,190,582</u>	<u>4,764,727</u>

ETL SYSTEMS LIMITED

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

16. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	4,214,738	5,075,272
	<u>4,214,738</u>	<u>5,075,272</u>

17. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	904,501	510,627
Amounts owed to group undertakings	700,985	85,000
Corporation tax	-	121,139
Other taxation and social security	193,174	155,692
Other creditors	436,507	358,379
Accruals and deferred income	2,407,596	1,381,459
	<u>4,642,763</u>	<u>2,612,296</u>

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

	2022 £	2021 £
Accruals and deferred income	7,382	9,777
	<u>7,382</u>	<u>9,777</u>

ETL SYSTEMS LIMITED

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

19. Financial instruments

	2022	2021
	£	£
Financial assets		
Cash and cash equivalents	4,214,738	5,075,272
Financial assets that are debt instruments measured at amortised cost	5,035,764	3,131,061
	<u>9,250,502</u>	<u>8,206,333</u>
Financial liabilities		
Financial liabilities at amortised cost	<u>(4,317,304)</u>	<u>(2,211,863)</u>

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 2022

20. Deferred taxation

	2022 £
At beginning of year	(594,749)
Charged to profit or loss	(574,046)
At end of year	<u>(1,168,795)</u>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(1,185,003)	(598,554)
Timing differences	16,208	3,805
	<u>(1,168,795)</u>	<u>(594,749)</u>

21. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
201,300 (2021 -201,300) Ordinary shares of £1.00 each	201,300	201,300
9,450 (2021 -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 2022

22. 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.

23. Commitments under operating leases

At 31 May 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	181,600	105,600
Later than 1 year and not later than 5 years	174,800	140,800
Later than 5 years	211,200	352,000
	<u>567,600</u>	<u>598,400</u>

24. Related party transactions

During the year the Company paid and received management charges to the parent company ETL Bidco Limited of £739,772 paid (2021: £1,004,431) and £669,507 received (2021: £749,866). The Company also received a management charge from its subsidiary company ETL Systems Inc of £505,089 (2021: £250,533).

25. 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.