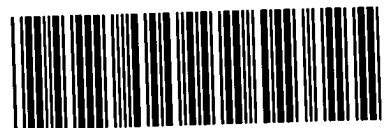


Registered number: 06627101

OCEAN SIGNAL LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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OCEAN SIGNAL LIMITED

COMPANY INFORMATION

Directors	D Grierson F Quinn
Registered number	06627101
Registered office	Unit 4 Ocivan Way Margate Kent CT9 4NN
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 5 Benham Road Southampton Science Park Chilworth SO16 7QJ

OCEAN SIGNAL LIMITED

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OCEAN SIGNAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The Strategic report for the year ended 31 December 2022 is set out below.

Business review

The principal activity of the company during the year was design and manufacture of maritime and land terrestrial / satellite communications and industry leading inflation devices.

The company had a good year building from a successful 2021. As shown in Ocean Signal's profit and loss account, sales increased by 14.4% over the prior year.

Operating profit for the year was £8,094,617 (2021: £6,487,284).

Profit for the year increased 18.4% over the prior year.

Another key measure for Ocean Signal is the number of safety lost day incidents per year. The company has zero lost day incidents during 2022 (2021: zero).

Principal risks and uncertainties

Economic downturn

The principle risk to the business is a fall in demand for goods and services, whether due to a loss of customers, a change in customer preferences or a decline in demand.

Other risks that the board consider important include information security (especially in light of GDPR), customer non-payment, IT security, loss of key staff, pricing fluctuations resulting from market pressures and current global supply chain demands.

Coronavirus Pandemic

The impact of Covid-19 has been considered by the board. This position is live and evolving, the board will continue to monitor and respond to as necessary on a regular basis.

Health and safety risks

Responsibility for the delivery of world class safety standards is an integral part of the operational management accountability and the group management are therefore expected to embrace a positive safety culture and to demonstrate leadership and commitment in the workplace. Ocean Signal stated aim is to achieve zero injuries and to reduce health and safety risks, where they cannot be eliminated altogether, to a level which is "as low as reasonably practicable".

Timing of orders

The majority of Ocean Signal's contracts are of relatively short duration. This means that an unmitigated delay in the receipt of key orders could affect earnings. Maximising order intake is therefore a key priority for the company.

Product development

Ocean Signal's approach to innovation and continued research and development activity ensures the product range is continually refreshed and updated.

Brexit and other macro-economic factors

Ocean Signal still monitors and continues to monitor the impact of Brexit may have on the company. We have been in close contact with our distributors and customers to ensure any disruptions are minimised. The company had experienced some supply chain issues in 2021 but these were addressed and greatly minimised during 2022.

OCEAN SIGNAL LIMITED

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

Financial risk management

Ocean Signal is part of a larger group with its ultimate parent entity outside of the United Kingdom. The company conforms to the financial risk management policies set out by the group.

The company manages financial risks by ensuring sufficient liquidity is available to meet foreseeable needs. The cash position and cash flows are monitored regularly.

The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit rating agencies. The principle credit risk arises from the company's trade debtors. The company monitors exposure levels with customers regularly along side considering payment history.

Financial key performance indicators

The key performance indicators measured by Ocean Signal have been noted in the business review.

This report was approved by the board on 1/9/2023 and signed on its behalf.



D Grierson
Director

OCEAN SIGNAL LIMITED

**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.

Principal activity

The principal activity of the company during the year was the design and manufacture of maritime and land terrestrial/satellite communications products used in the Search and Rescue ecosystem.

Results and dividends

The profit for the year, after taxation, amounted to £6,670,744 (2021: £5,641,237).

The company has authorised payment of dividends totalling £6,305,000 (2021: £5,120,000).

Directors

The directors who served during the year and after the year end were:

D Grierson
F Quinn

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Matters covered in the Strategic Report

Key performance indicators, future developments and a business review for the year ended 31 December 2022 are disclosed in the Strategic report as required by s414C(11).

OCEAN SIGNAL LIMITED

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

Going concern

The directors have taken consideration of the current economic climate, and the possibility this could have adverse impact on the future trading on the company.

The directors have prepared detailed profit and loss and cash flow forecasts for the period to 31 December 2023, together with a 5-year strategic plan, taking into account reasonably foreseeable assumptions around trading circumstances.

The company is forecasting that there are sufficient cash flows and resources available to the company in order to meet its liabilities as they fall due. The company has traded well in 2022, as can be seen in the financial statements presented and, at the time of signing of these financial statements, continued to perform well during 2023.

The directors have also sought and been provided with confirmation that financial support is available from ACR Group Parent Inc., a company incorporated in the USA and the company's ultimate parent undertaking, should it be required and for at least 12 months from the date of signing these financial statements.

The directors are satisfied that ACR Group Parent Inc. has sufficient resources at its disposal to provide the forementioned support. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

Qualifying third party indemnity provisions

Qualifying third party indemnity insurance is in place for the directors.

Post balance sheet events

There are no post balance sheet events to declare.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, 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.



D Grierson
Director
Date: 1/9/2023



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCEAN SIGNAL LIMITED

Opinion

We have audited the financial statements of Ocean Signal Limited (the 'company') for the year ended 31 December 2022, which comprise the Statement of income and retained earnings, the Statement of financial position 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the '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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from Brexit and other macro-economic factors such as the current cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCEAN SIGNAL LIMITED (CONTINUED)

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.

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 there is 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCEAN SIGNAL LIMITED (CONTINUED)

Matter on which we are required to report under the Companies Act 2006

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.

Matters on which we are required to report by exception

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 for the financial statements

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCEAN SIGNAL 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (FRS 102 and the Companies Act 2006);
- We enquired of management, and those charged with governance, concerning the company's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquires to relevant supporting documentation including board minutes;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- We assessed the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal and regulatory requirements specific to the entity including the provisions of the applicable legislation, the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules and the applicable statutory provisions.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCEAN SIGNAL LIMITED (CONTINUED)

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the company's operations, including the nature of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the applicable statutory provisions; and
 - the company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including management's knowledge of relevant laws and regulations and how the company and the Group is complying with those laws and regulations, the adequacy of procedures for authorisation of transactions, and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

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 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.



Amanda James BFP ACA FCCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Southampton
Date: 1/9/2023

OCEAN SIGNAL LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	24,635,505	21,526,410
Cost of sales		(13,465,168)	(11,982,868)
Gross profit		11,170,337	9,543,542
Administrative expenses		(3,075,720)	(3,058,258)
Other operating income	5	-	2,000
Operating profit	6	8,094,617	6,487,284
Interest payable and similar expenses	9	(2,932)	(256)
Profit before tax		8,091,685	6,487,028
Tax on profit	10	(1,420,941)	(845,791)
Profit after tax		6,670,744	5,641,237
Retained earnings at the beginning of the year		4,706,639	4,185,402
Profit for the year		6,670,744	5,641,237
Dividends declared and paid	11	(6,305,000)	(5,120,000)
Retained earnings at the end of the year		5,072,383	4,706,639

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

The notes on pages 12 to 25 form part of these financial statements.

OCEAN SIGNAL LIMITED
REGISTERED NUMBER:06627101

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets	12		452,520		286,035
Tangible assets	13		879,730		1,011,017
			<u>1,332,250</u>		<u>1,297,052</u>
Current assets					
Stocks	14	3,789,345		2,616,828	
Debtors: amounts falling due within one year	15	3,689,903		2,410,025	
Cash at bank and in hand	16	882,424		2,023,818	
			<u>8,361,672</u>	<u>7,050,671</u>	
Creditors: amounts falling due within one year	17	<u>(3,988,539)</u>		<u>(3,008,084)</u>	
Net current assets			<u>4,373,133</u>		<u>4,042,587</u>
Net assets			<u><u>5,705,383</u></u>		<u><u>5,339,639</u></u>
Capital and reserves					
Called up share capital	19		633,000		633,000
Profit and loss account	20		5,072,383		4,706,639
			<u>5,705,383</u>		<u>5,339,639</u>

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



D Grierson
 Director
 Date: 1/9/2023

The notes on pages 12 to 25 form part of these financial statements.

OCEAN SIGNAL LIMITED

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

1. General information

Ocean Signal Limited is a private company limited by shares and incorporated in England and Wales. Registered number 06627101.

Its registered head office is located at Unit 4, Ocivan Way, Margate, Kent, CT9 4NN.

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 company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise stated.

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

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7; and
- the requirement of paragraph 24(b) of IFRS 6 Exploration for and Evaluation of Mineral Resources to disclose the operating and investing cash flows arising from the exploration for and evaluation of mineral resources (when applying this standard in accordance with paragraph 34.11 of FRS 102).

This information is included in the consolidated financial statements of ACR UK Holdings Limited as at 31 December 2022 and these financial statements may be obtained from Companies House.

OCEAN SIGNAL LIMITED

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

2. Accounting policies (continued)

2.3 Going concern

The directors have taken consideration of the current economic climate, and the possibility this could have adverse impact on the future trading on the company.

The directors have prepared detailed profit and loss and cash flow forecasts for the period to 31 December 2023, along with a 5 year strategic plan, taking into account reasonably foreseeable assumptions around trading circumstances.

The company is forecasting that there are sufficient cash flows and resources available to the company in order to meet its liabilities as they fall due. The company has traded well in 2022, as can be seen in the financial statements presented and, at the time of signing of these financial statements, continued to perform well during 2023.

The directors have also sought and been provided with confirmation that financial support is available from ACR Group Parent Inc., a company incorporated in the USA and the company's ultimate parent undertaking, should it be required and for at least 12 months from the date of signing these financial statements.

The directors are satisfied that ACR Group Parent Inc. has sufficient resources at its disposal to provide the forementioned support. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Therefore, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

2.4 Revenue

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

Sale of goods

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

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

2.5 Research and development

All research expenditure is written off in the year in which it is incurred to the Statement of income and retained earnings.

Development expenditure is capitalised for product type approval at the point final approval for the product is obtained and the product can be taken to market. There is no other development expenditure.

OCEAN SIGNAL LIMITED

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

2. Accounting policies (continued)

2.6 Intangible assets

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

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

The estimated useful lives range as follows:

Product type approval	-	20 - 33% straight line
Trademarks	-	10% straight line

2.7 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.

Depreciation 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:

Land and buildings	- 8.33%
Plant and machinery	- 25%
Fixtures and fittings	- 25%
Office equipment	- 25%
Tooling	- 20%- 33%

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 income and retained earnings.

2.8 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 standard cost basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of income and retained earnings.

OCEAN SIGNAL LIMITED

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

2. Accounting policies (continued)

2.9 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.

2.10 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 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.

2.12 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.

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 income and retained earnings.

OCEAN SIGNAL LIMITED

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

2. Accounting policies (continued)

2.13 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 income and retained earnings 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 income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'other operating income'.

2.14 Finance costs

Finance costs are charged to the Statement of income and retained earnings 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.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.16 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of income and retained earnings 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.

OCEAN SIGNAL LIMITED

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

2. Accounting policies (continued)

2.17 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 income and retained earnings 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.

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 reporting 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.

2.19 Taxation

Tax is recognised in the Statement of income and retained earnings 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.

OCEAN SIGNAL LIMITED

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

2. Accounting policies (continued)

2.20 Warranty provision

The company accrues for warranty expenditure at a rate of 1.50% based on sales during the period which also considers the period of warranty given on the product range.

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

The preparation of these financial statements requires management to note judgements and estimates that affect the reported amount of assets and liabilities at the Statement of financial position date and the reported profits during the financial year. There are no significant judgements or sources of estimation uncertainty that require specific disclosure in addition to the disclosures in the accounting policies adopted by the company and set out in note 2.

Management have reviewed factors for impairment in light of COVID-19, discount factors and future cash flows are considered to remain unchanged. Therefore no impairment is considered appropriate.

4. Turnover

	2022 £	2021 £
United Kingdom	3,912,994	3,636,212
Rest of the world	20,722,511	17,890,198
	<u>24,635,505</u>	<u>21,526,410</u>

All turnover relates to the company's principal activity.

5. Other operating income

	2022 £	2021 £
Amounts received as a result of the Brexit Grant Scheme	-	2,000
	<u>-</u>	<u>2,000</u>

OCEAN SIGNAL LIMITED

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

6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Research & development charged as an expense	144,692	257,917
Exchange differences	(157,237)	46,910
Depreciation of tangible fixed assets	264,844	303,878
Amortisation of intangible assets	160,571	131,024
Other operating lease rentals	199,214	154,602
	<u> </u>	<u> </u>

7. Auditor's remuneration

Audit fees amounted to £34,500 (2021: £25,950).

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

8. Employees

	2022 £	2021 £
Wages and salaries	2,253,011	2,096,499
Social security costs	225,666	211,220
Cost of defined contribution scheme	124,919	150,071
	<u> </u>	<u> </u>
	<u>2,603,596</u>	<u>2,457,790</u>

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

	2022 No.	2021 No.
Employees	51	57
	<u> </u>	<u> </u>

9. Interest payable and similar expenses

	2022 £	2021 £
Other loan interest payable	2,932	256
	<u> </u>	<u> </u>

OCEAN SIGNAL LIMITED

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

10. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	1,410,206	880,046
Total current tax	1,410,206	880,046
Deferred tax		
Origination and reversal of timing differences	10,735	(34,255)
Total deferred tax	10,735	(34,255)
Taxation on profit on ordinary activities	1,420,941	845,791

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	8,091,685	6,487,028
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%).	1,537,420	1,232,535
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	903	17,893
Fixed asset differences	10,456	-
Other differences leading to an increase (decrease) in the tax charge	-	(59,314)
Group relief	(127,838)	(345,323)
Total tax charge for the year	1,420,941	845,791

Factors that may affect future tax charges

In the 2021 Spring Budget the Government announced the corporation tax rate will increase to 25% with effect from 1 April 2023. This was substantively enacted in 2021 and is therefore used to measure UK deferred taxes in both 2021 and 2022 to the extent the related timing differences are expected to reverse in 2023 or later.

OCEAN SIGNAL LIMITED

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

11. Dividends

	2022 £	2021 £
Dividends	<u>6,305,000</u>	<u>5,120,000</u>

12. Intangible assets

	Product type approval £	Trademarks £	Total £
Cost			
At 1 January 2022	778,038	90,115	868,153
Additions	316,432	10,624	327,056
At 31 December 2022	<u>1,094,470</u>	<u>100,739</u>	<u>1,195,209</u>
Amortisation			
At 1 January 2022	539,534	42,584	582,118
Charge for the year	151,317	9,254	160,571
At 31 December 2022	<u>690,851</u>	<u>51,838</u>	<u>742,689</u>
Net book value			
At 31 December 2022	<u>403,619</u>	<u>48,901</u>	<u>452,520</u>
At 31 December 2021	<u>238,504</u>	<u>47,531</u>	<u>286,035</u>

Amortisation on intangible assets is charged to admin expenses.

Amortisation commences once the asset has been brought into use.

OCEAN SIGNAL LIMITED

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

13. Tangible fixed assets

	Land and Buildings £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Tooling £	Total £
Cost or valuation						
At 1 January 2022	508,572	2,285,661	124,364	137,133	1,124,924	4,180,654
Additions	5,344	975	-	37,391	89,847	133,557
At 31 December 2022	<u>513,916</u>	<u>2,286,636</u>	<u>124,364</u>	<u>174,524</u>	<u>1,214,771</u>	<u>4,314,211</u>
Depreciation						
At 1 January 2022	52,183	2,062,313	76,206	82,370	896,565	3,169,637
Charge for the year	76,435	43,068	17,274	24,027	104,040	264,844
At 31 December 2022	<u>128,618</u>	<u>2,105,381</u>	<u>93,480</u>	<u>106,397</u>	<u>1,000,605</u>	<u>3,434,481</u>
Net book value						
At 31 December 2022	<u><u>385,298</u></u>	<u><u>181,255</u></u>	<u><u>30,884</u></u>	<u><u>68,127</u></u>	<u><u>214,166</u></u>	<u><u>879,730</u></u>
At 31 December 2021	<u><u>456,389</u></u>	<u><u>223,348</u></u>	<u><u>48,158</u></u>	<u><u>54,763</u></u>	<u><u>228,359</u></u>	<u><u>1,011,017</u></u>

14. Stocks

	2022 £	2021 £
Raw materials and consumables	3,560,299	2,240,734
Finished goods and goods for resale	229,046	376,094
	<u><u>3,789,345</u></u>	<u><u>2,616,828</u></u>

A provision for impairment loss of £Nil (2021: £Nil) was recognised against stock during the year.

OCEAN SIGNAL LIMITED

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

15. Debtors

	2022 £	2021 £
Trade debtors	2,513,349	1,818,043
Amounts owed by group undertakings	293,229	-
Other debtors	496,132	408,031
Prepayments and accrued income	337,653	123,676
Deferred taxation	49,540	60,275
	<u>3,689,903</u>	<u>2,410,025</u>

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

An impairment loss of £40,852 (2021: £40,852) was recognised against trade debtors.

16. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>882,424</u>	<u>2,023,818</u>

17. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,337,226	1,685,389
Amounts owed to group undertakings	-	8,784
Corporation tax	1,312,391	299,253
Other taxation and social security	19,116	18,996
Other creditors	279,537	-
Accruals and deferred income	1,040,269	995,662
	<u>3,988,539</u>	<u>3,008,084</u>

Amounts owed to group undertakings are interest free and payable on demand.

OCEAN SIGNAL LIMITED

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

18. Deferred taxation

	2022 £	2021 £
At beginning of year	60,275	26,020
Charged to profit or loss	(10,735)	34,255
At end of year	49,540	60,275

The deferred tax asset is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(68,471)	(72,736)
Short term timing differences	118,011	133,011
	49,540	60,275

19. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
433,000 (2021: 433,000) Ordinary shares of £1.00 each	433,000	433,000
200,000 (2021: 200,000) Preference shares of £1.00 each	200,000	200,000
	633,000	633,000

The 200,000 preference shares of £1 each are non redeemable and carry only discretionary payment of a dividend, on this basis they have been recognised as an equity instrument.

20. Reserves**Profit and loss account**

Includes all current & prior periods retained profits & losses.

OCEAN SIGNAL LIMITED

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

21. Pension commitments

The company operates a defined contribution 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 £124,919 (2021: £147,842). Contributions totalling £Nil (2021: £14,760) were payable to the fund at the balance sheet date and are included in other creditors.

22. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases as follows:

	2022	2021
	£	£
Land and buildings		
Not later than 1 year	132,013	132,013
Later than 1 year and not later than 5 years	420,335	412,093
Later than 5 years	458,720	601,614
	1,011,068	1,145,720

The lease expense charged to the profit and loss account in the period was £132,013 (2021: £148,119).

23. Related party transactions

FRS 102 Paragraph 33.1A provides exemption for disclosure of transactions between two or more members of a group, provided that all subsidiaries which are party to the transaction are wholly-owned by the group. The company has taken advantage of this exemption.

24. Controlling party

The company's immediate parent company is ACR UK Holdings Limited, a company incorporated in England and Wales.

The company's ultimate parent is ACR Group Parent Inc., a company incorporated in the USA. Copies of the Group financial statements of ACR Group Parent Inc. are available at the corporate headquarters, the address of which is set out on the company website (www.acrartex.com).

ACR UK Holdings is the smallest group to consolidate, ACR Group Parent Inc. is the largest group to consolidate Ocean Signal Limited.