Registered number: 13832126

Strip Tinning Holdings plc

Annual report and financial statements

for the year ended 31 December 2022

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Directors, advisers and registered office

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P George
A Le Van
A D Robson
M Taylor

Company secretary
A Le Van

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Chairman’s statement for the year ended 31 December 2022

Although since coming to market we have been hampered by market conditions we could not have foreseen, we can take a great deal of pride in the way in which we have responded to market headwinds and emerged as a leaner organisation. While this set of financial results is far from what we had hoped for, we can look to the future with optimism as a result of the action taken during the period under review.

I would like to take this opportunity to thank all the employees of Strip Tinning who have worked exceptionally hard this year to achieve a significant financial and operational turnaround of the business, and to prepare it for renewed growth moving forwards. We were delighted to be able to reward our staff for their loyalty and hard work last October with the Issue of Shares under our SIP scheme, which had been a longstanding ambition of the Board, creating shared ownership of the business among key employees.

I would also like to thank all our shareholders in Strip Tinning for backing the business at IPO and for their pragmatic response to the vastly different set of results from those we were all working towards at the point of the IPO.

Our vastly experienced Board has proven of immense value during the year, positioning the business to be better positioned to take advantage of recovery and the continued opportunities Strip Tinning sees in its markets. As might be expected, in order to address the adverse trading environment, the Board has met at-least monthly throughout the year, and in August I was delighted to take up my current position as Executive Chair. I look forward to continuing in my position and driving the Company back towards growth.

Looking to the future, we look forward to capitalising on the increasing momentum we are seeing across the business, and whilst we continue to remain highly vigilant of the wider macro-economic environment, we are increasingly confident of a year of progress in FY23.

A. D. R

Adam Robson
Executive Chairman

Chief Executive Officer's statement for the year ended 31 December 2022

2022 has been a transitional year for the Company, executed against a very challenging business environment which was heralded by Russia's invasion of the Ukraine, which started just six days after completion of our IPO. I am proud the way the business has responded to the most turbulent time in trading. The challenges we faced have meant that this year the Company has delivered its worst financial results in its 60 year history but, at the same time, it has emerged stronger and leaner, and has maintained its core investment programmes. The results of these changes are already being seen; the Company has delivered a positive adjusted EBITDA in all its unaudited monthly results for 2023 and the Board is confident that the Company will return to revenue growth in 2024.

Business Environment

The Company's products are used in the production of all classes of automotive light vehicles, but predominantly for passenger cars made in Europe where ACEA reported that car production fell by 1.6% in 2022. Having started the year relatively strongly, albeit off a low base caused by the global shortages of chips, production softened further following Russia's invasion of the Ukraine. This directly led to a collapse of car production in Russia (which at the time accounted for 15% of Strip Tinning's sales through it is Tier 1 customers) and a knock-on decline in production across Europe due to supply chain disruptions for the Ukraine in particular. This subsequently triggered a fall in demand for the Company's products.

At the same time as transitioning to being a listed business, the war in the Ukraine as well as other headwinds arising from the COVID pandemic presented numerous challenges to the Company. We also faced the specific major setback in August 2022 of the cancellation of our EV volume nomination for the supply of a Cell Contacting Management System (CCMS) to a leading German OEM by the electric vehicle technology innovator making the battery packs. This was an undoubted disappointment for the EV division as the contract acted as a validation of the Strip Tinning EV product offering. The business has worked hard to reach a fair and acceptable settlement (which is close to being finalised) and has ensured that the correct lessons have been learnt. The resulting changes are now bearing fruit in the new programmes we have in our sales pipeline.

Business improvements completed during 2022

In the face of the aforementioned challenges, the Company had to focus down on achieving very material improvements in a number of key areas, which it successfully did. These were:

- Management team – we are fortunate to have recruited a new Managing Director, Mark Perrins, who brings with him a proven automotive track record in operational turnarounds. Mark has developed a highly performing senior leadership team from existing and new managers. This team has driven through the improvements already achieved and is now taking the business forward towards growth and improving margins.
- New and improved products, product launch and production processes to the benefit of both customers and the Company.
- EV product sales trebled to £1.25m (2021: £0.4m) on the back of multiple development programmes and production orders.
- On time deliveries have improved with ERP improvements and arrears have been eliminated. Our new SAP ERP will be fully functional by the end of 2023.
- Productivity has improved greatly thanks to the hard work and support of all our employees. The Glazing connector factory layout had been completely relocated and reorganised to optimise process flow and improve quality. Sales per head in Q1 2023 is now 20.3% higher than it was in Q1 2022. This has also helped to alleviate pressures from labour market constraints.
- Supplier management and development have become even more critical in the new environment, with suppliers imposing on us unprecedented lead-times and price increases. We have strengthened our supplier management team and invested to develop new suppliers, notably on supply of copper materials where we have an industry leading position.
- Energy consumption has been a focus in pursuit of both off-setting energy price inflation and reducing our carbon footprint. Improved productivity and investment to eliminate capacity bottlenecks has allowed us to end night shift working and this in particular has helped to reduce energy consumption.

Chief Executive Officer's statement (continued)

Whilst achieving all of the above, we have maintained a strategic focus on our long-term growth objectives, most important of which is our entry into the rapidly growing market for CCMS for use in the battery packs of Electric Vehicles (EVs). We have supplied CCMS on to a number of production vehicles and this proof of our capabilities has allowed us to build credibility and we now have a strong pipeline of much larger programmes for which we are already delivering sample parts. We expect the first of these to turn into a volume production nomination later in 2023. This sales pipeline is also being supported by an investment of over £2 million in a CCMS production line which will have capacity to produce up to 220,000 units per annum.

We were delighted to win during 2022 a grant from the Advanced Propulsion Centre (APC) Scale-up Readiness Validation (SuRV) competition worth up to £1.4 million. This grant is being received via six quarterly drawdowns covering the period to end of January 2024. This grant has made a valuable contribution to our cash position which we have further strengthened through improved terms and collection of receivables form our customers and greater control of our stocks.

Finally, with the support of our customers during the period, we raised our Glazing product prices to reflect the pressures felt by all businesses trading internationally. Customers have engaged constructively with our price increases, and appreciate Strip Tinning's commitment to remain a strong, long-term supplier in the Glazing market. That said, with a strong focus on profitable production, it has not made sense to continue to supply all the products manufactured in 2022. These changes have made a very material difference to our profitability in 2023, as seen in the much-improved financial results announced to date.

The elimination of low margin products does mean that Glazing product sales in 2023 are forecast to decline but we believe that we retain the support of our customers and we expect that we will see a return to sales growth in 2024. We are committed to growing both our core Glazing products (used to connect the electronic functions embedded within the glass panels of automotive vehicles and occasionally other applications such as buildings) and our new EV related products. Our pipeline of sales opportunities is growing in both market segments. We were particularly pleased to announce in March a new order worth for a large number of sample CCMS modules from our leading EV customer, supplying into the autonomous vehicle industry in the USA. The order reflects the ongoing strength of the relationship between both parties and the significant progress being made by the end user towards commercialisation, having already received the necessary regulatory approvals. The value of the order is c.£775k, with the majority of the parts expected to be shipped in 2023 and the Company anticipates next receiving C-sample orders as a result. The order is a strong endorsement of Strip Tinning's offering and underpins the Company's well-established reputation as a supplier of cell contact systems to the fast-growing EV space.

ESG

In January 2023 Strip Tinning was pleased to receive confirmation from Integrum that it has maintained its best-in-class A grade ESG rating, first obtained at the time of the IPO.

Outlook

Whilst the FY22 result is not what the Board had originally set out to achieve for shareholders at the start of the financial year, it nevertheless believes that material progress has been in 2022 which will bear fruit in the medium term. In the year ahead, automotive light vehicle markets are expected to see positive growth as the threat of recession diminishes, supply chain shortages ease and pent-up demand is satisfied. According to ACEA^, European passenger car production has growth17.8% in the first 4 months of 2023 compared to the same period in 2022 and the EV growth rate has been 45.1%, representing 12% of the total market. We are fortunate to have a strong and diverse base of end-user OEM customers and good exposure to the fast- growing EV sector, both through our glazing products and our products for EV battery packs. In 2023 the Company is expecting to make over 30% of all its sales into electric and hybrid vehicles, and growth for this market is forecast to remain very strong driving high demand in particular for the new EV battery related products manufactured by the Company.
^https://www.acea.auto/pc-registrations/new-car-registrations-17-2-in-april-battery-electric-11-8-market-share/

Despite the challenging macroeconomic outlook, the business has delivered a small adjusted EBITDA profit in the first five months of the current year and a full year adjusted EBITDA profit is expected to be achieved in total. This outlook puts the business onto a sound footing for greater success in 2024. The Company is able to manage its cash requirements whilst maintaining EV and Glazing investment plans to build capacity, improve capabilities and drive productivity. Strip Tinning is confident that these investments, coupled with strong customer relationships, will lead to valuable new supply nominations in 2023, taking the Company back to growth in 2024.

R W Barton
Chief Executive Officer

Strategic report for the year ended 31 December 2022

The directors present their strategic report and the audited financial statements for the period from incorporation on 6 January 2022 to 31 December 2022 (reported as the 'year' ended 31 December 2022 as a result of the merger accounting principles adopted and applied to the combination of the Company and Strip Tinning Limited).

Business Model & Structure

Products

Strip Tinning is focussed on the automotive sector, designing and manufacturing 3 product families:

- Glazing Busbar - strips of copper coated in tin to provide a circuit for electrical connections to the glazing units on a vehicle. We are the European leader in this market. We also supply ultra fine Tungsten wires to be embedded in glass as heating elements. Busbar is used both on conventionally powered Internal Combustion Engine (ICE) vehicles and on EV Vehicles. In 2022 we supplied 14.13 million metres of product.
- Glazing Connectors – we supply a large range of different connector types which are customised to specific vehicle requirements using our patented technologies across design and manufacturing techniques. We have a history of innovation, with further product development continuing in 2022 including into glass embedded LEDs. Our range includes connectors for front windshields, rear glazing and roof glazing. Our highest specification connectors use Flexible Printed Circuits (FPC) to provide connection to glass embedded functions such as front screen heating and GPS / FM / TV signals. We are a global market leader in front, roof, and FPC connectors. Connectors are used on ICE and EVs, with the latter constituting a strongly growing market based on the increasing use of large glazed panels often found on EVs. In 2022 we supplied 5.04m million connectors.
- Electric Vehicle (EV) specific connectors – we supply products for use in the battery packs of EVs, ranging from simple busbar elements to electrically connect the cells within a battery pack to full Cell Contacting Management System (CCMS) which both electrically connect the cells and provide monitoring of the cells for temperature and charge. These busbar and CCMS products draw heavily on our glazing connector capabilities, being made from a combination of existing busbar, FPC, lamination, plastic encapsulation and connector technologies to produce replacement for heavy and labour intensive wiring looms with a much lighter and preassembled module with fewer failure modes and increased functionality. We are one of just a handful of early movers helping to develop this new market in Europe.

Customers

Our customers in the Glazing segments are predominantly the world's Tier 1 glazing makers such as Saint Gobain-Sekurit where we have longstanding (20+ year) trading relationships. Our contractual relationships predominantly lie with these Tier 1s, although there are occasions where we provide design advice direct to automotive OEMs on product concepts. Our Tier 1 customers typically provide complete glazing units to the vehicle OEMs, with various levels of electrical and electronic functionality embed within the glass.

In the EV markets we supply the maker of the battery pack. In some cases this is the vehicle OEM and in others Tier 1 suppliers of the pack itself or sub-systems within the pack. We also work with technology development companies who are designing new battery pack concepts.

How we sell

In the Glazing industry, where Strip Tinning is a Tier 2 supplier we sell predominantly to the Tier 1 glass makers. Based on our track record and established market position from over 60 years of continuous trading, the business is approached directly by its customers with new product enquiries, but also attends Trade Fairs such as GlassTec to promote new products and to reach additional customers outside of the top automotive glazers, including in alternate applications such as architectural glass.

In the EV segment there are a growing number of suppliers able to produce automotive flexible printed circuit (FPC) and another set of suppliers concentrating on assembling the FPC in a full Cell Contacting Management System (CCMS) ready for integration into the full battery pack and battery management system. This division of responsibility in the supply chain currently suits very high-volume contracts. Strip Tinning is currently positioning itself as a mid-volume turn-key supplier of complete CCMS requiring integrated, specialist design skills and where the volumes are not high enough to justify this split of roles.

Strategic report for the year ended 31 December 2022 (continued)

Strip Tinning has already achieved industry recognition for the CCMS product based on its automotive heritage, accreditations and credibility for a new product introduction evolved from its core competencies. The business is approached directly by its customers with new product enquiries, but also attends Trade Fairs such as The Battery Show to promote the CCMS technology and reach complimentary customers outside of automotive, such as the energy storage sector.

Suppliers

At a time of significant copper market supply constraints, the Company has now successfully expanded its international supply base, building on historic relationships, and this has helped ensure supply to customers. In other product areas, such as connectors, supply still remains constrained. The supply base has seen significant consolidation and in consequence prices and lead times have risen considerably. The Company is actively working to protect itself and its customers against these developments.

Manufacturing

Today all manufacturing takes place at our Birmingham site which comprises:

- A self contained busbar unit;
- Self-contained glazing connector unit as at year end with a high degree of automation / semi-automation for quality, repeatability, productivity to enable competition with low cost countries; and
- New EV line upgrade with support from the Automotive Transformation Fund underway, producing parts from Q2 2023 in its own self-contained clean room facility.

We are highly vertically integrated, using copper film and plastic resins as our fundamental raw materials and buying in specialist wires, laminates and some plastic connectors. Depending on the volumes of the product, production varies from being highly automated to relatively labour intensive.

Logistics

Product is exported to over 30 countries, including China, South Korea, Japan, Mexico, and Morocco. For non-Ex Works contracts, DHL is the main carrier and initial discussions have been held with them on possible options to reduce the carbon footprint on deliveries as part of the Company commitment to ESG.

IT Systems

We have worked hard during the year to improve our IT systems. Our existing ERP has been extensively over-hauled and is now much better able to support the needs of the business, both for management information and for AIM reporting. We have also implemented EDI at our customers' request. These improvements are also a foundation for the implementation of our new SAP ERP which is planned to be completed in 2023.

Organisation Structure and Recruitment

Strip Tinning is led by its Board which comprises three executive directors (see below) and two non-executive directors who are:

- Paul George – Senior Independent Director and chair of the Audit Committee - Paul has extensive experience in audit, reporting and governance having, until April 2020, spent 16 years as an executive director at the Financial Reporting Council (FRC), most recently responsible for corporate governance and reporting having before that been responsible for the Conduct Division.
- Matthew Taylor – Chair of the Remuneration Committee - Matthew joined the Board as non-executive director after retiring from a long career in the automotive industry, most recently as CEO of Bekaert SA in 2020. Bekaert SA is a €5 billion revenue, 30,000 employee global steel wire business headquartered in Belgium with 45 % of its business in automotive.

The executive leadership team of the Company comprises:

- Adam Robson, Executive Chair and PLC Director, focussed primarily on the Company's strategy and partnerships and responsible for the Company meeting its strategic objectives - Adam brings a wealth of management and business development experience having led many early stage and mature technology, advanced manufacturing and service companies across automotive and other sectors.
- Richard Barton, CEO and PLC Director, focussed primarily on the Company's product and sales strategy - Richard has worked at Strip Tinning since 1984 when he joined his father who had founded the Company in 1957.
- Adam Le Van, CFO and PLC Director - Adam is an experienced Chief Financial Officer in the automotive sector and held the role for Rimstock Limited, a Private Equity backed manufacturer of alloy wheels.

Strategic report for the year ended 31 December 2022 (continued)

Organisation Structure and Recruitment (continued)

- Mark Perrins, Managing Director and PLC Board attendee – responsible for the running of the Company and responsible for the operational turnaround achieved in 2022 – Mark joined Strip Tinning in March 2022. With a progressive career in Automotive Mark brings a wealth of experience in operations, quality, and continuous improvement. Between 2016 and 2022, Mark worked for Plastic Omnium, a Global Tier 1 automotive business making plastic exterior body parts. During his time with Plastic Omnium, Mark held the positions of European Quality Director, UK Operations Director, and Plant Director.
- Steve O'Connor, Sales Director and PLC Board attendee – responsible for sales and marketing - Steve has built a reputation for identifying growth opportunities, always delivered with improved customer outcomes as the key focus. Steve has a proven track record for enabling R&D to deliver mutual reward and has authored published patents to support this goal. He has twenty years of automotive componentry supply-chain experience and has been instrumental in the evolution of the Company, with successful product launches into the automotive-glazing and EV battery sectors.

The Company operates within a single cohesive structure across the different product areas, ensuring optimum use of resources and sharing of know-how and resources. The combined organisation structure covers:
- Sales
- Engineering & New Programme Management
- Quality Assurance & Control
- Manufacturing Operations
- Purchasing & Logistics
- Finance, IT, & HR

During 2022 all parts of the business have been strengthened with the promotion a experienced internal candidates and the selective recruitment of new hires to increase our capabilities, especially in respect of the EV sector and to meet AIM and governance requirements and realise the ambitions of the business.

KPIs

We use the following primary KPIs to manage the business:

Financial

	FY2022	FY2021
Revenue	**£10,230,000**	£11,150,000
Material costs as a % of revenue	**49.8%**	39.3%
Direct staff costs as a % of revenue	**39.5%**	23.9%
Adjusted EBITDA	**£(2,279,000)**	£484,000

All KPIs deteriorated in 2022 versus 2021. Revenue was down with the loss of sales to Russia, Material as % of Sales was much higher on the back of inflationary pressures, as was Direct Labour costs, compounded by inefficiencies in production planning driven by parts supply shortages and disrupted customer ordering patterns. Theses metrics correlate to the losses suffered in 2022. As of Apr-23 YTD, revenue was ahead of 2022, and the material cost and direct labour KPIs were back in line with 2021 at 42% and 21% respectively, reflecting the improvement actions taken to address the losses in 2022. More detail and commentary on the movements in these KPIs is included in the following sections of this report.

Non-Financial

The business also uses non-financial KPIs to measure performance. As examples, Health & Safety is the first Agenda item at every Board meeting, the business monitors the metrics available on delivery and quality performance provided by certain customers via web portals, and a suite of logistics trackers is being developed to monitor the use of non-standard freight and the level of tariffs incurred. These are in the process of being turned into trends and systemised to allow future year on year comparisons.

Strategic report for the year ended 31 December 2022 (continued)

Review of the Year

The Glazing side of the business has had an exceptionally difficult year but is now emerging stronger and leaner and poised for growth.

Sales suffered greatly following Russia's invasion of the Ukraine. 15% of Company sales had been shipped directly into Russia in 2021 and these sales ceased entirely. The Company estimates that the 2021 to 2022 variance on the loss of such product shipments to Russia amounted to a £1.5m adverse impact. On top of this, the supply chain disruptions arising in particular from automotive plants in the Ukraine ceasing production caused a knock-on decline in vehicle production across Europe. So whilst production volumes from new products were increasing in the year, and prices were rising, the net effect was a 13.8% decline in sales and an even higher decline in volumes, leading to an under-absorption of overheads.

Profits suffered directly from these lost sales, but also from the cost pressures of rampant materials, labour and energy inflation and from the run-up cost of new products, for which some of the launches were poorly executed.

An initial round of price increases in July was inadequate to offset all these costs pressures and so in the autumn of 2022 we launched a second round of price increase negotiations with our customers. A number of products have already or will shortly cease production. These are products which were loss making and on which we could not agree acceptable terms with our customers. The net results of these changes is that total sales revenues in 2023 will be on a par with 2022, but volumes will be approximately 40% lower.

This elimination of loss making products, plus a plethora of operational improvements has brough the Glazing Operations back in to profitability in 2023. The most significant improvements have come from the successful implementation of a complete reconfiguration of connector production process flow in a self-contained unit (as opposed to across 2 buildings) to improve quality and efficiency which was completed in December 2022.

With the focus of the business being on price increases in 2022, new sales suffered although there were some successes:

- New 10-year supply agreement signed for €4.4m of Busbar sales with second biggest customer;
- Nomination to provide glazing connectors for the panoramic roofs of the new range of electric vehicles. Production commenced in Q4 2022 and is expected to generate revenues for the full year ending 31 December 2023 of circa $1.2 million; and
- An existing customer, has also increased its connector volume demand by 45%, again for use across its electric vehicle range.

The latter two nominations highlight the continuing focus of vehicle manufacturers on electric ranges, which generate higher margins for Strip Tinning due to the added complexity and high technical specification of the connectors required in EV. We anticipate further new nominations in 2023 for higher value connectors for these types of applications and for architectural glass applications.

On the EV side of the business, we have in 2022 been supplying production CCMS parts for 3 live vehicle programmes which are today in cars been driven on roads across the world. This is the foundation of our growing EV business.

We have also supplied sample parts for several pre-production vehicle programmes and we anticipate that in the second half 2023 these will result in further serial production nominations.

To support these new nominations and prepare our production capacity, we have now invested over £2m in our EV production line, bringing its capacity up to around 220,000 units per annum, depending on the product mix. The new line is now commissioned and is housed within a new suite of clean rooms. We are grateful to the Advanced Propulsion Centre's Automotive Transformation Fund for awarding us a "SuRV" grant worth up to £1.4m to cover the costs of this scale-up and upgrading to our existing EV production line.

We also suffered in August 2022 from the cancellation of our lead EV volume nomination for the supply of CCMS for a German OEM by the Croatian electric vehicle technology innovator making the battery packs which had been contracted to enter production in 2023. This was an undoubted setback for the EV division as it provided a visible validation of the Strip Tinning EV product offering. The business has worked hard to ensure that a fair settlement is reached and that the correct lessons are learnt and this learning is bearing fruit now in the new programmes we have in our sales pipeline.

Strategic report for the year ended 31 December 2022 (continued)

Priorities for 2023

The Board team have helped establish the priorities of how to move forward with the key focus being on:

- Strategy – great clarity has been provided on our priorities to ensure optimal use of our precious resources and specifically to deliver our target growth in EV through the confirmation of serial nominations and the growth and improved profitability of our Glazing products;
- Customers – where we need to deliver customer satisfaction based notably on quality products and delivery on time, in full to order;
- Employees – where we recognise we operate in a competitive market for talent and we need to provide a competitive remuneration package and a stimulating, fulfilling work environment with incentives designed to be mutually beneficial to employees and Company performance;
- Suppliers – where we do not feel we are achieving best value for money or optimising stock holdings on our material purchases;
- Production effectiveness both to ensure customer satisfaction as detailed above but also strong financial returns based on continuous productivity improvements, improved material supply (lower cost and stock holdings) and further reduction in Costs of Non-Quality (CNQ);
- Product design – where we must continue to innovate whilst designing for manufacture, with automation and process engineering at the forefront of the product design to ensure repeatable low cost production of high quality components;
- Investment in capabilities – an on-going programme to prepare ourselves to meet growing demand for EV products and, through selective automation, to continue to improve production efficiencies and quality;
- ESG – we are Company that is materially contributing to the world's zero carbon agenda and we aim to do all we can to minimise our own environmental footprint as well as achieving the highest standards on social contribution and governance.

Financial Review
Sales

Sales at £10.2m were down 8% on 2021 (£11.15m). However, £1.5m of Glazing sales were lost following the Russian invasion of Ukraine and the cessation of business with the multi-national customers based there. Excluding sales to Russia for a like for like comparison, overall sales were actually up 7%.

EV product sales trebled to £1.25m (2021: £0.4m) on the back of multiple development programmes and production orders.

Glazing

Within Glazing, Busbar and Tungsten sales were significantly down on 2021. 40% of this was due to lost Russian revenues, with the balance attributable to customer destocking as the anticipated post-Covid increase in vehicle production volumes was deferred as a result of continuing micro-chip shortages. Connector sales were 6% down based on the lost sales to Russia. Adjusting for this, Connector sales actually grew by 14%, driven by Strip Tinning exposure to EV platforms, in particular via an innovative roof connector product.

Core Gross Margin

Gross Margin declined to £0.5m / 5% (2021 £3.3m / 29%). The Product Margin mix was unfavourable, with highly automated / low labour content busbar and tungsten sales down. The stop / start customer order patterns and unreliability in deliveries of key components made labour planning fraught. The outcome was periods of unproductive labour followed by requirements for overtime, agency staff and emergency freight to meet schedules. In conjunction with a conscious decision to pay production staff the National Living Wage, by year end, Direct Labour costs were 50% higher than in 2021. This was coupled with significant material price inflation, with suppliers such as TE Connectivity and Yazaki doubling the price of components and announcing 6 month lead times which forced raw material component stock building. Despite sales being 8% lower, absolute material spend was 16% higher in 2022. In the EV business, the cancellation of the major EV contract reduced sales and contribution but savings were not deemed possible in this area without jeopardising other customer contracts and damaging the long term future potential. A decision was also taken to write-off £0.9m stock deemed slow moving, including items linked to Russian products and those on run-out, the cancelled EV project, and completed R&D programmes. There is no cash impact to this decision. Opportunities to use this material or sell it are actively being explored to recover some value in the future. A significant part of the stock provision is as a result of the over ordering forced on the business by the supply chain situation. Stock management is also now being considered at the product design stage in discussion with customers with a focus on material specification requirements, as opposed to branded components, to increase commonality and flexibility of sourcing.

Strategic report for the year ended 31 December 2022 (continued)

Operating Expenses

Despite the cost of living pressures and the tight labour market for engineers, Staff Overhead (excluding PLC Board salaries) increases were limited to 7%, prior to restructuring costs and intangible asset capitalisations. New recruits were added, significantly lifting the skills base, but reorganisations took place to combine roles as offsets. Operating overhead increased by £0.6m after adjusting for IFRS treatment of property costs. The principle drivers of the increase comprised a 40% increase in energy costs (£0.1m additional cost), £0.1m increase in Marketing and Travel with attendance at relevant Trade Shows (both EV and Glazing) and increased customer visits post COVID, £0.15m catch-up in Repairs & Maintenance + IT, again following difficulty in securing on-site visits during COVID, and £0.2m additional expense recorded for R&D and Quality initiatives. Additional "one-off" costs were picked up from the connector production facilities move which has transformed the business operations and, on the back of the customer price rises, is returning the business to profitability.
A further £0.6m (2021: Nil) of on-going costs attributable to the newly acquired listed company status were also incurred in 2022, the first year of operating as a PLC.

Operating Loss

The significant reduction in Gross Margin combined with increases in operating expenses, costs related to the IPO and subsequent listed entity status, and one-off costs from organisational and facility restructuring resulted in a (£5.5m) operating loss (2021: (£0.9m) operating loss). This loss also includes a £0.58m impairment of intangible assets related to the terminated EV contract. The knowledge and benefit from the design work has not been lost, but it has been deemed prudent to write-off as it can no longer be amortised in line with the revenues it was directly associated with.
However, significant operational progress was made in 2022 to address the challenges faced by the business to restore Gross Margin and return to operating profit. Adjusting for the one-off nature of some of these restructuring and reorganisation costs demonstrates a smaller adjusted EBITDA loss for the year of (£2.3m) compared to 2021: £0.5m EBITDA profit. On the back of the run rates being achieved from increased productivity and operational improvements in conjunction with price rises agreed with customers, the business is positioned to recover in 2023.

		FY2022 £'000	FY2021 £'000
	Operating loss	**(5,503)**	**(904)**
Add back	Depreciation	795	752
	Loss on disposal of fixed assets	55	-
	Amortisation and impairment	757	160
	Capital grant amortisation	(49)	(31)
	EBITDA	**(3,945)**	**(23)**
Add back	Foreign exchange	(45)	164
	Share based payments	96	145
	IPO related non-recurring costs	381	198
	Non-recurring staff expenses	247	-
	Factory move costs	282	-
	Contract termination costs	382	-
	R&D stock obsolescence	353	-
	Adjusted EBITDA	**(2,249)**	**484**

Operating cash flows

The business closed the year with £1.3m in the bank, an increase of £1m over 2021. Net of fees and subsequent debt and interest payments, the IPO provided £6.4m of funds. However, operating activities consumed £4.5m, albeit £1.6m was used to pay down Trade Creditors, including IPO advisors.
Whilst the cash burn rate has been addressed through sale price increases and operational improvements, post year end a working capital facility has been put in place to manage the cash flow requirements of the business.
Based on the financial performance and the desire to invest for growth, no dividend was paid, in line with the declared dividend strategy.

Stock

Despite the lower sales and £0.9m stock provision, stocks were only £0.2m lower than as at 31 December 2021, reflecting the bulk purchases necessitated by extended lead times on critical raw material components.

Investments in assets

During the period, almost £1m was invested in product, systems, and hardware, including in a new state of the art ink jet printer for the EV line which produces product to key customer specifications.

Funding & Foreign Exchange

Cash management operates within a range of board approved policies to manage financial risk and liquidity as cost effectively as possible. No transactions of a speculative nature are permitted. Company exposures are to the Euro and US dollar. The net impact in the year of exchange rate fluctuations on operating profit was a gain of £45k (2021: loss of £164k).

Risks and uncertainties

The Board has overall responsibility for ensuring risk is appropriately managed across the Company and has carried out a robust assessment of the principal risks to the business. The key strategic risks to the Company are regularly reviewed by the Board. The principal strategic risks identified in 2022 are discussed below. These risks are not intended to be an extensive analysis of all risks that may arise.

Reputation – the Board is acutely aware of the importance of reputation, be that for product quality or business conduct and integrity. There is continued focus on product quality and new product development to ensure innovation and the Board actively monitors customer relationships to ensure sufficient engagement and understanding of customer requirements to mitigate losing customers.

EV business unit scale-up – growth management of the EV business unit is critical, from ensuring the right technologies and human resources are invested in, to meeting customer expectations and making sure sufficient financing is in place to profitably grow the EV business to deliver its potential. Government grant support is assisting with mitigating this risk and further grant funding opportunities are actively being considered.

Operational failures – the Company is reliant on production equipment and software to manufacture its products but has contingency plans in place in line with the requirements of its IATF accreditation.

IT strategy and delivery - there is a requirement for a robust IT strategy which enables delivery of key strategic projects as well as supporting day to day activities. As such, the resources allocated to IT are being boosted to ensure the IT support needs of the business can be met and that the foundations of the IT infrastructure are robust and secure. External validation of cyber security will be sought as this is increasingly a customer requirement.

Whilst the loss of the sales to Russia has impacted results and on-going business performance, the Board considers the wide geographic spread of sales, low customer concentration and high number of different vehicle programmes worked on to be of benefit to sustainability.
It would appear that the worst of COVID is behind us but experience has shown co-ordinated government support is required in mitigation in the initial stages of global pandemics. The Board also do not consider that there are solvency or liquidity risks that cannot be managed.

Strategic report for the year ended 31 December 2022 (continued)

Directors' Section 172 statement

Businesses do not operate in isolation. Without a good understanding of who the key stakeholders are and their needs, a business will fail to deliver sustainable value to shareholders and other stakeholders. The Directors take their duties under Section 172(1) of the Companies Act 2006 seriously and consider that they have acted in the way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders.

The Board considers its key stakeholders to be its customers, suppliers, employees, and shareholders. The Board takes seriously the views of these stakeholders in setting and implementing our strategy. To the extent that it is relevant, the impact on the environment and the communities in which the Group operates is considered when making decisions.
This section describes how the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 in exercising their duty to promote the success of the company for the benefit of its members as a whole.

The interests of the Group's customers

To have a sustainable future, it is essential that the board makes decisions which are the best for Strip Tinning in the long term. These decisions are focused on long-term success, not short-term gains. The best example of this is the significant factory layout changes made to the Glazing connector production processes to improve quality and productivity in 2022, together with our capital investment in new EV production facilities which will stand us in good stead for the future. Whilst the significant price rises agreed with customers in 2022 for glazing connectors were difficult conversations to have, in the face of rising costs with limited mitigations available, they were required to ensure the viability of the business. Customer stakeholders agreed that price rises were preferable to Strip Tinning exiting the glazing connector market. Customer satisfaction is measured in conjunction with customer via scorecards which provide a reference point to discuss performance and any issues to resolve. The Commercial Director is responsible for continued engagement with customers to promote new products and the latest technology trends to customers.

The interests of the Group's suppliers

Strip Tinning seeks to balance least cost, security of supply, and sustainable long term partnerships with its supply base. This is demonstrated in metals purchasing, with long standing relationships providing a competitive advantage when copper supply has been scarce. On the EV side of the business, Strip Tinning is proactively working with suppliers to understand the best solutions for next generation products and ensuring that those suppliers can scale to meet the anticipated demand. It is more challenging on the glazing connector side of the business where key components may be specified by customers from multi-billion $ corporations which are too big to engage with Strip Tinning. The business is attempting to address this mis-match by seeking customer agreement for alternate components which meet the specification to diversify the supply base or to obtain "free issue" of the components via its ultimate customers to improve security of supply and a reduced Bill of Materials for the customer. However, it will take a number of years to make progress in this area.

The interests of the Group's employees

Staff Communication
The board actively engages with employees to ensure that the opinions and ideas of staff are always considered, and that staff are kept up to date and informed. This has been achieved in a number of different ways over the past 12 months:
- Company wide "Town Halls" for each shift have been held to communicate significant events such as the listing of the business, the half year results, the launch of the employee Share Incentive Plan (SIP), the significant factory layout changes implemented which substantially improve working conditions, and the introduction of the employee skills matrix, linking capability and flexibility to reward
- the Town Halls have been supplemented by smaller group workshops led by Senior Managers to communicate the benefits packages provided to all employees, including non-contributory pension and life assurance in addition to the SIP
- an off-site Annual Management Review was held in November with all Departmental Heads, with objectives cascaded through the organisation

Strategic report for the year ended 31 December 2022 (continued)

Health, safety and wellbeing
Protecting the health and safety of all employees is paramount. Health & Safety is the first item on every Board Meeting Agenda to ensure a Health & Safety culture is instilled throughout the business. The business successfully passed its external Health and Safety Executive (HSE) audit. During the year, employee representatives have been invited to volunteer to join the H&S Committee, and uptake and active participation has been good, helping to drive continuous improvement. The business also implemented a health screening programme for all employees to establish a base line of health. This has proved worthwhile as during one of these screenings, an employee was assessed as requiring urgent medical attention to prevent a potential heart attack and was rushed to hospital for treatment which averted a serious medical emergency.
Alongside the safety of our staff, wellbeing and physical and mental welfare is considered. It is recognised that there will be times in everyone's lives, whether related to work or not, where employees need additional support. In these situations, the business has taken a sensitive and pragmatic approach to reach the best possible outcomes in individual situations.

Development and training
During the year, we launched an induction process for all new starters who join Strip Tinning to ensure that everyone who joins, regardless of role, receives a positive welcome, a consistent understanding of who we are and what we do and an understanding of our culture.
Our employees are constantly looking for ways to improve and the introduction of the employee skills matrix now links capability and flexibility to reward. We strive to create a culture and environment that encourages everyone to achieve their potential and employees have been funded over the year to undertake externally accredited training that benefits the business as well as developing them. Development needs are often identified via a formal objective setting and appraisal process. This has been particularly effective at improving productivity and morale towards the end of 2022 as this transparent and evidence based process set minimum standards and expectations whilst reassuring staff that they would all be treated equally.
The business has successfully used partnerships with local universities in the past and a priority is to foster these links again as well as developing apprenticeship schemes to support, complement and enhance staff recruitment, retention and development. This will provide Strip tinning with 'home-grown' employees with the right fit, knowledge and skills for the business.

People plan
As part of the strategic planning process, a people plan review is used to identify the jobs which are critical to the ongoing success of Strip Tinning. This enables a proactive plan for the future resource needs of the business, mitigate against any resourcing risks and identify the development needs of staff. The plan is critical to making sure that the right people, are in the right jobs, at the right time, both now and in the future.

Living wage and Non-Contributory Pension
Strip Tinning pays the UK national living wage for all employees, regardless of age and provides a non-contributory pension based, paying 8% of salary. All employees also benefit from life assurance.

Share Incentive Plan
Strip Tinning operates an employee share incentive plan scheme as a means of further encouraging the involvement of employees in the Group's performance and Free Share Awards were made, allocated on length of service, during 2022.

The interests of the Group's shareholders

It is recognised that maintaining a reputation for high standards of business conduct is essential to protect shareholders interests. The board receives regular updates in respect of matters of regulatory compliance, and the business has policies, procedures and processes in place in respect of modern slavery, bribery and corruption, and tax evasion, as well as the Corporate Governance framework outlined within this Annual Report. The Company works to an investor calendar, providing in person updates to shareholders a number of times per year for annual results, half year results, and trading updates. The company additionally seeks to provide clear guidance and transparency of our business operations to investors, including via Regulatory News Service updates as appropriate. The Company has one class of shares so all shareholders are treated equally.

Strategic report for the year ended 31 December 2022 (continued)

The impact of the Group's operations on the environment

The board recognises the importance of minimising any adverse impact of our operations on the environment. Metals and plastic waste from production is collected for recycling and during the year increased recycling facilities within the office space. The company also instigated energy reduction initiatives, optimising machinery shut downs and installing LEDs. A plan is in place to reduce water consumption and treat waste effluent as part of the EV production line upgrade. The Board adopted an EV only company car strategy in 2022 and free charging points are available at the factory.

This report was approved by the board on 6th June 2023 and signed on its behalf.

Adam Levan

A Le Van
Director

Directors' report for the year ended 31 December 2022

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

Principal Activities

The principal activities of the Group are the design and manufacture of a full suite of glazing connectors, some of which are covered by patents, together with advanced Flexible Printed Circuits and Cell Management Systems for Electric Vehicles.
The Directors have set out their update on strategy and its development in the Chief Executive's Review and Strategic Report and that includes a review of the markets that the Group is addressing as well as the actions being taken to meet the strategic goals of the Group.

Strategic report

The following items have been included within the strategic report on pages 5 to 14:

- Business review
- Future developments
- Key performance indicators
- Principal risks and uncertainties
- Financial risk management
- The directors' duties under s172 of the Companies Act including those relating to employees and other group stakeholders

Results and dividends

The loss for the year, after taxation, amounted to £4,925,000 (2021: £825,000 for Strip Tinning Limited).
No dividends were declared and paid during the year to 31 December 2022 and will not be paid in 2023 in line with the investment and growth strategy of the Group (2021: £412,000 paid by Strip Tinning Limited).

Directors

The directors who served during the year and subsequently were:

R W Barton	(appointed 6 January 2022)
P George	(appointed 9 February 2022)
A Le Van	(appointed 6 January 2022)
A D Robson	(appointed 9 February 2022)
M Taylor	(appointed 9 February 2022)

Going concern

The Group operates a strategic planning process which includes monthly reviews of business and financial performance, regular financial projections and an annual planning review for the next financial period. Medium term projections (for periods ending two years hence) are reviewed taking into account known strategy changes in that time frame. Whilst it is more difficult to make meaningful projections beyond 3 years, the Group maintains a high level 5 year plan to illustrate the impact of its long term supply contracts and their transition from prototype into production volumes over an extended manufacturing ramp up period. This strategic planning process is led by the chief financial officer and the financial models used comprise an integrated Profit & Loss, Balance Sheet, and Cash Flow statement, with particular attention paid to cash positions and funding requirements, both capital expenditure and working capital, to deliver sales growth.

The directors have considered a base case going concern model which covers the period out until 31-Dec-24 and then modelled the scenarios set out below, which reflect risks the business faced in 2022:

- Loss of all sales to key countries due to war;
- Reduced demand for the company product due to component shortages and economic slowdown;
- Material price increases of a further 10%;
- Loss of a major customer;
- Unfavourable settlement of the remaining liability associated with the termination of the EV contract.

Under these scenarios, the financing arrangements available to the business and / or realistic mitigating actions that can be taken to respond to results that are not as planned mean the directors still have a reasonable expectation that the Group have adequate resources to continue in operational existence for the going concern model period, which is in excess of twelve months from the date of approval of the financial statements.
Beyond this period, the directors remain confident that the product offering of the Group is attractive to the market and augurs well for future prospects.

Directors' report for the year ended 31 December 2022 (continued)

Research and development activities

Research and development activities continue to be a high priority for the development of new products and maintaining the technological excellence of existing products. The business consistently invests 10% of turnover into R&D activities and is officially recognised by HMRC as a Knowledge Intensive Business. Specific areas of research conducted in the period have covered manufacturing automation, connectors based on Flexible Printed Circuit technologies, and water proof connectors. Patent applications are in progress to add to the existing patent portfolio.

Future developments

The future developments for the Group are discussed in the Strategic Report, with the business intent on growing its established Glazing operation, whilst developing its novel Cell Contact Management System connector for the high growth Battery Electric Vehicle market segment.

Financial risks

The financial risks facing the Group are set out in note 19 to the financial statements. The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), liquidity risk, capital risk and credit risk. The Group's financial risk management objective is to understand the nature and impact of the financial risks and exposures facing the business and mitigate these as far as possible without engaging in any speculative transactions.

Engagement with employees

The Directors support the participation of employees in the activities of the Group, encourage employees to become involved in the pursuit of safety, efficiency and high performance, and provide employees with regular communication on the Group's plans, performance and programmes.

Significant and director shareholdings

The following shareholders held more than 3% of the Company's ordinary shares at 22 February 2023:

	Number of £0.01 shares	Percentage %
R W Barton	7,554,055	48.9
Jarvis Investment Management	1,128,015	7.3
Anne Barton	945,315	6.1
River and Mercantile Asset Management Limited	870,000	5.6
Crux Asset Management	607,005	3.9
Amati Global Investors	569,699	3.7
Canaccord Genuity Wealth Management	569,699	3.7

Directors interests in shares at 31 December 2022 were as follows

	Number of £0.01 shares held	Number of options over £0.01 shares
R W Barton (including those held by his wife)	8,481,370	-
P George	10,810	-
A Le Van	10,700	72,972
A D Robson	-	-
M Taylor	21,622	-

Director's indemnity

The Company's Articles of Association provide, subject to the provisions of United Kingdom legislation, for an indemnity for Directors and Officers of the Company with regard to liabilities that they may incur in the discharge of their duties or in the exercise of their powers, including any liability relating to proceedings brought against them which relates to anything done, or omitted, or anything alleged to have been done or omitted by them as officers or employees of the Company. Directors' Liability Insurance, as permitted by these Articles, is in place in respect of all the Company's Directors.

Directors' report for the year ended 31 December 2022 (continued)

Website publication

The Directors are responsible for ensuring that the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Post balance sheet events

The business is in the process of transitioning to an alternative banking facility with a new provider. This is a managed process by mutual agreement and the new arrangements are expected to be on similar terms and provide the same initial level of headroom as the previous CID facility was intended to. The transfer is anticipated to complete by 31 August 2023.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework. 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 Group and parent Company and of the profit or loss of the Group for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and the parent Company and to prevent and detect fraud and other irregularities.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the performance, business model and strategy of the company.
Each of the Directors, whose names and functions are listed in the Governance section, confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance
- with UK-adopted international accounting standards in conformity with and as applied in accordance with the provisions of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties faced.

Directors' report for the year ended 31 December 2022 (continued)

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'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's auditor is aware of that information.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the board

Adam Levan

A Le Van
Director
6th June 2023

The Board and Corporate Governance Statements

The Board

The Board comprises the Executive Chairman, Chief Executive Officer, Chief Financial Officer, and two independent Non-Executive Directors. This Board has been in place since Strip Tinning Holdings PLC listed on 16 February 2022. The board members have recent relevant financial experience by virtue of their professional qualifications and their previous executive roles and demonstrate a breadth of experience across the automotive manufacturing sectors through their current and previous roles.

Executive Chairman, Adam Robson
Adam brings a wealth of management and business development experience across automotive and advanced manufacturing. Adam started his automotive career at Lucas Varity plc in various roles including Chief Executive of Autocruise, taking Adaptive Cruise Control to market and International Operations Director and Business Development Director of Lucas Varity Diesel Systems. Subsequently he was an Operating Partner at Nova Capital Management from 2007 until 2015 where he was responsible for building and managing a portfolio of technology and manufacturing businesses in the UK, North America and Europe. Adam then joined Torotrak plc, the automotive green technology development company listed on LSE main market as Chief Executive Officer before leaving for an interim role at Melrose Industries plc. Adam is currently Chair of two private automotive engineering companies, bf1 Systems Limited and Prodrive Composites Limited.

Chief Executive Officer, Richard Barton
Richard has been CEO of Strip Tinning since 1986. Part of the founding family, Richard transformed Strip Tinning from a family run business to an internationally renowned designer and manufacturer of highly innovative and technical components to the automotive glazing sector, supplying all the world's major glazing automotive manufacturers and exporting to over 30 countries. Richard was central to the development of the core product evolution into Flexible Printed Circuits and advanced cell contact management systems for electric vehicle battery packs.

Adam Le Van, Chief Financial Officer
Adam is an experienced Chief Financial Officer in the automotive sector and held the role for Rimstock Limited, a Private Equity backed manufacturer of premium alloy wheels. From 2011 until 2018, Adam was Chief Financial Officer for Bladon Jets, a pioneer in the design, development and manufacture of Micro Turbines. Adam's focus was strategic business planning, funding strategy and investor relations, alongside financial control, accounting and reporting, plus significant preparation of legal and commercial documentation, and oversight of legal issues. Before this, Adam was Head of Supplier Risk at Jaguar Land Rover where he launched an in-house supply chain risk management service and worked in the Transaction Services team at KPMG, predominantly with automotive and industrial clients in the UK, Europe, and US.

Paul George, Senior Independent Non-Executive Director
Paul has extensive experience in audit, reporting and governance having, until April 2020, spent 16 years as an executive director at the Financial Reporting Council (FRC), most recently responsible for corporate governance and reporting having before that been responsible for the Conduct Division. Whilst at the FRC he was Chair of the International Forum of Independent Audit Regulators and a member of the International Accounting Standards Board Advisory Forum. Prior to the FRC, Paul was an executive director of MCG PLC and an audit partner at KPMG. Paul is also a partner of Board Excellence, a business providing Board advisory services, and a Non-Executive Director and Chairman of the Audit Committee at AIM-listed real-estate company, Belvoir Group plc.

Matthew Taylor, Independent Non-Executive Director
Matthew was CEO of Bekaert SA until 2020. Bekaert SA is a €5 billion revenue, 30,000 employee global steel wire business headquartered in Belgium with 45 per cent. of its business in automotive. Prior to this role, Matthew was CEO of Edwards Vacuum, CEO of JC Bamford, and Global MD of Land Rover following his early career in sales and marketing roles with Ford after a short spell in the Royal Navy. Matthew is also a Non-Executive Director on the board of AIM listed Surface Transforms plc, another leading British Automotive Supply Chain business where he is Chair of the Audit Committee and sits on the remuneration committee. He is also a Non-Executive Director at Mpac Group plc.

Corporate Governance

AIM-quoted companies are required to adopt a recognised corporate governance code with effect from their admission to trading on AIM however, there is no prescribed corporate governance regime for AIM companies. The QCA has published the Quoted Companies Alliance's Corporate Governance Code (the "QCA Code"), a set of corporate governance guidelines, which include a code of best practice, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Directors acknowledge the importance of high standards of corporate governance and intend, given the Group's size and the constitution of the Board, to comply with the QCA Code.

The Board is committed to high standards of corporate governance and recognises that it is accountable to shareholders for good governance. The Group's corporate governance procedures define the duties and constitution of the Board and the various Board committees and, as appropriate, specify responsibilities and level of responsibility. For details around how the Group applies specific principles of the Code please refer to the Company's website www.striptinnning.com.

The Board meets regularly, at least six times a year, with additional meetings being arranged when necessary. A total of fourteen Board Meetings were held in 2022 and all Board members had full attendance records. The Board sets out the overall strategic direction for Strip Tinning, regularly reviews management performance and ensures that the Group has the right level of resources available to support strategic goals. The Board is satisfied that the necessary controls and resources are in place such that these responsibilities can be properly addressed.

The corporate governance structures and processes and how they have been applied throughout the year ended 31 December 2022 are described below.

Audit and Risk Committee

The audit and risk committee is responsible for the appointment of the external auditor, agreeing the nature and scope of the audit and reviewing and making recommendations to the Board on matters related to the issue of financial information to the public. It assists all directors in discharging their responsibility to ensure that accounting records are adequate and that the financial statements give a true and fair view.

Remuneration Committee

The Remuneration Committee is comprised of Matthew Taylor (Chair) and Paul George. The Remuneration Committee sets the overall policy on remuneration and other terms of employment of Directors, including those on the Operating Board of Strip Tinning Limited.

The Remuneration Committee aims to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate Directors of the right calibre. When assessing the pay and benefits of the Directors, the Remuneration Committee takes account of remuneration and benefits information in the marketplace and the pay and employment conditions elsewhere in the Group.

Committee membership

The audit and risk committee currently comprises the two non-executive directors, Paul George and Matthew Taylor, and the Executive Chairman, Adam Robson. The audit and risk committee is chaired by Paul George. The board considers that each of the committee members have recent relevant financial experience by virtue of their professional qualifications and their previous executive roles.

Nomination committee

The Nomination Committee comprises Adam Robson, who will act as chair, Richard Barton, Paul George and Matthew Taylor. The nomination committee will be responsible for identifying and nominating for Board approval candidates to fill board vacancies and evaluating the need for and nature of additional appointments. No additional Main Board or Operating Board appointments were made in 2022.

Corporate Governance (continued)

Board Effectiveness
At the time of the IPO in February 2022, the Board was originally constituted as comprising an Independent Non-Executive Chairman, two Executive Directors and two Independent Non-Executive
Directors. The role of the Chairman is to manage the Board in the best interests of its stakeholders, to ensure that shareholders' views are communicated to the Board and to be responsible for ensuring the Board's integrity and effectiveness. The Board continually assesses the appropriateness of its agendas, and the information needed to support the Board's role in setting strategy, overseeing performance and decision making. Further to a review conducted in Q3 2022 the Board reassessed its needs and how it should operate going forward and decided to appoint Adam Robson as Executive Chairman. Furthermore, the Board looked closely at the matters the Board should focus on and how to ensure it remained strategically rather than operationally focused and revamped its agenda accordingly. The Board considers the revised Board structure is appropriate for the Company to make the most of the skills available to the business and enable to navigate the challenging trading environment and launch of the EV business. It is deemed that two Non-Executive Directors provide sufficient independence to protect the interest of shareholders and other stakeholders and the arrangement remains compliant with QCA guidelines. In addition, there are processes in place enabling Directors to take independent advice at the Company's expense in the furtherance of their duties. The role of Company Secretary is undertaken by the Chief Financial Officer, Adam Le Van, who has experience of delivering this function and is supported by the NOMAD, Share Registrar, and Legal Advisors.

Company Culture
Strip Tinning has transitioned from a family owned and run business to a listed entity with increased input from professional managers and a Board responsible for protecting the interests of external shareholders. The Board seeks to continue to foster, encourage and harness the entrepreneurial spirit and sales driven focus of the company whilst instilling increased rigour and discipline to decision making and processes. The other significant cultural pillar of the business under family ownership has been staff welfare and reward. Examples demonstrating this include the commitment to the National Living Wage for all employees, non-contributory pension scheme, universal life assurance, staff uniforms, day off for birthday and significant Long Service Awards. The Board believes that maintaining this approach, as well as being the right thing to do, strengthens the business in the long run by promoting employee loyalty and retention in a tight labour market for skilled workers. The introduction, post listing, of the employee Share Incentive Plan is evidence of this. The continual growth of the business will open up new opportunities for employees to progress their career in a dynamic environment where going above and beyond is both recognised and rewarded.

Audit And Risk Committee Report

The report details the role of the audit and risk committee and the work it has undertaken during the year as well as its meeting in April 2023 when this annual report and financial statements were approved.
Significant issues considered by the audit and risk committee.

The committee had three scheduled meetings during the year which were attended by all members of the committee. It has an agenda linked to the events in the Group's financial calendar. The external auditor met with the committee without management being present and the chair has direct contact with the audit partner as required. During the year the committee:

- reviewed the half-year and full-year results;
- received and considered, as part of the review of the annual financial statements, reports from the external auditor in respect of the auditor's Group audit plan for the year and the results of the annual audit. These reports included the scope of the annual audit, the approach adopted by the auditor to address and conclude upon key estimates and other key audit areas, the basis on which the auditor assesses materiality, the terms of engagement for the auditor and an ongoing assessment of the impact of future accounting developments on the Group;
- considered whether the annual report is fair, balanced and understandable. In doing so, the committee reviewed and discussed with management the content and appropriateness of the information included within the 2022 annual report. This provided the committee with the supporting detail to ensure that it was in a position to report to the board that the 2022 annual report, taken as a whole, was fair, balanced and understandable. This was on the basis that the business description, business model and strategy agreed with its own understanding of the Group, and the balance in the reporting of performance reflected both positive and negative issues and reflected the Group's activities during the year;
- considered the effectiveness and independence of the external auditor. The auditor specifically demonstrated professional scepticism and challenged management assumptions;
- made a recommendation to the board to appoint Mazars as external auditor;
- reviewed the Company's policy on non-audit fees and ensured appropriate safeguards are in place; and
- reviewed reports on the key business risks, including a review of the internal control processes used to identify, monitor and mitigate the principal and emerging risks and uncertainties.

Corporate Governance (continued)

The committee received, reviewed, and challenged reports from management and the external auditor setting out the significant issues in relation to the 2022 annual report and made their own assessment. These issues were discussed and challenged with management during the year. They were also discussed with the auditor at the time the committee reviewed and agreed the auditor's Group audit plan and at the conclusion of the audit of the financial statements. The issues that were discussed included:

- accounting for right-of-use assets and lease liabilities under IFRS 16;
- revenue recognition;
- capitalisation and impairment of intangible assets;
- the change of depreciation and amortisation policies to provide a better accounting estimate for group assets;
- stock provisions required for discontinued business linked to Russia and contracts terminated early due to price increases;
- treatment of any potential liabilities arising from the termination of the Rimac contract;
- Going Concern.

The committee calls upon the external auditor and the executive directors to attend formal meetings as required. These meetings are held at least three times a year. The external auditor is given the opportunity to raise any matters or concerns they may have in the absence of the executive directors at separate meetings with the audit and risk committee or its chair.

Auditor's independence

The committee reviews the independence of the external auditor by assessing the arrangements for the day-to-day management of the audit relationship as well as reviewing the auditor's report which describes their procedures for identifying and reporting conflicts of interest. To maintain the auditor's independence, the committee has also established the policy that the primary role of the external auditor is to perform services directly related to their audit responsibilities. Any non-audit services are approved by the committee. Non- audit fees paid to the auditor amounted to £nil in the year. The Group uses other advisers for taxation advice and other services. The audit fees are disclosed in note 4.

The audit and risk committee considers the re-appointment of the external auditor each year, as well as remuneration and other terms of engagement. The committee recommends the re-appointment of Mazars as external auditor. There are currently no contractual obligations which restrict the choice of external auditor.

Internal financial control

The directors recognise that they have overall responsibility for ensuring that the Group maintains a sound system of internal control to safeguard shareholders' investment and the Group's assets, and for reviewing its effectiveness. The system is designed with regard to the size of the Group to manage risks that may prevent the Group from achieving its business objectives, rather than to eliminate these risks. However, even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place from the start of the period until the date of approval of this report. This process is regularly reviewed by the committee and the board throughout the year.

The effectiveness of the Group's system of internal control is regularly periodically by the committee and the board. The review covers all material controls, including financial, operational and compliance controls and risk management. The monitoring of control procedures is achieved through regular review by the CFO, reporting to the committee and to the board. This review process considers whether significant risks have been identified, evaluated and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The organisational structure of the Group gives clear management responsibilities in relation to internal financial control. Financial risks are controlled through clearly laid down authorisation levels. There is an annual budget which is approved by the directors. The results are reported monthly and compared to the budget. The Committee considered the extent to which monthly management reporting was consistent with the audited financial statements and received confirmation from the Chief Financial Officer and Group Financial Controller that there had been no material breaches in the internal control framework during the year. Regular reporting by senior management ensures that, as far as possible, the controls and safeguards are being operated appropriately. This process is considered by the audit and risk committee alongside the adequacy of the risk management and internal control systems, and the external and internal auditors' reports. The internal control and risk management systems are considered to be appropriate. The audit committee receives a report from the external auditors annually.

Corporate Governance (continued)

Internal audit

The Committee has decided that, given the nature of the Company's business and assets and the overall size of the Company, the systems and procedures currently employed provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is in place. A traditional internal audit function is therefore considered unnecessary at this point in time.

Risk management

The committee is responsible for assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks. A description of the principal risks and the strategies to manage these risks are included on pages 55-57.

Work has been ongoing to measure the impact of each operational risk to better understand the mitigating actions necessary alongside progress made on each of these actions. The committee is satisfied that good progress has been made on the development of the risk register in this way throughout the year. The committee expects that this programme will continue to evolve further throughout 2022, including as part of the external accreditations it maintains or is seeking to achieve.

Process for preparing consolidated financial statements

The Group has established internal control and risk management systems in relation to the process for preparing the consolidated financial statements. The key features of these systems are:

- Management regularly monitors and considers developments in accounting standards and best practice in financial reporting and reflects developments in the financial statements where appropriate. Committee members keep up to date through their other business activities and review of IASB announcements The external auditor also keeps the committee apprised of these developments;
- The committee and the board review the draft financial statements. The committee receives reports from management and the external auditor on significant judgements, changes in accounting policies, changes in accounting estimates and any other appropriate changes to the financial statements;.
- The annual financial statements are subject to external audit.

Anti-bribery and anti-corruption

Bribery and corrupt practices are never tolerated in the pursuit of Strip Tinning's business objectives or goals, or within business relationships, or the actions of its employees and associated parties. This commitment is driven from the Chief Executive and the board throughout the entire Group and a commitment is expected of all who work with the Group and who act on our behalf or are employed or engaged in any capacity by us. The Strip Tinning anti-bribery policy reflects Strip Tinning's zero tolerance approach to acts of bribery.

Whistleblowing

The board is responsible for the review of the Company's procedures for responding to the allegations of whistleblowers alongside input from the audit and risk committee. Whistleblowing arrangements are in place to enable staff who may, in confidence, want to raise concerns about possible financial reporting irregularities. This whistleblowing procedure is communicated to staff within relevant employee policies. Strip Tinning endeavours to protect those who make disclosures of wrongdoing. Any reports made in good faith will be dealt with in confidence (to the extent possible), and the reporting employee shall not be discriminated against as a result of their actions. No reports were received in the year.

Paul George

On behalf of the board
Paul George
Audit and risk committee chair
6th June 2023

Remuneration committee report

Director remuneration
Directors emoluments are set out in Note 5 of the accounts. During the year pension contributions of £8,000 were paid to Executive Directors and The Directors' taxable benefits amounted to £10,000.

Remuneration for Non-Executive Directors consists of fees for their services in connection with Board and Committee meetings. These fees are determined by the Committee without the involvement of the Non-Executive Director concerned. Non-Executive Directors do not participate in any Group pension or share option schemes.
Directors' contracts are designed to provide the assurance of continuity which the Group desires. There are no provisions for pre-determined compensation on termination.

Basic salary or fees for each Director are reviewed annually by the Remuneration Committee, taking into account the performance of the individual and information from independent sources on the rates of salary for similar posts. The packages in place during 2022 were set at the point of the listing in February 2022. During the course of the year the following reviews took place:
- CEO Richard Barton voluntarily forego his salary in recognition of his majority shareholder status and trading conditions;
- The fees of Adam Robson were increased to reflect his transition from Non-Executive Chairman to Executive Chairman with the attendant increase in hours;
- Adam Le Van and Mark Perrins (Managing Director of Strip Tinning Limited) had adjustments made to their contractual car entitlement to reflect a company policy decision to move away from a fully expensed company car on a traditional lease to provision of a vehicle via salary sacrifice on an electric vehicle only lease scheme as part of the wider group ESG initiatives. The Remuneration Committee consider these adjustments were a cost neutral rebalancing and not an increase in remuneration.

No other revisions were made to Director base packages.

The Company operates a bonus scheme to incentivise Executive Directors to meet the financial and strategic objectives of the Group. Based on the financial results achieved in the year versus the expectations set at the time of the company listing, no bonuses were awarded or paid to Executive Directors of the Main Board or Operating Board.

Service contracts
The Executive Directors of the Company do not have a notice period in excess of twelve months under the terms of their service contracts. Their service contracts contain no provisions for predetermined compensation on termination which exceed one year's salary and benefits in kind. Non-Executive Directors do not have service contracts with the Company but have letters of appointment.

Company policy on external appointments
The Company recognises that its Directors are likely to be invited to become non-executive directors of other companies and that exposure to such non-executive duties can broaden their experience and knowledge, which will benefit the Group. Executive and Non-Executive Directors are, therefore, subject to the approval of the Company's Board, allowed to accept non-executive appointments, as long as these are not with competing companies and are not likely to lead to conflicts of interest. Executive and Non-Executive Directors are allowed to retain the fees paid.

Share options
The Remuneration Committee is responsible for awarding options over ordinary shares to Executive Directors and certain senior managers under the Enterprise Management Incentive (EMI) Scheme and company wide Share Incentive Plan (SIP).

These schemes are intended to offer long-term incentives to Directors and senior management and the staff as a whole. The Remuneration Committee believes that the potential for share ownership and participation in growing the value of the Company increases the commitment and loyalty of Directors and staff.

Remuneration Committee Report (continued)

A tranche of share options under the EMI LTIP scheme were allocated to Executive Directors and the Senior Management Team to incentivise maximisation of profitability and shareholder return at or around the time of the listing in February 2022 and linked to the expectations set out in the Admission Document, measured by a combination of Earnings Per Share and Total Shareholder Return. Following the trading conditions and challenges faced by the business, as detailed in the Strategic and Directors Reports, these options are unlikely to vest.

The Remuneration Committee also oversaw the implementation of the employee Share Incentive Plan (SIP) under which 322,345 ordinary shares of 1 penny each in the Company were issued to all employees, including key members of the Operating Board. The SIP Shares represent approximately 2.1% of the current issued share capital of the Company.

The SIP (details of which were included in the Company's admission document) had been a longstanding ambition of CEO and majority shareholder Richard Barton to reward staff for their loyalty, while creating shared ownership of the business among key employees. The grants made on 31 October 2022 are in the form of "Free Share" awards to employees who have worked at the company for a minimum of 6 months up to a maximum value of £3,600 worth of Ordinary Shares in the Company.

The Company have established an employee benefit trust, called The Strip Tinning Holdings PLC Share Incentive Plan Trust ("SIP Trust"), and appointed Global Shares Trustees (UK) Limited ("SIP Trustee") as the trustee of the SIP Trust. The Free Shares will be held in the SIP Trust for a period of three years before being released to participants and will usually be forfeited if, during the holding period, the participant in question ceases employment other than in specific circumstances.

The Company's Executive Directors do not currently participate in the SIP and did not receive an award of Free Shares.

On behalf of the board
Matthew Taylor
Remuneration committee chair
6th June 2023

Independent auditor's report to the members of Strip Tinning Holdings plc

Opinion

We have audited the financial statements of Strip Tinning Holdings Plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2022 which comprise Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

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 31 December 2022 and of the group's and the parent company's loss for the period then ended; and
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 the parent 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 as applied to SME listed entities 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.

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Obtaining and reviewing managements formal going concern assessment;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, as described in page 15, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;

- Assessing and challenging key assumptions;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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 and 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	**How our scope addressed this matter**
Merger accounting During the financial period Strip Tinning Holdings Plc acquired 100% of the share capital of Strip Tinning Limited. Merger accounting was applied as this was an acquisition under common control. We identified a significant inherent risk over the application of merger accounting and the relevant disclosures in the financial statements	Our audit procedures included, but were not limited to: • Reviewed the accounting entries for the application of merger accounting; • Reviewed the circumstances around the acquisition to conclude on whether merger accounting was an appropriate accounting policy choice; • Reviewed the disclosure in the financial statements for the accounting policy and relevant notes. **Our observations** We have concluded merger accounting is an appropriate accounting policy choice to account for the business combination.
Investment impairment Strip Tinning Holdings Plc holds an investment in Strip Tinning Limited. This was valued at the net assets of Strip Tinning Limited at the date of the merger.	We addressed this risk by performing the following: • We have engaged with our internal valuations experts to review the

The investment value is capped at the net asset value to be compliant with the Companies Act 2006 Section 612 reserve. During the audit process there have been indicators of impairment identified therefore a discounted cash flow model has been prepared to support the valuation of the investment. There is a risk the investment value is not supported by the discounted cash flow forecast. The carrying value of the investment as at 31/12/2022 is £3,841k.	assumptions and the mathematical accuracy of the discounted cash flow forecast; • Challenged the key assumptions in the model and discussed with management our conclusions and the impact on the valuation of the investment; • Reviewed the underlying data included in the model for revenue growth to ensure only confirmed material orders are included; • Engaged with our internal technical experts to review the financial statement disclosures. Please refer to note 2 and page 40 for details on managements accounting policy. • Engaged with our internal valuations experts to review the WACC rate used in the discounted cash flow model to ensure in line with current macro-economic conditions. **Our observations:** We considered management's discounted cash flow forecast to be accurate and in line with the Group accounting policy as described on page 40. No impairment has been identified.
Inventory provision Strip Tinning Holdings Plc has a large amount of aged stock and historically the calculations for the stock provision were simple. We have spent a significant amount of time auditing the inventory provision and the valuation of inventory to ensure this is valued at the lower of cost vs net realisable value. There is a risk that inventory is overstated due to management's judgement on potentially obsolete, damaged and slow-moving items in determining the net realisable value. The value of the provision as at 31 December 2022 is £478k (31 December 2021: £0k provision. Refer to page 41 (note 2 Critical accounting judgements and sources of estimation uncertainty) and note 13 (Inventories) for financial disclosures. Due to the inventory being a material balance in the Group, and the judgement used in calculating the inventory provision, we consider this to be a key audit matter.	We addressed this risk by performing the following: • Obtaining and reviewing the inventory provision policy implemented by the Group, and reperforming the calculation to ensure the policy is being applied; • we obtained an understanding of, and challenged the assumptions used, in management's processes with regards to the calculation of the year end inventory provision; • valuation testing on a sample of finished good and work in progress inventory items comparing cost to sales proceeds post year end in order to obtain assurance that inventories are being held at the lower of cost and net realisable value, • valuation testing on a sample of raw materials, comparing the bill of materials which contained the raw material selected for testing to the sales proceeds of the finished good in order to obtain assurance that inventories are being held at the lower of cost and net realisable value; • during our attendance of stock takes, we documented our review of any obsolete, slow moving or damaged inventory items, as well as the condition of the warehouse, with no such items or issues noted;

	• we re-performed the calculation of the inventory write-off provision and confirmed its accuracy and mathematical logic; • we obtained and reviewed the underlying historical data used in the provision calculation and confirmed that this was accurate and correctly applied; and • we performed a stand-back review considering relevant internal and external factors in our assessment of the appropriateness of the methodology and valuation of the inventory provision. **Our observations:** We considered management's judgement on the level of provisioning to be reasonable and in line with the Group accounting policy as described on page 41.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group and parent company materiality

Overall materiality	£174,773 for Strip Tinning Holdings Plc Group £299,000 for Strip Tinning Holdings Plc (Entity only)
How we determined it	1.7% of revenue for Strip Tinning Holdings Plc Group 3% of Net Assets for Strip Tinning Holdings Plc entity only
Rationale for benchmark applied	Strip Tinning Holdings Plc Group made a loss during 2022. The profitability of the subsidiary Strip Tinning Limited has changed in recent years with a profit generated in 2020 and a loss in 2021. Revenue has remained fairly consistent with growth in 2021 and a slight reduction in 2022 We have deemed this to be a more reasonable benchmark due to the consistency and management focuses on revenue during their monthly meetings. We have calculated materiality for the entity only using net assets as the entity is a holding company with limited expenses.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

	We set performance materiality at £113,602 for Strip Tinning Holdings Plc Group which represents 65% of overall materiality for the Group. We set performance materiality at £195,000 for Strip Tinning Holdings Plc (Entity only) which represents 65% of overall materiality for the entity.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £5,243 (Group and entity) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the group and the parent company financial statements. Based on our risk assessment Strip Tinning Limited and Strip Tinning Holdings Plc were subject to full scope audit performed by the group audit team.

At the parent company level, the group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial period 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 light of the knowledge and understanding of the group and the parent 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 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
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules; 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 17, 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 financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements:

employment regulation, health and safety regulation, anti-money laundering regulation, AIM listing rules and QCA corporate governance code.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Reviewing minutes of directors' meetings in the period; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut of assertion) and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Audit committee on 17 October 2022 to audit the financial statements for the period ending 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement is 1 period.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit 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.

Stephen Brown (Jun 6, 2023 19:52 GMT+1)

Stephen Brown (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

The Pinnacle,

160 Midsummer Boulevard,

Milton Keynes

MK9 1FF

Date Jun 6, 2023

Consolidated statement of comprehensive income
for the year ended 31 December 2022

	Note	**2022**	2021
		£'000	£'000
Revenue	3	**10,230**	11,150
Cost of sales		**(9,731)**	(7,872)
Gross profit		**499**	3,278
Other operating income	4	**439**	31
Administrative expenses	4	**(5,864)**	(4,213)
Impairment loss	4	**(577)**	-
Operating loss	4	**(5,503)**	(904)
Finance expense	6	**(147)**	(158)
Loss before taxation		**(5,650)**	(1,062)
Taxation	7	**725**	237
Loss and total comprehensive expense for the financial year		**(4,925)**	(825)
Basic and diluted loss per share (pence)	8	**(33.7)**	(8.25)

All amounts relate to continuing operations.

There is no other comprehensive income in either the current or prior year.

Under the merger accounting principles applied as set out on page 41, the statement includes the results of the company and its subsidiary as if they had been combined throughout the current and prior year.

The notes on pages 39 to 60 form part of these financial statements.

Strip Tinning Holdings plc

Consolidated statement of financial position as at 31 December 2022

	Note	31 December 2022 £'000	31 December 2021 £'000
Assets			
Non current assets			
Intangible assets	9	**1,277**	1,561
Right-of-use assets	10	**1,151**	1,142
Property, plant and equipment	11	**2,950**	3,089
		5,378	5,792
Current assets			
Inventories	13	**1,848**	2,014
Trade and other receivables	14	**3,381**	3,778
Tax recoverable		**559**	279
Cash at bank and in hand		**1,290**	337
		7,078	6,408
Total assets		**12,456**	12,200
Liabilities			
Current liabilities			
Trade and other payables	15	**(3,045)**	(4,413)
Borrowings	16	**(553)**	(559)
Lease liabilities	17	**(182)**	(152)
		(3,780)	(5,124)
Non current liabilities			
Accruals and deferred income	15	**(37)**	(162)
Borrowings	16	**(992)**	(1,235)
Lease liabilities	17	**(995)**	(1,104)
Provisions	20	**(227)**	-
Deferred taxation	21	**-**	(338)
		(2,251)	(2,839)
Total liabilities		**(6,031)**	(7,963)
Net assets		**6,425**	4,237
Equity			
Called up share capital	22	**154**	-
Share premium account	22	**6,966**	-
Merger reserve	22	**(100)**	-
Other reserve	22	**(3)**	-
Accumulated loss/retained earnings		**(592)**	4,237
Total equity		**6,425**	4,237

The notes on pages 39 to 60 form part of these financial statements.

These financial statements on pages 34 to 60 were approved and authorised for issue by the board on 6th June 2023 and were signed on its behalf by:

Adam Levan

A Le Van
Director
Strip Tinning Holdings plc **Registered number: 13832126**

Company statement of financial position as at 31 December 2022

	Note	31 December 2022 £'000
Assets		
Non current assets		
Investments	12	**3,841**
Current assets		
Trade and other receivables	14	**5,791**
Cash at bank and in hand		**414**
		6,205
Total assets		**10,046**
Liabilities		
Current liabilities		
Trade and other payables	15	**(67)**
Total liabilities		**(67)**
Net assets		**9,979**
Equity		
Called up share capital	22	**154**
Share premium account	22	**6,966**
Merger reserve	22	**3,645**
Other reserve	22	**(3)**
Accumulated loss		**(783)**
Total equity		**9,979**

As permitted by section 408 of the Companies Act 2006, the parent Company's profit and loss account has not been included in these financial statements. The Company recorded a loss for the period from incorporation to 31 December 2022 of £879,000.

The notes on pages 39 to 60 form part of these financial statements.

These financial statements on pages 34 to 60 were approved and authorised for issue by the board on 6th June 2023 and were signed on its behalf by:

Adam Levan

A Le Van
Director
Strip Tinning Holdings plc **Registered number: 13832126**

Consolidated statement of changes in equity for the year ended 31 December 2022

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserve £'000	Accumulated loss £'000	Total Equity £'000
Balance as at 1 January 2021	-	-	-	-	5,104	5,104
Loss and total comprehensive expense for the financial year	-	-	-	-	(825)	(825)
Share based payment (note 23)	-	-	-	-	145	145
Share options deferred tax credit	-	-	-	-	225	225
Dividends paid (by Strip Tinning Limited)	-	-	-	-	(412)	(412)
Total contributions by owners	-	-	-	-	(42)	(42)
Balance as at 31 December 2021	**-**	**-**	**-**	**-**	**4,237**	**4,237**
Loss and total comprehensive expense for the financial year	-	-	-	-	(4,925)	(4,925)
Share based payment (note 22, 23)	-	-	-	(3)	96	93
Capital reorganisation (note 22)	100	-	(100)	-	-	-
Issue of share capital (note 22)	54	6,966	-	-	-	7,020
Total contributions by owners	54	6,966	-	(3)	96	7,113
Balance as at 31 December 2022	**154**	**6,966**	**(100)**	**(3)**	**(592)**	**6,425**

Company statement of changes in equity for the year ended 31 December 2022

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Other reserve £'000	Accumulated loss £'000	Total equity £'000
On incorporation	**-**	**-**	**-**	**-**	**-**	**-**
Loss and total comprehensive expense for the financial year	-	-	-	-	(879)	(879)
Issue of share capital in exchange for Strip Tinning Limited shares (note 22)	100	-	3,645	-	-	3,745
Issue of share capital (note 22)	54	6,966	-	-	-	7,020
Share based payment (note 22, 23)	-	-	-	(3)	96	93
Total contributions by owners	154	6,966	3,645	(3)	-	10,858
Balance as at 31 December 2022	**154**	**6,966**	**3,645**	**(3)**	**(783)**	**9,979**

Consolidated cash flow statement for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flow from operating activities			
Loss for the financial year		**(4,925)**	(825)
Adjustment for:			
Depreciation of property, plant and equipment	11	**592**	561
Depreciation of right-of-use assets	10	**203**	160
Amortisation of intangible assets	9	**180**	191
Impairment of intangible fixed assets	9	**577**	-
Loss on disposal of tangible fixed assets		**55**	-
Foreign exchange movements		**(9)**	-
Amortisation of government grants		**(49)**	(31)
IPO financing related costs in administrative expenses		**314**	-
Share based payment	23	**96**	145
Finance costs	6	**147**	158
Taxation credit	7	**(725)**	(237)
Changes in working capital:			
Decrease/(increase) in inventories	13	**166**	(492)
Decrease/(increase) in trade and other receivables	14	**397**	(1,605)
(Decrease)/increase in trade and other payables	15	**(1,309)**	3,022
Cash (used in)/generated from operations		**(4,290)**	1,047
Income tax received		**107**	24
Net cash (used in)/generated from operating activities		**(4,183)**	1,071
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(508)**	(737)
Proceeds on disposal of intangible fixed assets		**15**	-
Purchase of intangible assets	9	**(488)**	(732)
Net cash used in investing activities		**(981)**	(1,469)
Cash flows from financing activities			
Issue of share capital	22	**8,094**	-
Share issue costs paid	22	**(1,077)**	-
Dividends paid to shareholders (by Strip Tinning Limited)		**-**	(412)
IPO financing related costs paid		**(314)**	-
Interest paid		**(147)**	(158)
Payment of lease liabilities		**(199)**	(136)
Loan advanced		**-**	355
Hire purchase finance received		**311**	401
Loan repayments		**(73)**	-
Repayment of capital element of hire purchase contracts		**(487)**	(545)
Net cash generated from/(used in) financing activities		**6,108**	(495)
Net increase/(decrease) in cash and cash equivalents		**944**	(893)
Cash and cash equivalents at the beginning of the year		**337**	1,230
Foreign exchange movements		**9**	-
Cash and cash equivalents at the end of the year (all cash at bank and in hand)		**1,290**	337

Notes to the financial statements
for the year ended 31 December 2022

1 Corporate information

Strip Tinning Holdings plc is a public company incorporated in the United Kingdom and listed on the Alternative Investment Market. The registered address of the Company is Arden Business Park, Arden Road, Frankley Birmingham, West Midlands, B45 0JA.

The principal activity of the Company is as a holding company for a subsidiary which manufactures automotive busbar, ancillary connectors and flexible printed circuits (together the 'Group').

2 Accounting policies

Basis of preparation
The Group financial statements have been prepared in accordance with UK adopted international accounting standards ("IFRS") and in accordance with the requirements of the Companies Act 2006.

The parent Company financial statements have been prepared under applicable United Kingdom Financial Reporting Standards 101: Reduced Disclosure Framework ("FRS101") and the requirements of the Companies Act 2006. The following FRS 101 disclosure exemptions have been taken in respect of the parent Company only information:

- IAS 7 Statement of cash flows;
- IFRS 7 Financial instruments disclosures and;
- IAS 24 Key management remuneration.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. There are no changes as a result of revised standards to the policies applied by Strip Tinning Limited in its 2021 financial statements.

The financial statements have been prepared under the historical cost convention. The financial statements and the accompanying notes are presented in thousands of pounds sterling ('£'000'), the functional and presentation currency of the Company, except where otherwise indicated.

Going concern
After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. In adopting the going concern basis for preparing the financial statements, the directors have considered a base case going concern model and then modelled a series of severe but plausible downside scenarios such as reductions in sales from potential conflicts, reduced market demand for the company products, material price increases, the loss of a major customer, or an unfavourable settlement of the remaining liability associated with the termination of the EV contract. The results of this stress testing suggested that with the financing arrangements available to the business and / or realistic mitigating actions, the Group has adequate resources to continue in operational existence. For this reason, the directors continue to adopt the going concern basis in preparing the Group's and Company's financial statements.

2 Accounting policies (continued)

Standards, amendments and interpretations in issue but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2023 and which the Group has chosen not to adopt early. These include the following standards which may be relevant to the Group:

- Amendment to IAS 1 regarding the classification of liabilities being based on an entity's rights at the end of a reporting period and disclosure in respect of material accounting policies;

- IAS 8 Amendments regarding the definition of accounting estimates;

- IAS 12 Amendments regarding deferred tax on leases which give rise to equal amounts of taxable and deductible temporary differences on recognition;

- IFRS 16 Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions

As a result of initial review of the new standards, interpretations and amendments which are not yet effective in these financial statements, none are expected to have a material effect on the Company or Group's future financial statements.

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, as well as expectations of future events and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Right-of-use assets
Estimation
The application of IFRS16 involves an estimation of the appropriate incremental borrowing rate and of the relevant lease period. The rate is reviewed in conjunction with the rates on similar borrowings and a judgement has been made where there are break options by reference to business plans and the most likely outcome. An increase in the rate of 1% would have reduced the opening asset and liability by £67,000 with no impact on net assets, reduced the depreciation charges by £6,000 a year and increased finance charges for 2021 and 2022 by approximately £10,000.

Property, plant and equipment
Estimation
Property, plant and equipment as set out in note 11 is depreciated over the estimated useful lives of the assets. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness and events which may cause the estimate to be revised.

Impairment of investment
Judgement
Investments are tested for impairment in accordance with IAS 36 'Impairment of Assets'. Investments have separately identifiable cashflows. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

2 Accounting policies (continued)

Intangible assets
Judgement
The capitalisation of development costs set out in note 9 is subject to a degree of judgement in respect of the point when the commercial viability of new technology and know-how is reached, supported by the results of testing and customer trials. The carrying values are shown in note 9.

Estimation
Capitalisation criteria in respect of financial recoverability involves estimated forecasts of future sales and margins with assumptions based on experience and trends when they are prepared which may change over time. At 31 December 2022 there was the specific impairment referred to in note 9 and the group has performed a sensitivity analysis and noted that a reasonable change in the underlying significant assumptions is not expected to result in an impairment of an intangible asset.
Amortisation commences once management consider that the asset is available for use, i.e. when it is judged to be in the location and condition necessary for it to be capable of operating in the manner intended by management and the cost is amortised over the estimated 5 to 8 year useful life of the know-how based on experience of and future expected customer product cycles and lives.

Deferred taxation
Judgement
The recognition of deferred tax assets involves the assessment of forecasts in respect of future results and taxable profits and judgement as to the likelihood that these will be achieved and realise the assets.

Inventory
Judgement
The calculation of net realisable value provisions against inventory requires, in particular, an assessment of whether materials or components can be utilised in future production. Management use past experience and expectations of future orders to judge whether inventory will not be used and therefore requires a provision.

Basis of consolidation

The Company was incorporated on 6 January 2022 with one £0.01 ordinary share and on 2 February 2022, became the Group parent Company when it issued 9,999,999 £0.01 ordinary shares in exchange for all the ordinary shares in Strip Tinning Limited. In addition, options over ordinary shares in Strip Tinning Limited were converted, on equivalent terms, to options over 813,045 shares in the Company. This is considered not to be a business combination and outside the scope of IFRS3 Business Combinations. This is a key judgement. and as a transaction where there was no change in the shareholders or holdings is accordingly accounted for using merger accounting with no change in the book values of assets and liabilities with no fair value accounting applied. These consolidated financial statements of the Group are the first set of financial statements for the newly formed Group. The prior period comparatives are those of Strip Tinning Limited since no substantive economic changes have occurred.
The consolidated financial statements present the results of the Company and its subsidiary as if they have always formed a single group. Intercompany transactions and balances between Group companies are therefore eliminated in full. The share capital presented is that of Strip Tinning Holdings plc from the date of the capital reorganisation in 2022 with the difference on elimination of Strip Tinning Limited’s capital being shown as a merger reserve.
The consolidated statement of comprehensive income reflects the consolidated results for the full financial year ended 31 December 2022, inclusive of the results of the newly incorporated parent entity, plc, from 6 January 2022 onwards.
A subsidiary is an entity over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

2 Accounting policies (continued)

Revenue

Revenue principally comprises income from the sale of automotive glazing components comprising busbar, ancillary connectors and flexible printed circuits together with a small degree of product tooling purchased by customers and represents the amount receivable for the sale of these component products or tooling, excluding VAT and trade discounts. Tooling is usually retained by the Group and held as a fixed asset.

There are framework agreements with major customers including pricing per component and purchase orders are then received from customers for each delivery. Revenue is recognised to the extent that the performance obligations, being the agreement to transfer the product meeting the technical specifications is satisfied, which is when the customer obtains control of the product or of the tooling and is able to benefit from or direct the use of the product. The transfer takes place in accordance with the terms agreed with each customer, either at the point in time the goods are despatched to or received by the customer. Product is tested before dispatch, but any product returned by the customer as faulty is treated as a reduction in revenue.

Any tooling revenue is recognised in full once the tooling project is complete and in use to make parts for the customer.

When an amount has been invoiced or payment received in advance of the associated performance obligations being fulfilled, any amounts due are recognised as trade receivables and deferred income is recorded for the sales value of the performance obligations that have not been provided.

Grants

Income based grants

Income based grants are recognised in other operating income based on the specific terms related to them as follows:

- A grant is recognised in other operating income when the grant proceeds are received (or receivable) provided that the terms of the grant do not impose future performance-related conditions.
- If the terms of a grant impose performance-related conditions including incurring related expenditure, then the grant is only recognised in income as the related performance conditions are met.
- Any grants that are received before the revenue recognition criteria are met are recognised in the statement of financial position as an other creditor within liabilities.

Capital grants

Grants received relating to tangible and intangible fixed assets are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

Employee benefits

The Group operates a defined contribution pension scheme. Contributions are recognised in the statement of comprehensive income in the year in which they become payable in accordance with the rules of the scheme.

Share based payment

The Company operates an equity-settled share-based compensation plan in which the Group receives services from employees as consideration for share options. The fair value is established at the point of grant using an appropriate pricing model and then the cost is recognised as an expense in administrative expenses in the statement of comprehensive income, together with a corresponding increase directly in equity over the period in which the services are fulfilled. This is the estimated period to vesting in respect of employees. The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Deferred tax credits in respect of the potential future tax deduction from exercise of options are initially included in the tax in the statement of comprehensive income. To the extent the potential corporate tax deduction exceeds the share based payment charges, the deferred tax is taken directly to retained earnings in equity in accordance with IAS12.

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Accounting policies (continued)

Income tax

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Computer software

Computer software assets are capitalised at the cost of acquiring and bringing into use the software. Subsequent to initial recognition it is stated at cost less accumulated amortisation and accumulated impairment. Software is amortised on a straight line basis over its estimated useful life of two years. Amortisation on all intangible assets is recognised in administrative expenses in the Statement of Comprehensive Income.

Research and development costs

An internally generated intangible asset arising from development (or the development phase) of an internal project to improve the efficiency, design or capability of the Group’s product range is recognised if, and only if, all of the following have been demonstrated:

- It is technically feasible to complete the development such that it will be available for use, sale or licence;
- There is an intention to complete the development;
- There is an ability to use, sell or licence the resultant asset;
- The method by which probable future economic benefits will be generated is known;
- There are adequate technical, financial and other resources required to complete the development;
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

The amount recognised is the expenditure incurred from the date when the project first meets the recognition criteria listed above. Expenses capitalised consist of employee costs incurred on development, direct costs including material or testing and an apportionment of appropriate overheads.

Where the above criteria are not met, research and development expenditure is charged to the income statement in the period in which it is incurred.

Capitalised development costs are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

The depreciable amount of a development cost intangible asset with a finite useful life is amortised on a straight line basis over its useful life, currently expected to range from 5 to 8 years. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for the assets with a finite useful life is reviewed at least each financial year-end. If the expected useful of the asset is different from previous estimates, the amortisation period is changed accordingly.

Patent costs

Patent cost assets are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses. The costs are amortised over a 5 year estimated useful life.

2 Accounting policies (continued)

Property plant and equipment

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price and any costs 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.

After recognition, all property, plant and equipment (including plant, computer equipment and fixtures) is carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Leasehold improvements	straight line over life of lease
Plant and machinery	2-15 year straight line
Office equipment	2 year straight line
Tooling	5 year straight line

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.

Right-of-use assets and lease liabilities

Assets and liabilities arising from a lease with a duration of more than one year are initially measured at the present value of the lease payments and payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between repayments of the discounted liability, presented as a separate category within liabilities, and the lease liability finance charges. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs and are presented as a separate category within tangible fixed assets.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Any payments associated with short-term leases of equipment and all leases of low-value assets would be recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. There have been no significant short lease costs in the reporting period. Associated costs of all leases, such as maintenance, service charges and insurance, are expensed as incurred.

Impairment of intangible assets, right-of-use assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows. As a result, some assets are tested individually for impairment and some are tested at the overall Group level. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit".

All individual assets or cash-generating units are reviewed for indicators of impairment at the end of each period and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset or cash-generating unit is impaired when its carrying amount exceed its recoverable amount. The recoverable amount is measured as the higher of fair value less cost of disposal and value in use. The value in use is calculated as being net projected cash flows based on financial forecasts discounted back to present value.The impairment loss is allocated to reduce the carrying amount of the asset pro-rata on the basis of the carrying amount of each asset in the unit. Non-financial assets that suffered an impairment are reviewed for a possible reversal of the impairment at the end of each reporting period. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2 Accounting policies (continued)

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase of raw materials or bought in manufacturing components on a first in first out basis, costs of conversion and an appropriate proportion of fixed and variable overheads incurred in bringing the finished goods inventories to their present location and condition. Net realisable value represents the estimated selling price less costs to complete and sell. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

Financial instruments

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument and are classified based upon the purpose for which the asset was acquired. The Group's business model is to hold all assets recognised within these financial statements to collect the cash flows.

Financial assets are initially recognised at fair value, which is usually the cost, plus directly attributable transaction costs. These comprise trade and other receivables and cash and cash equivalents. Financial assets are subsequently measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The Group measures loss allowances at an amount equal to lifetime ECL, which is estimated using past experience of the historical credit losses experienced over the three year period prior to the period end. Historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers, such as inflation rates. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

Financial liabilities

Financial liabilities include loans, hire purchase borrowings, lease liabilities, trade and other payables and any derivatives in respect of forward foreign exchange contracts. Financial liabilities are obligations to pay cash or other financial assets and are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Loans and hire purchase borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument and subsequently carried at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Derivatives would be measured at fair value through profit and loss for any movements. None have been entered into within the period of these financial statements.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.
The Group utilises hire purchase asset backed finance to fund tangible fixed assets, drawing down finance against individual assets or bundles of assets, which may directly finance the asset purchase or be drawn down retrospectively. The economic ownership of assets subject to hire purchase agreements are transferred to the Group if the Group bears substantially all the risks and rewards of ownership of the asset. The related asset is recognised and measured in accordance with the tangible fixed asset policy with initial cost being the fair value of the asset. A corresponding hire purchase liability.is recognised in respect of the capital repayments to be made. These interest bearing liabilities are then measured at amortised cost with the interest, under the effective interest method, expensed over the repayment period at a constant rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Accounting policies (continued)

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Foreign currencies

Transactions entered into by the Group in a currency other than the functional currency of sterling are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement in administrative expenses.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an economic outflow will occur and a reliable estimate can be made including any additional evidence from post period end events. Where the timing of the estimate represents a relatively certain amount it is provided for within accruals.

Equity and reserves

Share capital represents the nominal value of shares that have been issued. Share premium represents the excess consideration received over the nominal value of share capital upon the sale of shares, less any incidental costs of issue. The company's merger reserve arises from the fair value attributed to the shares issued in exchange for the subsidiary's shares as no share premium account is recognised under Companies Act merger relief. On consolidation a merger reserve arises as a result of the difference between the nominal value of the parent company shares issued in exchange for subsidiary shares and the nominal value of those subsidiary shares.

Retained earnings include all current and prior period retained profits.

Presentation of non statutory measures
The Group classifies certain one-off charges or credits that have a material impact on the financial results but are not related to the core underlying trading as 'exceptional' or 'non-recurring' items. These are disclosed separately in note 4 and adjusted results to provide further understanding of the financial performance of the Group.

3 Segmental reporting

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker. The chief operating decision maker is considered to be the executive Directors.

The Group previously comprised only one operating segment for the sale of automotive circuit components for glazing products. The operating segments are monitored by the chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results. All assets, liabilities and revenues are located in, or derived in, the United Kingdom. However, the Group has commenced the development and initial sales of its glazing circuits for electric vehicles ('EV' segment) which are expected to grow to be a material segment. Separate management reporting and information has now been prepared for 2022 at a revenue and gross profit level only for a Glazing segment (sale of glazing circuits for petrol/diesel vehicles) and EV as follows:

Year ended 31 December 2022	Glazing £'000	EV £'000	Total £'000
Revenue	8,977	1,253	10,230
Cost of sales	(8,650)	(1,081)	(9,731)
Gross profit	327	172	499
Other operating income			439
Administrative expenses			(5,864)
Impairment loss (in EV)			(577)
Finance expense			(147)
Taxation			725
Loss for the year			(4,925)

Some estimated information was derived for the year ended 31 December 2021 for EV showing sales of £0.35m and net costs of about £1.1m as a result of the increasing investment and development in this area of activity.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3 Segmental reporting (continued)

Turnover with the largest customers (including customer groups) representing in excess of 10% of total revenue in the year for 3 customers (2021: 4 customers) has been as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Customer A	**2,062**	1,680
Customer B	**1,709**	2,392
Customer C	**1,189**	552
Customer D	**867**	2,091
Customer E	**693**	1,230

All revenue arises at a point in time and relates to the sale of automotive busbar, ancillary connectors and flexible printed circuit product. Turnover by geographical destination is as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
UK	**967**	319
Rest of Europe	**5,571**	6,074
Rest of the World	**3,692**	4,757
	10,230	11,150

4 Operating loss

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

	2022 £'000	2021 £'000
Operating loss is stated after charging/(crediting):		
Other operating income		
Amortisation of deferred government capital grant income	**(49)**	(31)
Government revenue grant income in respect of development work	**(389)**	-
Government job retention scheme income	**(1)**	(1)
Amortisation of intangible assets	**180**	191
Depreciation of property, plant and equipment	**592**	561
Depreciation of right-of-use assets	**203**	160
Loss on disposal of fixed assets	**55**	-
Cost of inventory sold	**5,092**	4,379
Research and development expenditure expensed in the year	**925**	114
Short term lease rentals	**22**	24
Foreign exchange (gains)/losses	**(45)**	164
Exceptional or non-recurring costs		
IPO preparation related costs	**381**	198
Restructuring related costs	**529**	-
Contract termination costs	**382**	-
Impairment of intangible fixed assets	**577**	-
Auditor's remuneration		
For audit	**85**	62
For tax advisory services	**-**	6
For other assurance services	**-**	15

£232,000 of fees payable to the auditors in respect of IPO reporting accountants related services were expensed or included in costs taken to the share premium account.

Notes to the financial statements for the year ended 31 December 2022 (continued)

5 Staff and key management

Average monthly number of employees	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
Management	**15**	4
Sales	**2**	5
Production	**146**	140
Administration	**5**	4
	168	153

Payroll costs	**£'000**	£'000
Gross salaries	**4,577**	3,860
Social security costs	**511**	369
Share based payment	**96**	145
Contributions to money purchase pension schemes	**318**	233
	5,502	4,607

In view of the size and nature of the Group, the Key Management Personnel in the period is considered to comprise only the directors of the parent and subsidiary companies. The Company directors' remuneration was as follows (disclosed in aggregate in respect of Strip Tinning Limited directors in the prior year).

Year ended 31 December 2022	**Salary** **£'000**	**Benefits in kind** **£'000**	**Share based payment** **£'000**	**Pension** **£'000**	**Total** **£'000**
R W Barton	**15**	**-**	**-**	**-**	**15**
P George	**37**	**-**	**-**	**-**	**37**
A Le Van	**140**	**4**	**12**	**8**	**164**
A D Robson	**86**	**-**	**-**	**-**	**86**
M Taylor	**37**	**-**	**-**	**-**	**37**
	315	**4**	**12**	**8**	**339**
Year ended 31 December 2021					
Aggregate emoluments	335	-	145	13	493

Retirement benefits were accruing to 1 director in respect of defined contribution schemes (2021: 2). The highest paid director in 2022 received £156,000 of remuneration and £8,000 of employer pension contributions.
Key management remuneration was £941,000 (2021: £535,000) including £23,000 of pension contributions (2021: £13,000).

6 Finance costs

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Interest payable on hire purchase obligations	**55**	71
Bank interest	**26**	21
Lease liability finance charges	**66**	66
	147	158

Notes to the financial statements for the year ended 31 December 2022 (continued)

7 Income tax

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Current tax:		
UK corporation tax	**(308)**	(195)
Adjustment for prior periods	**(79)**	-
Total current tax credit	**(387)**	(195)
Deferred tax:		
Origination and reversal of temporary differences	**(349)**	(161)
Effect of change in tax rate	**-**	135
Adjustment for prior periods	**11**	(16)
Total deferred tax credit	**(338)**	(42)
Total tax credit	**(725)**	(237)

The tax rate used for the reconciliation is the corporate tax rate of 19% (2021: 19%) payable by corporate entities in the UK on taxable profits under UK tax law. In May 2021 an increase to 25% from April 2023 was substantively enacted and, as the expected period of reversal, is accordingly applied to deferred tax balances at 31 December 2021 and 2022.
The credit for the year can be reconciled to the loss for the year as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Loss before taxation	**(5,650)**	(1,062)
Income tax calculated at 19% (2021: 19%)	**(1,074)**	(202)
Expenses not deductible	**92**	35
Enhanced research and development allowances	**(132)**	(84)
Enhanced capital allowances	**(29)**	(41)
Deduction on exercise of share options	**(34)**	-
Differing deferred and corporate tax rates	**(83)**	-
Deferred tax asset in respect of share options	**-**	(64)
Effect of change in deferred tax rate	**-**	135
Deferred tax not recognised in respect of losses	**603**	-
Adjustment for prior periods	**(68)**	(16)
Total tax credit	**(725)**	(237)

In addition, a deferred tax credit of £nil (2021: £225,000) has been taken directly to retained earnings in equity in accordance with IAS12. This is in respect of the extent to which the potential corporate tax deduction exceeds the share based payment charges.

8 Earnings per share

	Year ended 31 December 2022	Year ended 31 December 2021
Loss used in calculating earnings per share (£'000)	**(4,925)**	(825)
Weighted average number of shares ('000)	**14,612**	10,000
Basic and diluted loss per share (pence)	**(33.7)**	(8.25)

Earnings per share has been calculated based on the share capital of the parent company (and equivalent share capital for 2021). There are options in place over 254,051 (2021: 813,045) shares that were anti-dilutive at the year end but which may dilute future earnings per share.

Notes to the financial statements for the year ended 31 December 2022 (continued)

9 Intangible assets

Group	Development costs £'000	Patents £'000	Computer software £'000	Total £'000
Cost				
At 1 January 2021	1,298	138	90	1,526
Additions	487	9	236	732
At 31 December 2021	1,785	147	326	2,258
Additions	430	1	57	488
Disposals	-	-	(15)	(15)
Removal of fully impaired assets	(594)	-	-	(594)
At 31 December 2022	**1,621**	**148**	**368**	**2,137**
Accumulated amortisation				
At 1 January 2021	296	127	83	506
Charge for the year	180	5	6	191
At 31 December 2021	476	132	89	697
Charge for the year	176	4	-	180
Impairment in the year	577	-	-	577
Removal of fully impaired assets	(594)	-	-	(594)
At 31 December 2022	**635**	**136**	**89**	**860**
Net book amount				
At 31 December 2022	**986**	**12**	**279**	**1,277**
At 31 December 2021	1,309	15	237	1,561

The Group has a programme of research and development projects to improve the efficiency and functionality of its products. Capitalised development costs relate to the projects evaluated as viable and where the successful developments are being applied and contributing to revenue.

Included within the carrying amount of the above, are assets held under hire purchase agreements of £159,000 (2021: £159,000) relating to software. Amortisation charged on these assets in the year amounted to £nil (2021: £nil).

The 2022 impairment charge results from cancellation of a contract by a customer for which design and development work had been carried out and capitalised in 2021.

Notes to the financial statements for the year ended 31 December 2022 (continued)

10 Right-of -use assets

Group	Property leasehold assets £'000	Plant and machinery assets £'000	Total £'000
Cost			
At 1 January 2021	1,656	136	1,792
Additions	-	66	66
Disposals	-	(77)	(77)
At 31 December 2021	1,656	125	1,781
Additions	212	-	212
Disposals	-	(13)	(13)
At 31 December 2022	**1,868**	**112**	**1,980**
Accumulated depreciation			
At 1 January 2021	465	91	556
Charge for the year	122	38	160
Disposals		(77)	(77)
At 31 December 2021	587	52	639
Charge for the year	168	35	203
Disposals	-	(13)	(13)
At 31 December 2022	**755**	**74**	**829**
Net book amount			
At 31 December 2022	**1,113**	**38**	**1,151**
At 31 December 2021	1,069	73	1,142

The financing charges in respect of right-of-use assets are disclosed in note 6 and the lease liabilities in 17. Short term rentals are disclosed in note 4 with no low value leases in either year. Right-of-use assets and lease liabilities relate principally to property leases. The Group leases its main operating premises, typically on a ten year lease, subject to periodic rent reviews and potential breaks, with the intention and assumption made in measuring assets and liabilities that the full period will be utilised. Total cash outflows in respect of leases were £276,000 for the year ended 31 December 2022 (2021: £202,000).

Notes to the financial statements for the year ended 31 December 2022 (continued)

11 Property, plant and equipment

Group	Leasehold improvements £000	Plant and machinery £'000	Tooling £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2021	402	5,222	1,018	122	6,764
Additions	95	515	94	33	737
Disposals	-	(633)	-	-	(633)
At 31 December 2021	497	5,104	1,112	155	6,868
Additions	19	408	65	16	508
Disposals	(69)	(31)	(22)	-	(122)
At 31 December 2022	**447**	**5,481**	**1,155**	**171**	**7,254**
Accumulated depreciation					
At 1 January 2021	236	3,000	512	103	3,851
Charge for the year	27	374	139	21	561
Disposals	-	(633)	-	-	(633)
At 31 December 2021	263	2,741	651	124	3,779
Charge for the year	31	322	216	23	592
Disposals	(62)	(1)	(4)	-	(67)
At 31 December 2022	**232**	**3,062**	**863**	**147**	**4,304**
Net book amount					
At 31 December 2022	**215**	**2,419**	**292**	**24**	**2,950**
At 31 December 2021	234	2,363	461	31	3,089

Included within the carrying amount of the above, are assets held under hire purchase agreements of £1,705,000 (2021: £1,482,000) relating to plant and machinery and £100,000 (2021: £190,000) relating to tooling. Depreciation charged on these assets in the year amounted to £213,000 (2021: £297,000).

12 Investments

Company	Shares in group undertakings £'000
Additions and at 31 December 2022	**3,841**

The Company acquired all of the shares in Strip Tinning Limited by a share for share exchange on 2 February 2022 with the £3,745,000 cost of investment recorded in accordance with IAS 27. £96,000 of additions also arise as a result of the treatment of the share based payment charge in the subsidiary as a capital contribution. Strip Tinning Limited is incorporated and registered in England at Arden Business Park, Arden Road, Frankley Birmingham, West Midlands, B45 0JA.It manufactures automotive busbar, ancillary connectors and flexible printed circuits.

13 Inventories

Group	31 December 2022 £'000	31 December 2021 £'000
Raw materials and consumables	**1,536**	1,714
Finished goods and goods for resale	**312**	300
	1,848	2,014

An inventory impairment loss of £479,000 (2021: £nil) was recognised in the year.

14 Trade and other receivables

	Group		Company
	31 December 2022	31 December 2021	**31 December 2022**
Current	**£'000**	£'000	**£'000**
Trade receivables	**2,691**	3,039	**-**
Impairment provision	**-**	(25)	**-**
Net trade receivables	**2,691**	3,014	
Amounts owed by group undertakings	**-**	-	**5,776**
Other receivables	**267**	131	**-**
Prepayments	**423**	633	**15**
	3,381	3,778	**5,791**

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment date.

The impairment charge and movement in the expected credit loss provision against trade receivables is as follows:

	£'000	**£'000**
At 1 January 2022/2021	**25**	-
Impairment charge for the year	**-**	25
Debt written off	**(25)**	-
At 31 December 2022/2021	**-**	25

Ageing of trade receivables past their due dates but not provided were:

	Less than 30 days overdue £'000	**30 to 60 days overdue £'000**	**More than 60 days overdue £'000**
31 December 2021	405	119	148
31 December 2022	**498**	**289**	**237**

The directors consider the credit quality of trade and other receivables that are neither past due nor impaired to be of good quality with the impairment charge arising principally from one former customer.

15 Trade and other payables

	Group 31 December 2022	31 December 2021	Company 31 December 2022
Current	**£'000**	£'000	**£'000**
Trade payables	**2,211**	2,985	**67**
Other payables	**41**	-	**-**
Taxation and social security	**117**	336	**-**
Accruals	**476**	715	**-**
Deferred income	**200**	377	**-**
	3,045	4,413	**67**
Non current liabilities			
Accruals	**-**	19	**-**
Deferred income (grants)	**37**	143	**-**
	37	162	**-**

16 Borrowings

	Group 31 December 2022	31 December 2021	Company 31 December 2022
Current liabilities	**£'000**	£'000	**£'000**
Loans	**74**	61	**-**
Hire purchase liabilities	**479**	498	**-**
	553	559	**-**
Non current liabilities			
Loans	**208**	294	**-**
Hire purchase liabilities	**784**	941	**-**
	992	1,235	**-**

Hire purchase obligations are secured by fixed charges over intangible and tangible fixed assets and floating charges over other assets and undertakings of the Group. All obligations fall due within five years with the exception of £40,000 as at 31 December 2021. This related to a hire purchase liability of £304,000 repayable over 6 years with interest at 7%. The total payments including interest in respect of hire purchase liabilities are shown in note 18.

17 Lease liabilities

Group	**31 December 2022**	31 December 2021
	£'000	£'000
Current	**182**	152
Due in one to five years	**588**	551
Due in more than five years	**407**	553
	995	1,104

The total payments including interest in respect of lease liabilities are shown in note 18.

18 Movements in total financing liabilities

Group	**Borrowings**	**Lease liabilities**	**Total financing**
	£'000	**£'000**	**£'000**
At 1 January 2021	1,583	1,326	2,909
Cash movements:			
Lease liability payments	-	(136)	(136)
Hire purchase finance advanced	401	-	401
Loan received	355	-	355
Hire purchase payments	(545)	-	(545)
Interest paid	(92)	(66)	(158)
Non-cash movements			
Interest accrued	92	66	158
New lease liabilities	-	66	66
At 31 December 2021	**1,794**	**1,256**	**3,050**
Cash movements:			
Lease liability payments	-	(199)	(199)
Hire purchase finance advanced	311	-	311
Hire purchase payments	(487)	-	(487)
Loan repayments	(73)	-	(73)
Interest paid	(81)	(66)	(147)
Non-cash movements			
Interest accrued	81	66	147
New lease liabilities	-	120	120
At 31 December 2022	**1,545**	**1,177**	**2,722**

19 Financial instruments and capital management

Risk management

The Board has overall responsibility for the determination of the Company and the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group is exposed to financial risks in respect of market including foreign exchange risk, credit and liquidity risks.

Notes to the financial statements for the year ended 31 December 2022 (continued)

19 Financial instruments and capital management (continued)

Capital management
The Group's capital comprises all components of equity which includes share capital and retained earnings amounting to £6,425,000 at 31 December 2022 (2021: £4,237,000). The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The capital structure of the Company consists of shareholders equity with all working capital requirements financed from cash and major capital expenditure funded by leases and hire purchase agreements.

The Company sets the amount of capital it requires in proportion to risk. It manages its capital structure and makes adjustments to it in the light of changes in economic conditions, the ability to finance capital purchases and the risk characteristics of the underlying assets and activity. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Market risks
These arise from the nature and location of the customer markets and include foreign exchange rate risks.
The Group trades within European and other overseas automotive supplier markets, and accordingly there is a risk relating to the underlying performance of these markets. The directors monitor this and the foreign exchange risk closely with the intention to foresee downturns in trade or changes in the use of automotive components.

Foreign exchange risk
The Group trades with overseas customers and, whilst it has net foreign currency balances, also makes a degree of purchases in the respective currency and uses currency denominated accounts to defer conversion to sterling or to utilise the currency when needed. There has therefore been a reduced sensitivity to fluctuations in exchange rates although a 10% increase or decrease in Euro and US dollar exchange rates against sterling could impact the results by up to £150,000 or £50,000 as a reduction or increase in profit respectively.

The Group had the following in net assets comprising cash, sales ledger and purchase ledger balances denominated in foreign currencies:

	31 December 2022 £'000	31 December 2021 £'000
Euro denominated	**1,154**	1,290
US dollar denominated	**496**	291

Interest rate risk
The Group makes use of fixed rate three to five year hire purchase agreements to acquire property, plant and equipment with interest rates typically ranging from 3.5% (new agreements in 2020 to 2022) to 7% (2018 and 2019); this spreads the capital cost, ensures that the Group maintains sufficient cash resources for working capital purposes and ensures certainty of total costs at the point of acquisition of those assets. A 5 year term bank loan has also been drawn upon at a fixed interest rate of 9.4%. These liabilities are set out in note 16.

Credit risk
Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales and attempts to mitigate credit risk by assessing the creditworthiness of customers, including using proforma terms for new customers and closely monitoring the payment record and trends for each customer. The customers are principally tier 1 automotive suppliers.

At 31 December 2022 trade receivables were £2,691,000 (31 December 2021: £2,688,000) with 35% (31 December 2021: 25%) of the balance owed by one customer group and 25% (2021: 36%) of the balance by 3 other customers with operations based in a number of European and other countries.
The ageing of overdue debtors is included in note 14 with all amounts subsequently substantially received. The impairments to trade or other receivables in 2021 and 2022 have been immaterial and relate to a few smaller customers.
Credit risk on cash and cash equivalents is considered to be minimal as the counterparties are all substantial banks with high credit ratings.

Notes to the financial statements for the year ended 31 December 2022 (continued)

19 Financial instruments and capital management (continued)

Liquidity risk
The maturity of the Group's financial liabilities including trade and other payables, hire purchase and lease liability total payments with the interest payable is as set out below. Current liabilities were payable on demand or to normal trade credit terms, hire purchase and loan obligations were payable monthly and lease liabilities quarterly. Hire purchase and lease liabilities are used to manage liquidity by spreading the cost of payment for capital purchases.

At 31 December 2022	**Up to 1 year £'000**	**1-2 years £'000**	**2-5 years £'000**	**Over 5 years £'000**
Trade, other payables and accruals	**2,728**	**-**	**-**	**-**
Hire purchase obligations	**548**	**391**	**511**	**-**
Loans	**92**	**92**	**170**	**-**
Lease liabilities	**240**	**217**	**513**	**762**
	3,608	**700**	**1,194**	**762**

At 31 December 2021	**Up to 1 year £'000**	**1-2 years £'000**	**2-5 years £'000**	**Over 5 years £'000**
Trade, other payables and accruals	3,535	19	-	-
Hire purchase obligations	557	455	565	47
Loans	92	92	254	-
Lease liabilities	213	200	521	610
	4,397	766	1,340	657

Classification of financial instruments
All financial assets have been classified as at amortised cost, and all financial liabilities have been classified as other financial liabilities measured at amortised cost.

Financial assets

At amortised cost	**31 December 2022 £'000**	31 December 2021 £'000
Trade receivables and other receivables	**2,958**	3,145
Cash and cash equivalents	**1,290**	337
	4,248	3,482

Financial liabilities

At amortised cost	**31 December 2022 £'000**	31 December 2021 £'000
Trade payables, other payables and accruals	**2,728**	3,719
Hire purchase obligations	**1,263**	1,439
Loans	**282**	355
	4,273	5,513

The directors consider that the carrying amount of the financial assets and liabilities approximates to their fair values.

20 Provisions

The dilapidations provisions have been reassessed during 2022 in respect of the group's rented properties and increased to allow for potential reinstatement costs that may be incurred at the end of the leases in 2030 under the standard terms in the contracts. This primarily results in an increase in the amount recognised in respect of the right of use assets for property and in the discounted provisions liability which amounts to £227,000 at 31 December 2022.

Group	Dilapidations provision £'000
Transfer from accruals	71
Additions to right of use property assets	156
Liability at 31 December 2022	227

21 Deferred taxation

Group

Liability/(asset) in respect of:	Accelerated capital allowances	Intangible R&D assets	Share based payment	Losses and other timing differences	Total
	£'000	£'000	£'000	£'000	£'000
As at 31 December 2020	487	190	-	(72)	605
Credited to equity	-	-	(225)	-	(225)
Credit to profit or loss	251	137	(83)	(347)	(42)
As at 31 December 2021	738	327	(308)	(419)	338
Credit to profit or loss	(7)	(59)	308	(580)	(338)
As at 31 December 2022	731	268	-	(999)	-

The Group has tax losses carried forward of approximately £6,900,000 (2021: £1,570,000) and an unrecognised deferred tax asset of £790,000. The net asset has not been recognised as it is not yet considered sufficiently probable, in the short term, that the asset will be realised.

The Company has tax losses carried forward of £564,000 and an unrecognised deferred tax asset of £141,000 in respect of these.

Notes to the financial statements for the year ended 31 December 2022 (continued)

22 Share capital

The movements in share capital have been as follows:

Company and Group	Number of £0.01 shares	Nominal £'000	Share premium £'000
Share issued on incorporation	1	-	-
Shares issued in exchange for Strip Tinning Limited shares	9,999,999	100	-
EIS and VCT placing shares issued at £1.85 each	2,702,702	27	4,973
Other placing shares issued at £1.85 each	1,621,622	16	2,984
Exercise of options at £0.116 each	813,045	8	86
Shares issued to employee benefit trust at £0.01 each	322,345	3	-
Share issue costs			(1,077)
	15,459,714	154	6,966

The Company was incorporated with one £0.01 share and on 2 February 2022 issued 9,999,999 £0.01 shares in exchange for all of the issued share capital in Strip Tinning Limited. Merger relief arises under the Companies Act from a share premium and in accordance with IAS 27 for such a transaction with no change in control, the consideration was recorded at the Strip Tinning Limited net asset value of £3,745,000 (£0.375 per share) in the company, £100,000 of nominal share capital and a merger reserve of £3,645,000.
The issue of shares with a nominal value of £100,000 in exchange for the 2,000 £0.10 shares in Strip Tinning Limited with a nominal value of £200 results in a debit to a merger reserve of £99,800 in the consolidated financial statements, presented as a capital reorganisation after consolidating applying the merger accounting principles as set out in note 2.

On 10 February 2022, the Company issued a further 4,324,324 £0.01 shares at £1.85 each and 813,045 £0.01 shares at £0.116 each on exercise of share options. On 16 February 2022 the Company was listed on AIM. The issue of these shares in February 2022 resulted in a share premium of £6,966,000 (net of £1,077,000 of share issue costs).

On 2 November 2022, 322,345 £0.01 ordinary shares were issued to the Employee Benefit Trust in respect of an employee incentive scheme with a 3 year vesting period and the nominal value of £3,000 has been debited to an other reserve.

All £0.01 ordinary shares rank equally with the right to receive dividends and capital distributions.

23 Share based payment

Options were granted on 24 August 2018 over 354 £0.10 A Ordinary Shares in Strip Tinning Limited ('STL') at an exercise price of £267 per share. These options were only exercisable on a sale of the company or on a listing and had the right to share only prorata with the Ordinary Shares in the capital proceeds in excess of £10 million, receive dividends at the discretion of the directors and have voting rights. They were exchanged for an equivalent 813,045 options in the Company's £0.01 shares with no change in the value of the options, exercisable at £0.116 per share and exercised in February 2022 when the share price was £1.85. The fair value of £1,345 per STL A option share was derived using a Black Scholes option pricing model applying a risk free rate of 1% and an estimated volatility of 40%. The remainder of the original fair value of £48,000 was expensed on exercise (2021: 4 year estimated vesting period and charge of £145,000).

Options over parent company shares under a Long Term Incentive Plan were granted in February 2022 with an exercise price of £0.01. These were subject to a 3 year vesting period. Options over 122,702 shares required a total shareholder return ('TSR') target to be achieved and 129,188 earnings and gross profit targets to be achieved. 42,162 of those subject to a TSR return and 42,162 subject to earnings targets lapsed when the director left on 31 March 2022. The respective fair values of £0.92 (TSR market condition and probability applied) and £1.841 (earnings target conditions) have been calculated using a Black Scholes option pricing model applying the 3 year vesting period, share price of £1.85 at date of grant, a risk free rate of 2%, expected dividends of nil and estimated volatility of 45% with a £26,000 charge in the year.

23 Share based payment (continued)

Further options under the plan were granted in May 2022 with an exercise price of £0.01. These were subject to a 3 year vesting period. Options over 30,270 shares required a total shareholder return ('TSR') target to be achieved and 56,216 earnings and gross profit targets to be achieved. The respective fair values of £0.733 (TSR market condition and probability applied) and £1.466 (earnings target conditions) have been calculated using a Black Scholes option pricing model applying the 3 year vesting period, share price of £1.475 at date of grant, a risk free rate of 2%, expected dividends of nil and estimated volatility of 45% with a £10,000 charge in the year.

On 2 November 2022, employees were granted a total of 322,345 of free shares subject to a 3 year vesting period. The fair value of £0.725 per share has been calculated using a Black Scholes option pricing model applying the 3 year vesting period, share price of £0.725 at date of grant, a risk free rate of 3%, expected dividends of nil and estimated volatility of 50% with a £12,000 charge in the year.

In view of the short period since listing, volatility has been estimated by reference to similar shares. Unexpired options have an average vesting period remaining at 31 December 2022 of 2.5 years.

The movements in share options have been as follows:

	Weighted average exercise price £	Transfer of Strip Tinning Limited options Number	PSP scheme Number	Employee free share scheme Number
On incorporation	-	-	-	-
Conversion of STL options	0.116	813,045	-	-
Granted in the year	0.005	-	338,375	322,345
Exercised	0.116	(813,045)	-	-
Lapsed	0.01	-	(84,324)	-
As at 31 December 2022	0.004	-	254,051	322,345

24 Capital commitments and contingent liabilities

The Group had capital commitments contracted but not provided for of £303,000 at 31 December 2022 (2021: £nil). The company had no capital commitments.

Following the notification of the termination of an EV contract in July 2022, effective October 2022, the business has been working hard to reach a fair settlement and mitigate the liabilities associated with the contract. The company and the EV customer continue to work closely together to reach a full and final resolution. Commercial negotiations are now at an advanced stage and as at the financial statements signing date, a single commercial claim remained outstanding to settle between the company, the EV customer, and a supplier on the programme. Whilst the supplier has claimed additional amounts up to point of termination, they had actually received advanced payment for work carried out and additional costs have not been supported or justified. A conclusion is expected to be reached within 2023 with an outcome that is broadly neutral to the Strip Tinning Group.

25 Post balance sheet events

The business is in the process of transitioning to an alternative banking facility with a new provider. This is a managed process by mutual agreement and the new arrangements are expected to be on similar terms and provide the same initial level of headroom as the previous CID facility was intended to. The transfer is anticipated to complete by 31 August 2023.

26 Control and related party transactions

At 31 December 2022, the Company was an ultimate parent company. Mr R Barton was considered to be the ultimate controlling party. The key management personnel is considered to be the directors. Please refer to note 5 for details of key management personnel remuneration.