Registered number: 03994849

AGR AUTOMATION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY INFORMATION

Directors	K Benson (appointed 31 October 2022) M T Dubose (appointed 31 August 2022) R D S Gaston (resigned 31 August 2022) S M Gaston (resigned 31 August 2022) J S G Bubnikovich (appointed 31 August 2022, resigned 15 October 2022)
Company secretary	Oakwood Corporate Secretary Limited
Registered number	03994849
Registered office	Old Library Chambers 21 Chipper Lane Salisbury Wiltshire SP1 1BG
Independent auditor	MHA Chartered Accountants & Statutory Auditor Moorgate House 201 Silbury Boulevard Milton Keynes Buckinghamshire MK9 1LZ

AGR AUTOMATION LIMITED

CONTENTS

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The Directors present the Group Strategic Report for AGR Automation Limited for the year ended 31 December 2022.

Business review

AGR Automation Ltd provides automation solutions to industrial clients. The Company has developed a strong global reputation in the life sciences industry and most projects are undertaken in this sector.

AGR's primary capabilities lie in automating difficult and demanding assembly processes and in developing high speed/high capability part feed systems for such assembly operations.

The Company's strategy is to grow organically through high penetration into key strategic clients across client manufacturing plants located in multiple global locations. Repeated contract awards from key clients is therefore central to AGR's strategy.

AGR Automation's business model is based on high utilisation of project personnel and minimisation of operating overheads to enable the business to compete with global competitors which currently exhibit much larger scale and may have exchange rate advantages from time to time. The Company has further developed its strategy of building in-house expertise in key technological areas (such as machine vision analysis) rather than relying, as do a number of competitors, on external third party provision.

The Company has operating sites in Scotland, Northern Ireland and (through its subsidiary Aylesbury Automation (AAL)) England providing multi-site strategic reassurance to key clients and facilitating growth by access to a wide labour pool.

The Company continues to demonstrate its ability to cope with cyclical fluctuations in its market and unanticipated exceptional events while still returning strong profitability. This experience has proven the continuing underlying strength of the organisation. The significant effort expended in developing large contracts with new clients and in advancing key anticipated future projects has resulted in a continually increasing strong pipeline of opportunity and the company expects to return to record order book levels in the near future.

Key performance indicators

The company focuses on two KPI's:
1. Annual Operating Profit
2. Three-Year Rolling Average Operating Profit (to eliminate cyclicality)

	2022	**2021**
	£k	**£k**
Annual operating profit	3,936*	129
Three-year rolling average operating profit	2,001	1,703

*Excludes transaction expenses related to acquisition by Convergix Automation

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

Principal risks and uncertainties

The industry sectors occupied by the Company's clients tend to be buffered from normal macro economic factors. Projects are awarded as a result of client capital investment decisions which are in turn dictated by key strategic projects within these clients. End user sales of client products are often immune from normal economic factors and even where those influences are present the effects are often sufficiently short term that impact on strategic product release and resultant manufacturing investment programmes is limited.

The principal risks and uncertainties for the company relate to:

1. the potential that the majority of key clients may fail to have suitable capital projects in any given year thereby inducing a significant temporary drop in the available market;
2. the risk that a demanding project is significantly under-scoped resulting in significant project losses in order to complete commitments; and
3. constraint on growth resulting from low availability of appropriately skilled labour.

AGR mitigates the first of these risks by seeking to retain relationships with a number of key clients any one of which may invest in significant projects in any given period; the second by utilising its 50 years of experience in scoping and supplying bespoke automation; and the third by way of its widened strategy of an additional operating site in Northern Ireland, its subsidiary AAL and the ongoing development of strategic relationships which will enable utilisation of third party capacity where necessary and appropriate.

Future developments

The strength of the underlying business activity through growing commitment from blue chip clients has allowed the Company to continue to strengthen and retain key skill areas. The outlook remains very strong.

The Company continues to experience an unprecedented level of large project business opportunities and continues to develop relationships with new clients as part of its strategy to develop a balanced portfolio of key high-end automation customers. AGR constantly reviews its strategic options to facilitate its ability to take on these increasing opportunities.

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

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K Benson
Director

Date: 28/09/23

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 Group continued to focus on providing automation solutions for the medical device, pharmaceutical and personal care manufacturing industries, although the Group has continued to secure contracts with new clients in other high value manufacturing sectors.

Results and dividends

The loss for the year, after taxation, amounted to £3,971,068 (2021 - profit £356,408).

Dividends of £95,000 (2021 - £94,900) have been paid in the year.

Directors

The Directors who served during the year were:

K Benson (appointed 31 October 2022)
M T Dubose (appointed 31 August 2022)
R D S Gaston (resigned 31 August 2022)
S M Gaston (resigned 31 August 2022)
J S G Bubnikovich (appointed 31 August 2022, resigned 15 October 2022)

Research and development activities

The Group is committed to research and development activities in order to continue to expand and develop its product rate and market share. During the year £1,444,344 (2021 - £1,059,983) of costs attributable to research and development have been incurred.

Matters covered in the Group Strategic Report

Where necessary, disclosures relating to principal risks and uncertainties have been made in the Strategic Report and have not been repeated here in accordance with Section 414C of the Companies Act 2006.

Disclosure of information to auditor

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

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

Auditor

Following a rebranding excercise on 15 May 2023 the trading name of the Company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor, in accordance with section 485 of the Companies Act 2006, will be proposed at the next Annual General Meeting.

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

Directors' responsibilities statement

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 judgements 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 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.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

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

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K Benson
Director

Date: 28/09/23

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGR AUTOMATION LIMITED

Opinion

We have audited the financial statements of AGR Automation Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Group Statement of Income and Retained Earnings, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes, 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 Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGR AUTOMATION LIMITED (CONTINUED)

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Group 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 Group 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 parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing estimates for bias;
- Reviewing minutes of meetings of those charged with governance
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGR AUTOMATION LIMITED (CONTINUED)

Use of our report

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

V Brown

Victoria Brown FCA (Senior Statutory Auditor)
for and on behalf of
MHA
Chartered Accountants
Statutory Auditor
Milton Keynes, United Kingdom
Date: 29/09/23

MHA is the trading name of Macintyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

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

	Note	2022 £	2021 £
Turnover	4	**15,132,515**	10,583,922
Cost of sales		**(11,345,651)**	(8,837,494)
Gross profit		**3,786,864**	1,746,428
Distribution costs		**(123,029)**	(87,613)
Administrative expenses		**(4,185,672)**	(2,115,501)
Exceptional administrative expenses		**(4,670,000)**	-
Other operating income	5	**262,637**	585,712
Operating (loss)/profit	6	**(4,929,200)**	129,026
Amounts written off investments		**(14,010)**	-
Interest receivable and similar income	10	**20,436**	37,791
Interest payable and similar expenses	11	**-**	(16,206)
(Loss)/profit before tax		**(4,922,774)**	150,611
Tax on (loss)/profit	13	**951,706**	205,797
(Loss)/profit after tax		**(3,971,068)**	356,408
Retained earnings at the beginning of the year		**13,382,536**	13,121,028
(Loss)/profit for the year attributable to the owners of the parent		**(3,971,068)**	356,408
Dividends declared and paid		**(95,000)**	(94,900)
Retained earnings at the end of the year		**9,316,468**	13,382,536

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

The notes on pages 16 to 34 form part of these financial statements.

AGR AUTOMATION LIMITED
REGISTERED NUMBER: 03994849

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	15		**4,233,870**		4,416,547
Current assets					
Stocks		**365,800**		390,778	
Debtors: amounts falling due within one year	18	**10,339,236**		2,891,365	
Cash at bank and in hand	19	**3,707,880**		8,717,115	
		14,412,916		11,999,258	
Creditors: amounts falling due within one year		**(8,905,677)**		(2,676,626)	
Net current assets			**5,507,239**		9,322,632
Total assets less current liabilities			**9,741,109**		13,739,179
Creditors: amounts falling due after more than one year			**-**		(1,515)
Provisions for liabilities					
Deferred tax	22		**-**		(3,801)
Other provisions	23		**(424,639)**		(351,325)
Net assets			**9,316,470**		13,382,538
Capital and reserves					
Called up share capital	24		**2**		2
Profit and loss account	25		**9,316,468**		13,382,536
			9,316,470		13,382,538

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
28/04/23

K Benson
Director

The notes on pages 16 to 34 form part of these financial statements.

AGR AUTOMATION LIMITED
REGISTERED NUMBER: 03994849

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	15		**4,106,679**		4,337,680
Investments	16		**377,224**		377,226
			4,483,903		4,714,906
Current assets					
Stocks	17	**196,895**		179,652	
Debtors: amounts falling due within one year	18	**9,680,375**		2,550,647	
Cash at bank and in hand	19	**3,371,579**		7,597,381	
		13,248,849		10,327,680	
Creditors: amounts falling due within one year	20	**(8,413,198)**		(2,143,122)	
Net current assets			**4,835,651**		8,184,558
Total assets less current liabilities			**9,319,554**		12,899,464
Creditors: amounts falling due after more than one year	21		**-**		(1,515)
Provisions for liabilities					
Deferred taxation	22	**-**		(102,375)	
Other provisions	23	**(217,437)**		(170,276)	
			(217,437)		(272,651)
Net assets			**9,102,117**		12,625,298
Capital and reserves					
Called up share capital	24		**2**		2
Profit and loss account brought forward		**12,625,296**		12,193,991	
Loss/(profit) for the year		**(3,428,181)**		526,205	
Other changes in the profit and loss account		**(95,000)**		(94,900)	
Profit and loss account carried forward			**9,102,115**		12,625,296
			9,102,117		12,625,298

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28/09/23

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K Benson
Director

The notes on pages 16 to 34 form part of these financial statements.

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

	2022 £	2021 £
Cash flows from operating activities		
(Loss)/profit for the financial year	**(3,971,068)**	356,408
Adjustments for:		
Depreciation of tangible assets	**305,147**	303,802
Loss on disposal of tangible assets	**(1,371)**	-
Interest paid	**-**	16,206
Interest received	**(20,436)**	(37,791)
Taxation charge	**(951,706)**	(205,797)
(Increase)/decrease in stocks	**(138,009)**	164,807
(Increase)/decrease in debtors	**(3,122,392)**	2,275,811
(Increase)/decrease in amounts owed by groups	**(3,573,892)**	-
Increase/(decrease) in creditors	**6,544,962**	(2,263,223)
Increase/(decrease) in provisions	**73,314**	(63,150)
Corporation tax received	**112,692**	-
Loss on disposal of investment	**14,012**	-
Net cash generated from operating activities	**(4,728,747)**	547,073
Cash flows from investing activities		
Purchase of tangible fixed assets	**(362,551)**	(241,016)
Sale of tangible fixed assets	**188,311**	-
Interest received	**20,436**	37,791
Net cash outflow on disposal of subsidary	**(31,684)**	-
Net cash from investing activities	**(185,488)**	(203,225)
Cash flows from financing activities		
Repayment of other loans	**-**	(175,995)
Dividends paid	**(95,000)**	(94,900)
Interest paid	**-**	(16,206)
Net cash used in financing activities	**(95,000)**	(287,101)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Net (decrease)/increase in cash and cash equivalents	**(5,009,235)**	56,747
Cash and cash equivalents at beginning of year	**8,717,115**	8,660,368
Cash and cash equivalents at the end of year	**3,707,880**	8,717,115
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**3,707,880**	8,717,115
	3,707,880	8,717,115

The notes on pages 16 to 34 form part of these financial statements.

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022

	At 1 January 2022 £	Cash flows £	Acquisition and disposal of subsidiaries £	At 31 December 2022 £
Cash at bank and in hand	8,717,115	(4,977,551)	(31,684)	3,707,880
Debt due within 1 year	(1,210)	1,210	-	-
	8,715,905	(4,976,341)	(31,684)	3,707,880

The notes on pages 16 to 34 form part of these financial statements.

1. General information

AGR Automation Limited is a private company, limited by shares, registered in England and Wales, registered number 03994849.

The principal activity of the Company is to provide automation solutions for customers in the manufacturing industry.

The Company's registered office and principal place of business are stated on the company information page.

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 judgement in applying the Group's accounting policies (see note 3).

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 Income and Retained Earnings in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company 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 initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Income and Retained Earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 30 April 2014.

2. Accounting policies (continued)

2.3 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 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 Consolidated Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

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.

2.4 Revenue

Revenue represents amounts receivable for goods and services net of VAT and trade discounts.

Turnover from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on delivery of the goods), the amount of turnover can be measured reliably, it is probable that economic benefits associated with the transaction can be measured reliably.

Revenues from the provision of services is recognised equally over the period of the services provided.

Revenues from major projects is recognised based on the estimated of completion at the statement of financial position date. The percentage completion is calculated by comparing the costs incurred to date as a proportion of the final estimated costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recgonised that is probable to be recovered.

2. Accounting policies (continued)

2.5 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.

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

2.6 Government grants

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

Grants of a revenue nature are recognised in the Consolidated Statement of Income and Retained Earnings in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 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.

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the 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 profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2. Accounting policies (continued)

2.10 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.

2.11 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.

2.12 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.

2. *Accounting policies (continued)*

2.12 Tangible fixed assets (continued)

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:

Freehold property	- 2% straight-line
Land	- Not depreciated
Plant and machinery	- 20 - 33% straight-line
Motor vehicles	- 25% straight-line
Fixtures and fittings	- 25 - 33% straight-line
Computer and office equipment	- 20% straight-line

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

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

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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 profit or loss.

2.15 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.

2.16 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.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2. Accounting policies (continued)

2.17 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.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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 Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

2.19 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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

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

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

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

2. Accounting policies (continued)

2.20 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.

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

Estimates and judgements are evaluated at each reporting date and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and not assumptions concerning the future in preparing the financial statements and the actual results will not always reflect the accounting estimates made. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the company are outlined below.

Construction contracts

Profit is recognised on contracts, if the final outcome can be assessed with reasonable certainty and more than 30% of the project is complete. The percentage completion is calculated by comparing the costs incurred to date as a proportion of the final estimated costs.

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

Warranties

The Company's products are commonly sold with a warranty. During this period, the Company warrants to repair the products in the event that they fail to work properly. The Company makes provision for these potential costs as an estimated percentage of the net sales revenue which is then released (if unused) to profit or loss on a straight-line basis over the period of the warranty. This provision is not dicounted. Details regarding the provision and amount released to the profit or loss are detailed in the notes.

Dilapidation provision

A provision is made to return the leased premises to its original state at the end of the lease. Management assess the total provision required and review it annually. Details regarding the provision and amount released to the profit or loss are detailed in the notes.

4. Turnover

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

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	**5,630,733**	2,926,419
Rest of Europe	**7,747,381**	6,588,074
Rest of the world	**1,754,401**	1,069,429
	15,132,515	10,583,922

5. Other operating income

	2022 £	2021 £
Other operating income	**256,285**	-
Government grants receivable	**6,352**	585,712

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2022 £	2021 £
Research & development charged as an expense	**-**	759,143
Exchange differences	**90,651**	4,148
Other operating lease rentals	**117,285**	291,542
(Profit) / loss on disposal	**(1,371)**	(700)

7. Auditor's remuneration

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

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of the consolidated and parent Company's financial statements	**24,500**	28,475
Accounts preparation services	**6,000**	5,135
Tax compliance services	**-**	4,500

8. Employees

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

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	**6,452,409**	4,492,089	**5,406,433**	3,472,858
Social security costs	**728,600**	429,323	**628,629**	344,499
Cost of defined contribution scheme	**265,256**	399,908	**224,462**	346,126
	7,446,265	5,321,320	**6,259,524**	4,163,483

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

	Group 2022 No.	Group 2021 No.	Company 2022 No.	Company 2021 No.
Employees	**128**	139	100	101

9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	**19,233**	11,870
Group contributions to defined contribution pension schemes	**98,400**	112,185
	117,633	124,055

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

10. Interest receivable

	2022 £	2021 £
Other interest receivable	**20,436**	37,791

11. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	-	16,206

12. Exceptional items

	2022 £	2021 £
Contribution to Employment Benefit Trust	4,670,000	-

Exceptional items represents amounts paid in to the Todah Employee Benefit Trust, entered into by the Group. This contribution is held in trust and to be returned to the Group for employee remuneration during September 2023. The expense represents retention bonus payments to the Group's employees following the restructure described in Controlling Party note 29.

13. Taxation

	2022 £	2021 £
Corporation tax		
Adjustments in respect of previous periods	(112,692)	-
	(112,692)	-
Total current tax	(112,692)	-
Deferred tax		
Origination and reversal of timing differences	(1,140,397)	(229,637)
Adjustments in respect of prior periods	301,383	(32,186)
Effect of tax rate change on opening balance	-	56,026
Total deferred tax	(839,014)	(205,797)
Tax on (loss)/profit	(951,706)	(205,797)

13. *Taxation (continued)*

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
(Loss)/profit on ordinary activities before tax	**(4,922,774)**	150,611
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**(935,327)**	28,616
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**49,724**	538
Capital allowances for year in excess of depreciation	**12,123**	12,864
Adjustments to tax charge in respect of prior periods	**229,051**	(32,186)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	**(105,914)**	(261,815)
Other differences leading to an increase (decrease) in the tax charge	**(201,363)**	46,186
Total tax charge for the year	**(951,706)**	(205,797)

Factors that may affect future tax charges

On 24 May 2021, the UK Government substantively enacted the increase in Corporation Tax rate from 19% to 25%, with effect from 1 April 2023.

14. Dividends

	2022 £	2021 £
Dividends	**95,000**	94,900

15. Tangible fixed assets

Group

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost							
At 1 January 2022	4,104,909	944,912	151,250	41,901	565,982	14,926	5,823,880
Additions	90,905	15,658	106,098	93,850	43,342	12,698	362,551
Disposals	-	(280,484)	-	(30,846)	-	-	(311,330)
Disposal of subsidiary	(3,175)	(25,568)	(11,650)	-	(47,813)	-	(88,206)
At 31 December 2022	4,192,639	654,518	245,698	104,905	561,511	27,624	5,786,895
Depreciation							
At 1 January 2022	301,702	600,299	22,031	30,951	444,026	8,324	1,407,333
Charge for the year on owned assets	95,914	78,347	48,916	8,346	70,374	3,250	305,147
Disposals	-	(98,170)	-	(26,220)	-	-	(124,390)
Disposal of subsidiary	(1,320)	(7,416)	(1,296)	-	(25,033)	-	(35,065)
At 31 December 2022	396,296	573,060	69,651	13,077	489,367	11,574	1,553,025
Net book value							
At 31 December 2022	3,796,343	81,458	176,047	91,828	72,144	16,050	4,233,870
At 31 December 2021	3,803,207	344,613	129,219	10,950	121,956	6,602	4,416,547

15. Tangible fixed assets (continued)

Company

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 January 2022	**4,101,734**	**842,112**	**160,110**	**518,169**	**5,622,125**
Additions	**90,905**	**6,958**	**86,948**	**43,342**	**228,153**
Disposals	**-**	**(280,484)**	**-**	**-**	**(280,484)**
At 31 December 2022	**4,192,639**	**568,586**	**247,058**	**561,511**	**5,569,794**
Depreciation					
At 1 January 2022	**300,712**	**527,220**	**30,892**	**425,621**	**1,284,445**
Charge for the year on owned assets	**95,584**	**70,921**	**46,589**	**63,746**	**276,840**
Disposals	**-**	**(98,170)**	**-**	**-**	**(98,170)**
At 31 December 2022	**396,296**	**499,971**	**77,481**	**489,367**	**1,463,115**
Net book value					
At 31 December 2022	**3,796,343**	**68,615**	**169,577**	**72,144**	**4,106,679**
At 31 December 2021	3,801,022	314,892	129,218	92,548	4,337,680

16. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2022	377,226
Disposals	(2)
At 31 December 2022	377,224

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Class of shares	Holding
Aylesbury Automation Limited	Ordinary Ordinary B	100%

The registered office of Aylesbury Automation Limited is Old Library Chambers, 21 Chipper Lane, Salisbury, Wiltshire, SP1 1BG.

AE Manufacturing Services Limited was a subsidiary of AGR Automation Limited and therefore included within this consolidation until 16 June 2022. The company was transferred out of the group as a result of a group reconstruction and therefore its results are consolidated until this date.

The aggregate of the share capital and reserves as at 31 December 2022 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Aylesbury Automation Limited	591,577	(503,426)

17. Stocks

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Raw materials and consumables	**125,001**	88,684	**125,001**	88,684
Finished goods and goods for resale	**240,799**	238,355	**71,894**	52,090
Long-term contract balances	**-**	63,739	**-**	38,878
	365,800	390,778	**196,895**	179,652

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Long-term contract balances consist of:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Costs to date less provision for losses	**-**	63,739	**-**	38,878

18. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	**4,218,991**	1,834,709	**3,843,494**	1,452,234
Amounts owed by group undertakings	**3,573,892**	-	**3,652,146**	264,738
Other debtors	**180,652**	243,437	**140,764**	64,298
Prepayments and accrued income	**857,560**	215,424	**754,032**	171,582
Amounts recoverable on long-term contracts	**662,326**	597,795	**585,984**	597,795
Deferred taxation	**845,815**	-	**703,955**	-
	10,339,236	2,891,365	**9,680,375**	2,550,647

19. Cash and cash equivalents

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	**3,707,880**	8,717,115	**3,371,579**	7,597,381

20. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	**Company 2022 £**	Company 2021 £
Payments received on account	**7,516,796**	1,583,336	**7,174,726**	1,583,336
Trade creditors	**713,377**	258,172	**504,042**	121,885
Amounts owed to group undertakings	**-**	-	**249,843**	24,106
Other taxation and social security	**345,595**	171,683	**260,783**	98,322
Other creditors	**83,723**	349,441	**61,724**	94,522
Accruals and deferred income	**246,186**	313,994	**162,080**	220,951
	8,905,677	2,676,626	**8,413,198**	2,143,122

During the prior year a debenture providing a fixed and floating charge over the Group's assets was executed.

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

	Group 2022 £	Group 2021 £	**Company 2022 £**	Company 2021 £
Government grants received	**-**	1,515	**-**	1,515

22. Deferred taxation

Group

	2022 £	2021 £
At beginning of year	**(3,801)**	(209,598)
Charged to profit or loss	**839,014**	205,797
Reversal on business disposal	**10,602**	-
At end of year	**845,815**	(3,801)

Company

	2022 £	2021 £
At beginning of year	**(102,375)**	(241,255)
Charged to profit or loss	**806,330**	138,880
At end of year	**703,955**	(102,375)

The deferred taxation balance is made up as follows:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Accelerated capital allowances	**(338,003)**	(335,939)	**(307,209)**	(319,557)
Tax losses carried forward	**347,347**	331,712	**272,733**	216,953
Short-term timing differences	**836,471**	426	**738,431**	229
	845,815	(3,801)	**703,955**	(102,375)

23. Provisions

Group

	Dilapidations £	Product Warranties £	Total £
At 1 January 2022	126,000	225,325	351,325
Charged to profit or loss	50,000	23,314	73,314
At 31 December 2022	**176,000**	**248,639**	**424,639**

Company

	Product Warranties £	Total £
At 1 January 2022	170,276	170,276
Charged to profit or loss	47,161	47,161
At 31 December 2022	**217,437**	**217,437**

24. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
50 (2021 - 50) Ordinary A shares of £0.02 each	1	1
50 (2021 - 50) Ordinary B shares of £0.02 each	1	1
	2	2

A Ordinary shares carry a right to participate in the profits, assets and capital of the Company, together with the right to vote at general meetings of the Company.

B Ordinary shares carry a right to participate in the assets and capital of the Company, but not the right to participate in the profits or vote at general meetings of the Company.

25. Reserves

Profit and loss account

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

26. Pension commitments

The Group operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £265,256 (2021 - £399,908). There were £5,304 (2021 - £2,126) pension contributions accrued at the balance sheet date.

27. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £	**Company 2022 £**	Company 2021 £
Not later than 1 year	**124,318**	161,201	**2,905**	41,607
Later than 1 year and not later than 5 years	**487,089**	25,065	**6,746**	3,357
Later than 5 years	**540,000**	-	-	-
	1,151,407	186,266	**9,651**	44,964

28. Related party transactions

During the year, dividends were paid to the directors who were also the shareholders. The amount paid paid was £95,000 (2021 - £94,900)

The Directors were trustees and have control over a charity which the Group made a £23,000 (2021 - £224,000) donation to during the year.

Included within exceptional items is a £4,670,000 payment to the Todah Employment Benefit Trust, held in trust for the benefit of the Groups employees.

29. Controlling party

100% of the issued share capital of the Company was owned by R D S Gaston and S M Gaston.

On 31 August 2022, 100% of the issued share capital of the Company was purchased by Convergix UK Holdings Limited, a company registered in England and Wales.

The ultimate controlling party from this date became Convergix Automation LP, a company registered in the Cayman Islands.