
ETL SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2020

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ETL SYSTEMS LIMITED

COMPANY INFORMATION

Directors	Mr I G Hilditch Dr E Bayar Dr F C Verkroost (non-executive director) (resigned 23 January 2020) Mr P C Stephens Mrs J P Hilditch (resigned 24 January 2020) Mrs M Bayar (resigned 24 January 2020)
Company secretary	Mr P C Stephens
Registered number	04679225
Registered office	Coldwell Radio Station Madley Hereford Herefordshire HR2 9NE
Independent auditors	Nexia Smith & Williamson 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

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2020

Business review

The business has progressed in line with original projections.

The results for the year show a pre-tax profit of £2,740,863 (2019: £4,715,599) and sales for the year of £19,807,814 (2019: £18,052,060).

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.

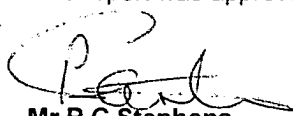
Similarly, credit control procedures are stringently adhered to in order to minimise the risks associated therewith in view of the fact that a large proportion of sales are of a custom-build nature.

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

The entire share capital of the Company was acquired by ETL Bidco Limited on 23 January 2020. The ultimate parent company is Eagle Topco Limited, registered in Jersey.

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation. On 23 March 2020 the UK government ordered a nationwide lockdown causing a slow down in customer order requirements. The pandemic is ongoing with the UK government ordering a second nationwide lockdown on 5 November 2020 meaning it is therefore difficult to assess and predict the longer-term impact this may have on the business.

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



Mr P C Stephens
Secretary

Date: 26 November 2020

ETL SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2020

The directors present their report and the financial statements for the year ended 31 May 2020.

Results and dividends

The profit for the year, after taxation, amounted to £2,747,193 (2019 - £4,253,024).

Particulars of dividends paid are detailed in note 10 to the financial statements.

Directors

The directors who served during the year were:

Mr I G Hilditch
Dr E Bayar
Dr F C Verkroost (non-executive director) (resigned 23 January 2020)
Mr P C Stephens
Mrs J P Hilditch (resigned 24 January 2020)
Mrs M Bayar (resigned 24 January 2020)

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 and the Group'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 and the Group's auditors are aware of that information.

Auditors

The auditors, Nexia Smith & Williamson, 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: 26 November 2020

ETL SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MAY 2020

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group'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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ETL SYSTEMS LIMITED

INDEPENDENT AUDITORS' 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 2020 which comprise the Consolidated statement of comprehensive income, Consolidated and company balance sheets, Consolidated and company statement of changes in equity, Consolidated statement of cash flows 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 2020 and of the Group's 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 group and 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

ETL SYSTEMS LIMITED

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

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

Opinion 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 group and the company and their 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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's or 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 AUDITORS' REPORT TO THE MEMBERS OF ETL SYSTEMS LIMITED (CONTINUED)

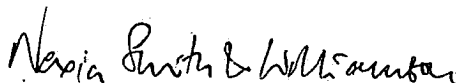
Auditor's responsibilities for the audit of the financial statements

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.

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.



Carl Deane (Senior statutory auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants & Statutory Auditors

Portwall Place

Portwall Lane

Bristol

BS1 6NA

Date: 27 November 2020

ETL SYSTEMS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2020**

	Note	2020 £	2019 £
Turnover	4	19,807,814	18,052,060
Cost of sales		(7,431,068)	(6,645,226)
Gross profit		12,376,746	11,406,834
Administrative expenses		(8,426,856)	(6,713,396)
Exceptional administrative expenses		(1,690,381)	-
Other operating income		467,401	-
Operating profit	5	2,726,910	4,693,438
Interest receivable and similar income	9	21,165	22,161
Interest payable and expenses		(7,212)	-
Profit before taxation		2,740,863	4,715,599
Tax on profit	10	6,330	(462,575)
Profit for the financial year		2,747,193	4,253,024

There were no recognised gains and losses for 2020 or 2019 other than those included in the consolidated statement of comprehensive income.

The notes on pages 14 to 32 form part of these financial statements.

ETL SYSTEMS LIMITED
REGISTERED NUMBER: 04679225

CONSOLIDATED BALANCE SHEET
AS AT 31 MAY 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	14	1,465,584	1,523,703
Tangible assets	15	3,783,659	3,868,211
		<u>5,249,243</u>	<u>5,391,914</u>
Current assets			
Stocks	17	3,944,589	3,102,916
Debtors: amounts falling due within one year	18	3,747,349	2,799,026
Cash at bank and in hand	19	4,089,839	6,102,752
		<u>11,781,777</u>	<u>12,004,694</u>
Creditors: amounts falling due within one year	20	(6,098,011)	(1,924,349)
Net current assets		<u>5,683,766</u>	<u>10,080,345</u>
Total assets less current liabilities		<u>10,933,009</u>	<u>15,472,259</u>
Creditors: amounts falling due after more than one year	21	(211,775)	(17,108)
Provisions for liabilities			
Deferred taxation	23	(283,098)	(291,727)
Net assets		<u><u>10,438,136</u></u>	<u><u>15,163,424</u></u>
Capital and reserves			
Called up share capital	24	210,750	200,100
Share premium account	25	147,301	-
Profit and loss account	25	10,080,085	14,963,324
		<u><u>10,438,136</u></u>	<u><u>15,163,424</u></u>

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: 26 November 2020

The notes on pages 14 to 32 form part of these financial statements.

ETL SYSTEMS LIMITED
REGISTERED NUMBER: 04679225

COMPANY BALANCE SHEET
AS AT 31 MAY 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	14	279,389	153,296
Tangible assets	15	3,719,264	3,798,222
Investments	16	2,305,898	2,305,898
		<u>6,304,551</u>	<u>6,257,416</u>
Current assets			
Stocks	17	3,646,031	2,810,170
Debtors: amounts falling due within one year	18	3,762,593	2,585,786
Cash at bank and in hand	19	3,665,030	5,526,787
		<u>11,073,654</u>	<u>10,922,743</u>
Creditors: amounts falling due within one year	20	(6,003,984)	(1,631,849)
Net current assets		<u>5,069,670</u>	<u>9,290,894</u>
Total assets less current liabilities		<u>11,374,221</u>	<u>15,548,310</u>
Creditors: amounts falling due after more than one year	21	(211,775)	(17,108)
Provisions for liabilities			
Deferred taxation	23	(250,502)	(244,246)
Net assets		<u>10,911,944</u>	<u>15,286,956</u>
Capital and reserves			
Called up share capital	24	210,750	200,100
Share premium account	25	147,301	-
Profit and loss account	25	10,553,893	15,086,856
		<u>10,911,944</u>	<u>15,286,956</u>

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


Mr I G Hilditch
 Director

The notes on pages 14 to 32 form part of these financial statements.

ETL SYSTEMS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2020**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2019	200,100	-	14,963,324	15,163,424
Profit for the year	-	-	2,747,193	2,747,193
Share option charge	-	-	326,735	326,735
Dividends: Equity capital	-	-	(7,957,167)	(7,957,167)
Shares issued during the year	10,650	147,301	-	157,951
At 31 May 2020	210,750	147,301	10,080,085	10,438,136

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 June 2018	200,100	12,210,300	12,410,400
Profit for the year	-	4,253,024	4,253,024
Dividends: Equity capital	-	(1,500,000)	(1,500,000)
At 31 May 2019	200,100	14,963,324	15,163,424

The notes on pages 14 to 32 form part of these financial statements.

ETL SYSTEMS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2020**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 June 2019	200,100	-	15,086,856	15,286,956
Profit for the year	-	-	3,097,469	3,097,469
Share option charge	-	-	326,735	326,735
Dividends: Equity capital	-	-	(7,957,167)	(7,957,167)
Shares issued during the year	10,650	147,301	-	157,951
At 31 May 2020	210,750	147,301	10,553,893	10,911,944

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 June 2018	200,100	12,073,729	12,273,829
Profit for the year	-	4,513,127	4,513,127
Dividends: Equity capital	-	(1,500,000)	(1,500,000)
At 31 May 2019	200,100	15,086,856	15,286,956

The notes on pages 14 to 32 form part of these financial statements.

ETL SYSTEMS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2020**

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the financial year		2,747,193	4,253,024
Adjustments for:			
Amortisation of intangible assets		302,452	203,476
Depreciation of tangible assets		491,245	365,450
Loss on disposal of tangible assets		-	(281)
Interest paid		21,165	-
Interest received		(16,228)	(22,161)
Taxation charge		(6,330)	462,575
(Increase) in stocks		(841,673)	(473,553)
(Increase)/decrease in debtors		(782,825)	1,463,313
Increase/(decrease) in creditors		4,416,863	(862,780)
Share based payment charge		326,735	-
Corporation tax (paid)		(216,331)	(511,878)
Net cash generated from operating activities		6,442,266	4,877,185
Cash flows from investing activities			
Purchase of intangible fixed assets		(244,333)	(25,353)
Purchase of tangible fixed assets		(406,693)	(670,123)
Sale of tangible fixed assets		-	11,862
Purchase of fixed asset investments		-	(1,900,000)
Interest received		16,228	22,161
Net cash change on acquisition		-	249,742
Net cash from investing activities		(634,798)	(2,311,711)
Cash flows from financing activities			
Issue of ordinary shares		157,951	-
Dividends paid		(7,957,167)	(1,500,000)
Interest paid		(21,165)	-
Net cash used in financing activities		(7,820,381)	(1,500,000)
Net (decrease)/increase in cash and cash equivalents		(2,012,913)	1,065,474
Cash and cash equivalents at beginning of year		6,102,752	5,037,278
Cash and cash equivalents at the end of year	19	4,089,839	6,102,752

ETL SYSTEMS LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2020**

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MAY 2020**

	At 1 June 2019 £	Cash flows £	At 31 May 2020 £
Cash at bank and in hand	6,102,752	(2,012,913)	4,089,839
	<u>6,102,752</u>	<u>(2,012,913)</u>	<u>4,089,839</u>

The notes on pages 14 to 32 form part of these financial statements.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

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 Group management to exercise judgment in applying the Group'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 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair value at the acquisition date. The results of the acquired operations are included in the consolidated statement of comprehensive income from the date at which control was obtained. They are deconsolidated from the date of disposal.

2.3 Going concern

The directors have prepared short- and medium-term forecasts which consider the ongoing impact of COVID 19 on the trading business and are subject to normal uncertainties for a business of the Company's size and nature.

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 2020

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.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

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 Research and development

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 over no more than four years.

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

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

2. Accounting policies (continued)

2.7 Operating leases: the Group as lessee

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

2.8 Warranty cost accrual

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

2.9 Interest income

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

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

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group 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 Group in independently administered funds.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

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 and the Group operate and generate 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.14 Tangible fixed assets

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

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

2.15 Goodwill

Goodwill has arisen on acquisition of Atlantic Microwave Limited, this will be amortised over a 10 year period to reflect the benefit to the group of the intangible asset acquired.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

2. Accounting policies (continued)

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 Stocks

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

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.

2.19 Government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and released to the statement of comprehensive income over the expected useful lives of the assets to which they relate.

2.20 Dividends

Equity dividends are recognised when they become legally payable.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

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.

4. Turnover

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

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	3,874,315	3,163,680
Rest of World	15,933,499	14,888,380
	<u>19,807,814</u>	<u>18,052,060</u>

5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Research & development expenditure	1,008,547	1,083,280
Depreciation of tangible fixed assets	491,245	372,357
(Profit) / loss on disposal of tangible fixed assets	6,109	(281)
Amortisation of intangible assets	302,452	203,475
Exchange differences	150,462	90,503
Other operating lease rentals	80,867	51,401
Defined contribution pension cost	<u>228,387</u>	<u>228,833</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>35,125</u>	<u>35,265</u>
Fees payable to the Group's auditor and its associates in respect of:		
Taxation compliance services	6,325	6,325
Other services relating to taxation	7,561	7,561
Services relating to corporate finance transactions	-	39,200
	<u>13,886</u>	<u>53,086</u>

7. Wages and Salaries

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

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Wages and salaries	5,732,184	4,987,470	4,715,264	4,323,058
Social security costs	564,997	448,009	491,704	408,971
Cost of defined contribution scheme	228,387	228,333	198,414	209,314
	<u>6,525,568</u>	<u>5,663,812</u>	<u>5,405,382</u>	<u>4,941,343</u>

At the year end no amount (2019: £24,620) was included within creditors in relation to pension costs.

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

	2020 No.	2019 No.
Production	99	87
Distribution	30	39
Administration	16	12
	<u>145</u>	<u>138</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	782,966	599,012
Company contributions to defined contribution pension schemes	29,377	25,456
	<u>812,343</u>	<u>624,468</u>

During the year retirement benefits were accruing to 4 directors (2019 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £215,538 (2019 - £214,351).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,881 (2019 - £6,833).

9. Interest receivable

	2020 £	2019 £
Other interest receivable	<u>21,165</u>	<u>22,161</u>

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	(74)	472,549
Adjustments in respect of previous periods	-	(42,014)
Total current tax	<u>(74)</u>	<u>430,535</u>
Deferred tax		
Origination and reversal of timing differences	(6,256)	32,040
Total deferred tax	<u>(6,256)</u>	<u>32,040</u>
Taxation on (loss)/profit on ordinary activities	<u>(6,330)</u>	<u>462,575</u>

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - *lower than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	2,740,863	4,715,599
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	520,764	895,964
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	204,671	15,924
Adjustments reflecting change in tax rates - deferred tax	(32,837)	(3,770)
Adjustments to tax charge in respect of prior periods	(13,637)	(42,014)
Fixed asset differences	-	9,011
Other permanent differences	5,659	-
Qualifying R&D expenditure	(205,655)	(307,487)
Patent box additional deduction	-	(82,040)
Consolidated adjustments	4,277	(23,013)
R&D expenditure credits	5,225	-
Tax losses carried back	115,969	-
Deduction in respect of share options exercised	(610,766)	-
Total tax charge for the year	(6,330)	462,575

Factors that may affect future tax charges

The planned reduction in tax rate to 17% from 1 April 2020 has been repealed by Finance Act 2020. Deferred tax has been calculated at 19%

11. Dividends

	2020 £	2019 £
Dividends paid	7,957,167	1,500,000

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

12. Exceptional items

	2020 £	2019 £
Cost of exceptional items	<u>1,690,381</u>	<u>-</u>

Exceptional costs in the year relate to the restructuring and legal fees from the change in ownership of the business.

13. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £3,097,469 (2019 - £4,513,127).

14. Intangible assets

Group

	Development expenditure £	Goodwill £	Total £
Cost			
At 1 June 2019	787,742	1,236,254	2,023,996
Additions	244,333	-	244,333
At 31 May 2020	<u>1,032,075</u>	<u>1,236,254</u>	<u>2,268,329</u>
Amortisation			
At 1 June 2019	448,782	51,511	500,293
Charge for the year on owned assets	178,827	123,625	302,452
At 31 May 2020	<u>627,609</u>	<u>175,136</u>	<u>802,745</u>
Net book value			
At 31 May 2020	<u>404,466</u>	<u>1,061,118</u>	<u>1,465,584</u>
At 31 May 2019	<u>338,960</u>	<u>1,184,743</u>	<u>1,523,703</u>

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

14. Intangible assets (continued)

Company

	Development expenditure £
Cost	
At 1 June 2019	403,540
Additions	240,172
At 31 May 2020	<u>643,712</u>
Amortisation	
At 1 June 2019	250,244
Charge for the year	114,079
At 31 May 2020	<u>364,323</u>
Net book value	
At 31 May 2020	<u>279,389</u>
At 31 May 2019	<u>153,296</u>

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

15. Tangible fixed assets

Group

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation						
At 1 June 2019	3,033,059	2,070,806	95,580	230,838	854,597	6,284,880
Additions	1,160	156,442	-	2,786	246,305	406,693
Disposals	-	-	-	(2,152)	(1,854)	(4,006)
At 31 May 2020	3,034,219	2,227,248	95,580	231,472	1,099,048	6,687,567
Depreciation						
At 1 June 2019	419,172	1,133,178	59,198	189,521	615,600	2,416,669
Charge for the year on owned assets	62,522	262,745	20,753	14,174	131,051	491,245
Disposals	-	-	-	(2,152)	(1,854)	(4,006)
At 31 May 2020	481,694	1,395,923	79,951	201,543	744,797	2,903,908
Net book value						
At 31 May 2020	2,552,525	831,325	15,629	29,929	354,251	3,783,659
At 31 May 2019	2,613,887	937,628	36,382	41,317	238,997	3,868,211

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

15. Tangible fixed assets (continued)

Company

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation						
At 1 June 2019	3,033,059	1,858,743	95,580	145,820	777,493	5,910,695
Additions	1,160	156,442	-	2,786	228,504	388,892
Disposals	-	-	-	-	(1,854)	(1,854)
At 31 May 2020	3,034,219	2,015,185	95,580	148,606	1,004,143	6,297,733
Depreciation						
At 1 June 2019	419,172	955,538	59,198	124,900	553,665	2,112,473
Charge for the year on owned assets	62,522	258,126	20,753	11,195	115,254	467,850
Disposals	-	-	-	-	(1,854)	(1,854)
At 31 May 2020	481,694	1,213,664	79,951	136,095	667,065	2,578,469
Net book value						
At 31 May 2020	2,552,525	801,521	15,629	12,511	337,078	3,719,264
At 31 May 2019	2,613,887	903,205	36,382	20,920	223,828	3,798,222

Included in land and buildings is freehold land at cost of £82,000 (2019 - £82,000) which is not depreciated.

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

16. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 June 2019	2,305,898
At 31 May 2020	<u>2,305,898</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
ETL Systems Inc	Ordinary	100%
Atlantic Microwave Limited	Ordinary	100%

The registered office for each entity is Coldwell Radio Station, Madley, Hereford, Herefordshire, HR2 9NE. The principal activity for each entity is the buying and development of goods to sell.

The aggregate of the share capital and reserves as at 31 May 2020 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
ETL Systems Inc	371,264	217,671
Atlantic Microwave Limited	659,947	147,216

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

17. Stocks

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Raw materials and consumables	2,551,884	2,061,424	2,253,326	1,768,678
Work in progress	1,015,032	724,908	1,015,032	724,908
Finished goods and goods for resale	377,673	316,584	377,673	316,584
	<u>3,944,589</u>	<u>3,102,916</u>	<u>3,646,031</u>	<u>2,810,170</u>

18. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	2,700,634	2,188,117	2,502,517	1,441,504
Amounts owed by group undertakings	-	-	282,415	614,948
Other debtors	398,283	276,895	439,802	275,859
Prepayments and accrued income	482,484	293,436	399,616	253,475
Tax recoverable	165,948	40,578	138,243	-
	<u>3,747,349</u>	<u>2,799,026</u>	<u>3,762,593</u>	<u>2,585,786</u>

19. Cash and cash equivalents

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Cash at bank and in hand	<u>4,089,839</u>	<u>6,102,752</u>	<u>3,665,030</u>	<u>5,526,787</u>

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

20. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	601,982	403,830	414,518	329,472
Amounts owed to group undertakings	3,153,237	-	3,434,684	-
Corporation tax	53,382	101,916	-	66,850
Other taxation and social security	457,518	175,413	413,418	119,364
Other creditors	375,386	25,540	372,280	-
Accruals and deferred income	1,456,506	1,217,650	1,369,084	1,116,163
	<u>6,098,011</u>	<u>1,924,349</u>	<u>6,003,984</u>	<u>1,631,849</u>

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

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Government grants received	-	17,108	-	17,108
Accruals and deferred income	<u>211,775</u>	<u>-</u>	<u>211,775</u>	<u>-</u>

22. Financial instruments

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Financial assets				
Cash and cash equivalents	4,089,839	6,102,752	3,665,030	5,526,787
Financial assets that are debt instruments measured at amortised cost	<u>3,098,917</u>	<u>2,499,696</u>	<u>3,287,527</u>	<u>2,332,311</u>
	<u>7,188,756</u>	<u>8,602,448</u>	<u>6,952,557</u>	<u>7,859,098</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(1,250,619)</u>	<u>(1,017,181)</u>	<u>(4,656,222)</u>	<u>(1,445,635)</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 2020**

23. Deferred taxation

Group

	2020	2019
	£	£
At beginning of year	(291,727)	(212,206)
Charged to profit or loss	(6,256)	(32,040)
Utilised in year	14,885	(47,481)
At end of year	(283,098)	(291,727)

Company

	2020	2019
	£	£
At beginning of year	(244,246)	(212,206)
Charged to profit or loss	(6,256)	(32,040)
At end of year	(250,502)	(244,246)

The provision for deferred taxation is made up as follows:

	Group	Group	Company	Company
	2020	2019	2020	2019
	£	£	£	£
Accelerated capital allowances	(248,785)	(259,687)	(248,785)	(212,206)
Short term timing differences	(34,313)	(32,040)	(1,717)	(32,040)
	(283,098)	(291,727)	(250,502)	(244,246)

ETL SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

24. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
201,300 (2019 - 200,100) Ordinary shares of £1.00 each	201,300	200,100
9,450 (2019 -) Ordinary B shares of £1.00 each	9,450	-
	<u>210,750</u>	<u>200,100</u>

During the year 1,200 Ordinary shares and 9,450 Ordinary B shares were issued and fully paid.

25. Reserves

Share premium account

During the year shares were purchased above the par rate creating a share premium reserve at the year end.

Profit & loss account

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

26. Share based payments

On the restructuring of the business during the year historic share based payments vesting criteria was met and a charge has been included in the statement of comprehensive income.

	2020 £	2019 £
Equity-settled schemes	326,735	-
	<u>326,735</u>	<u>-</u>

27. Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group, or in relation to the Company. In the opinion of the board the Group and Company's key management are the board of directors. Total compensation to key management personnel is £812,342 (2019: £624,468).

During the year the Company received and paid a management charge with the parent company ETL Bidco Limited being a receipt of £237,486 (2019: £nil) and a payment of £1,142,589 in relation to staff members paid by the Company.

ETL SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020**

28. Controlling party

The company is a subsidiary of ETL Bidco Limited. The ultimate parent company is Eagle Topco Limited. There is not an ultimate controlling party of the group.

The consolidated accounts of ETL Systems Limited represent the largest group of undertaking for which group accounts are drawn up.