

Pacer Components Limited

Report and Financial Statements

For the year ended

31 March 2020

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COMPANIES HOUSE

Company number: 02448361

PACER COMPONENTS LIMITED

Directors' Report

For the year ended 31 March 2020

Principal Activities, Review of the Business and Future Developments

The principal activities of the Company during the year continued to be those of the manufacturing of opto-electronic equipment and the value-added distribution of opto-electronic components and modules, subsystems, and displays.

The key performance indicators recognised by management are set out in the KPI section of the Strategic Report. An overall review of the Company's trading performance, financial risk management and future developments is given in the Strategic Report.

Dividends

Dividends of £nil (2019: £nil) have been declared and paid in the year.

Directors

The Directors of the Company during the year were:

J L Macmichael
G S Marsh
P Haining
P O James

The Directors submit their report together with the strategic report and the financial statements of the company for the year ended 31 March 2020.

Going Concern

In assessing the going concern position of the Company for the Financial Statements for the year ended 31 March 2020, the Directors have assessed this based on the Consolidated Group position as there are cross guarantees in place in respect of the Groups banking facilities. Therefore, the directors have considered the Group's cash flows, liquidity and business activities.

At 31 March 2020, the Group had cash balances of £3.5 million, a drawn term loan of £0.3m (which was repaid post year end in May 2020) and an undrawn revolving credit facility (RCF) of £7.5 million.

The bank facilities are subject to financial covenants requiring the business to be EBITDA positive therefore this facility is available to fund investment in working capital, capital investment or acquisition activities. Should the business face such a significant downturn that it was loss making the facility would not be available to be drawn to fund additional losses without a covenant waiver or amendment. As a result, in evaluating a stressed model the Board have not included the RCF in the headroom.

Based on the Group's forecasts, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014, the April 2016 guidance on Going concern basis of accounting and reporting on solvency and liquidity risks and the various guidance issued in 2020 all published by the UK Financial Reporting Council to provide support to Directors and board in making the assessment of going concern.

Additional disclosures in respect of the Directors' assessment and modelling to support the conclusions are included in the Solid State PLC group accounts on page 76 and 77 of the basis of preparation.

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Going Concern (continued)

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 12 months, therefore it is appropriate to adopt a going concern basis for the preparation of the Financial Statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group and Company were unable to continue as a going concern.

Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and accounting estimates that are reasonable and prudent.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Research and Development

During the year the Company has continued to invest in research and development in partnership with some of its customers to develop technical opto-electronic solutions to address the demand of our customers in its core markets. The Company continues to claim R&D tax credits where eligible.

Qualifying third party indemnity provisions

The company has granted to the directors of the company a deed of indemnity which constitutes a third-party indemnity provision for the purposes of the Companies Act 2006. In addition, the company has in place appropriate Directors and Officers liability insurance cover which has been in place for the entire year and at the date of approval of the financial statements.

Subsidiary Audit Exemption Clause

For the financial year in question the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to the accounting records and for the preparation of the accounts. This report was approved by the board on 11 December 2020 and signed on its behalf by:



J L Macmichael
Director

Strategic Report

For the year ended 31 March 2020

The directors present their Strategic Report for the year ended 31 March 2020.

Review of the Business

The principal activities of the Company during the year continued to be those of the manufacturing of opto-electronic equipment and the value-added distribution of opto-electronic components and modules, subsystems, and displays.

2019-20 proved to be a challenging year for the UK electronics distribution and semiconductor industry with the market declining circa 7% over the financial year (source ECSN), which was compounded by the disruption caused by COVID-19 in quarter 4 and as we entered the new year.

In financial year 2019-20 the revenue growth of 14% on prior year is testament to the successful integration with its sister subsidiary, Solid State Supplies, as part of the groups Value Added Division (VAD). An example of this is that both companies had a sales team which sold displays these sales teams have been bought together to deliver benefits of scale which has benefited the VAD division and Pacer components Limited.

The Board are pleased to report that revenue is up significantly to £14.5m. Underlying operating margins reflect the benefit of operational gearing and have increased to 4.3%. (FY19 3.8%) this results in net operating profits before exceptional adjustments of £620k (2019: £487k).

The prior year exceptional costs relate to the recognition of dilapidations provisions and the write down of assets because of the change of control which occurred on the 9th November 2018 when Solid State PLC acquired the Pacer Group of companies.

Pleasingly the company returned profitability with the Company's profit after tax for the year of £517k (2019: loss £239k).

On the 13st March 2020 the company had net cash balances of £242k (FY19 £633k). As a wholly owned subsidiary of Solid State Plc the company was part of the Group banking facilities and funding arrangements therefore the surplus cash generated was passed to the parent via the inter company balances .

The operational efficiency is critical to delivering enhanced margins. The Company continues to invest heavily in its staff believing that a well-educated and well-trained workforce is the key to staying ahead of the competition. Retaining the skilled work force with the technical expertise underpinned by a steady headcount underpins plans for growth in the future.

In addition, during the year we have continued to invest with circa £0.1m in relocating and refurbishing the offices in Pangbourne and have commenced a project to upgrade the existing operating system to Business Central.

Even though COVID-19 has resulted in us seeing shorter schedules the open order book at the end of the year was stable at £7.6m (2019: £7.8m), giving confidence that the company is well placed to weather the challenges COVID-19 presents.

The Company continued to develop and improve its marketing activity promoting the broader product offering of the enlarged VAD division and supporting the need for an enlarged design-in pipeline to feed the future sales growth. Post year end, COVID-19 has required a re-focus on the ways in which the division promotes, markets, and sells its products. There has been a greater focus on on-line technical support, on-line events and webinars and investment in search engine optimisation. It is expected that many of these innovative and significant changes which have delivered tangible benefits to both our customers and suppliers will remain in place post COVID-19.

PACER COMPONENTS LIMITED

Review of the Business – cont'

The diverse nature of the business continues to provide a level of resilience against business disruption in any given sector as we have seen at the end of the financial year with COVID-19. The increased scale of the enlarged VAD division has meant that the Company is now benefiting from its involvement in the UK's medical manufacturing industry, which historically would not have been the case.

The Company's strategy as part of the VAD division remains largely unchanged in terms of its growth ambitions and the means to achieve this growth. The Company continues to execute on its strategy, although some of the tactical elements whilst still in place have necessarily slowed during this COVID-19 pandemic.

Principal Risks and Uncertainties

As an integral part of the Solid State PLC group the Company's principal risks and uncertainties are consistent with those of the Group. The principal risks and uncertainties of the Group are disclosed in the publicly available accounts of Solid State PLC.

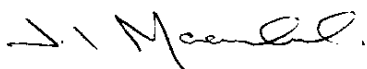
However, specifically the company's risk management programme seeks to minimise potential adverse effects on the company's financial performance. Of the risks identified in the Group accounts the following risks are managed and are critical at an entity level:

- Legislative environment and compliance
- Retention of key employees
- Failure of or malicious damage to IT systems
- Supply chain interruptions
- Competition risk
- Product / technology change

Key performance indicators

Given the nature of the business the Company's directors are of the opinion that analysis using key performance indicators beyond the key financial metrics given above and in these financial statements is not necessary for an understanding of the development, performance or position of the business.

This report was approved by the board on 11 December 2020 and is signed on its behalf by:



J L Macmichael
Director

PACER COMPONENTS LIMITED

Statement of Comprehensive Income

For the year ended 31 March 2020

| | Note | Total 2020 £'000 | Total 2019 £'000 |
|---|------|------------------------|------------------------|
| Turnover | 4 | 14,452 | 12,695 |
| Cost of sales | | <u>(11,241)</u> | <u>(9,745)</u> |
| Gross profit | | 3,211 | 2,950 |
| Other income | | 236 | 228 |
| Exceptional expenses | | - | (555) |
| Sales, general and administrative expenses | | <u>(2,827)</u> | <u>(2,691)</u> |
| Operating profit / (loss) | | 620 | (68) |
| Interest receivable / payable and similar charges | 7 | <u>1</u> | <u>(102)</u> |
| Profit / (loss) on ordinary activities before taxation | 5 | 621 | (170) |
| Tax on profit / (loss) on ordinary activities | 8 | <u>(104)</u> | <u>(69)</u> |
| Profit / (loss) for the financial year | | 517 | (239) |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income / (expense) for the year | | 517 | (239) |

The notes on pages 8 to 19 form part of these financial statements.

PACER COMPONENTS LIMITED

Statement of Changes in Equity

For the year ended 31 March 2020

| | Called up share capital £'000 | Share premium £'000 | Profit and loss account £'000 | Shareholders' funds £'000 |
|--|----------------------------------|------------------------|----------------------------------|------------------------------|
| At 1 April 2018 | 257 | 93 | 5,123 | 5,473 |
| Total comprehensive expense for the year | - | - | (239) | (239) |
| Share options | - | - | - | - |
| At 31 March 2019 | 257 | 93 | 4,884 | 5,234 |
| Total comprehensive income for the year | - | - | 517 | 517 |
| Dividend paid | - | - | - | - |
| At 31 March 2020 | 257 | 93 | 5,401 | 5,751 |

The notes on pages 8 to 19 form part of these financial statements.

Statement of Financial Position

As at 31 March 2020

| | Note | 2020 | | 2019 | |
|---|------|---------|--------------|---------|--------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Intangible Assets | 9 | - | | - | |
| Tangible Assets | 10 | 694 | | 580 | |
| Investments | 11 | 84 | | 84 | |
| | | | 778 | | 664 |
| Current assets | | | | | |
| Stocks | 12 | 1,716 | | 1,503 | |
| Debtors | 13 | 8,737 | | 6,786 | |
| Cash at bank and in hand | | 242 | | 633 | |
| | | 10,695 | | 8,922 | |
| Creditors: amounts falling due within one year | 14 | (5,350) | | (4,052) | |
| Net current assets | | | 5,345 | | 4,870 |
| Total assets less current liabilities | | | 6,123 | | 5,534 |
| Provisions for liabilities | 15 | | (372) | | (300) |
| Net assets | | | 5,751 | | 5,234 |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 257 | | 257 |
| Share premium | | | 93 | | 93 |
| Profit and loss account | 17 | | 5,401 | | 4,884 |
| Shareholder's funds | | | 5,751 | | 5,234 |

Subsidiary Audit Exemption Clause

For the financial year in question the company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to the accounting records and for the preparation of the accounts.

The financial statements on pages 5 to 19 were approved by the board and authorised for issue on 11 December 2020 and the notes on pages 8 to 19 form part of these financial statements



P O James
Director

PACER COMPONENTS LIMITED

Notes to the financial statements For the year ended 31 March 2020

1 Company Information

The company is a private company limited by shares incorporated in England. The registered office address is:

2 Ravensbank Business Park
Hedera Road
Redditch
United Kingdom
B98 9EY

The company's principal activities are given in the Strategic Report.

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom Accounting standards, including Financial Reporting Standard 102 -The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv).
- the requirements of Section 7 Statement of Cash Flows.
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A.
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29.
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Solid State Plc as at 31 March 2019 and these financial statements may be obtained from the registered office.

The company has taken advantage of the exemption in section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the company as a single entity.

2 Principal accounting policies

a) Going concern

The Company is a wholly owned subsidiary of Solid State PLC and is part of the Group banking facilities therefore the going concern assessment has been made by the directors on a Group basis to support the adoption of the Going Concern principle in all of the Group subsidiaries. As a result of adopting the audit exemption the Parent has provided a statutory guarantee which has been filed with Company's House.

Detailed disclosures of the assessment of the Group's going concern position are included within the Solid State PLC accounts which are available on the website: www.solidstateplc.com.

The going concern basis of accounting has been used in the preparation of these financial statements. The directors have not identified any material uncertainties in this regard.

Notes to the financial statements For the year ended 31 March 2020

2 Principal accounting policies (continued)

b) Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery. For goods that are subject to bill and hold arrangements this means:

- The goods are complete and ready for delivery
- The goods are separately identified from the company's other stock and are not used to fulfil any other orders
- The customer has specifically requested that the goods be held pending collection

Compensation payments are recognised as revenue in the period that any related activities are completed, the amount can be measured reliably, and it is probable that future economic benefit will be realised. Other income relates to the recharge of costs to other Group companies for shared services and is not recognised as a reduction to costs.

c) Intangible assets

Research and development

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be available for use or sold.
- adequate technical, financial and other resources are available to complete the development.
- there is an intention to complete and sell or use the product.
- there is an ability for the company to sell the product.
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the company expects to benefit from selling the products developed. The amortisation expense is included within the administrative expenses line in the Statement of Comprehensive Income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the Statement of Comprehensive Income as incurred.

Computer Software

Externally acquired software assets are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives. Cost includes all directly attributable costs of acquisition. In addition, directly attributable costs incurred in the development of bespoke software for the Company's own use are capitalised.

The useful economic life over which the software is being amortised has been assessed to be 2 to 5 years.

The carrying value of capitalised software costs is reviewed for potential impairment at least annually, or more frequently if events or circumstances indicate a potential impairment. Any impairment identified is immediately charged to the Consolidated Income Statement.

The costs of maintaining internally developed software, and annual licence fees to utilise third party software, are expensed as incurred.

Notes to the financial statements

For the year ended 31 March 2020

2 Principal accounting policies (continued)

d) Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset fairly over its expected useful economic life.

The rates used are as follows:

| | |
|--------------------------------|----------------------------|
| Computer hardware | Straight line over 4 years |
| Furniture and office equipment | Straight line over 8 years |

e) Investments

Investments in subsidiaries are stated at cost less amounts provided for impairment. When the trade and assets of a subsidiary are consolidated / re-organised the investment is re-allocated based on the cost method where the commercial substance and economic reality is that the Investment carrying value remains intact. The carrying value of the revised investments are evaluated for impairment in accordance with FRS102.

f) Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Comprehensive Income.

g) Leasing

Rental payments in respect of operating leases are charged to the statement of comprehensive income on a straight line basis.

h) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Work-in-progress and finished goods include labour and attributable overheads.

Net realisable value is based on estimated selling price less additional costs to completion and disposal.

i) Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

j) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

k) Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

Notes to the financial statements For the year ended 31 March 2020

2 Principal accounting policies (continued)

l) Taxation

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

The charge for the year considers taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date. However, deferred tax assets are recognised only to the extent that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxation is measured on a non-discounted basis at the average rate that would apply when the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the Statement of Financial Position date.

m) Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

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

n) Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the statement of comprehensive income.

o) 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 outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Provisions have been recognised in respect of dilapidations obligations for leasehold properties.

3 Significant judgements and estimates

In the process of applying its accounting policies, the directors are required to make certain estimates, judgements and assumptions that they believe are reasonable based on the information available. These judgements, estimates and assumptions affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented.

On an ongoing basis, the directors evaluate their estimates using historical experience, consultation with experts and other methods considered reasonable in the circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

The following paragraphs detail the estimates and judgements the directors believe to have the most significant impact on the annual results under FRS 102.

a) Property, Plant and Equipment (PPE)

The estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful economic lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively.

The directors are required to evaluate the carrying values of PPE for impairment whenever circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. An impairment review requires management to make subjective judgements concerning the cash flows, growth rates and discount rates of the cash generating units under review.

Notes to the financial statements

For the year ended 31 March 2020

3 Significant judgements and estimates – (continued)

b) Revenue Recognition and Allowance for Doubtful Receivables

The Company recognises revenue on sale of goods when the risks and rewards of owning the goods has passed to the customer. Compensation payments are recognised as revenue in the period that any related activities are completed, the amount can be measured reliably and it is probable that future economic benefit will be realised. When the Company considers that the criteria for revenue recognition are not met for a transaction, revenue recognition is delayed until such time as collectability is reasonably assured. Payments received in advance of revenue recognition are recorded as deferred income.

At each reporting date, the directors evaluate the recoverability of trade receivables and record allowances for doubtful receivables based on experience. These allowances are based on, amongst other things, a consideration of actual collection history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

c) Stock provision

At each reporting date, the Company evaluates the value of stock held and record a provision where the recoverable value is deemed to be less than the carrying value, based on experience. The provision is based on, amongst other things, a consideration of future product sales. The actual recoverable value may differ from the estimated value, which could impact operating results positively or negatively.

d) R&D tax credits

Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. This could necessitate future adjustments to taxable income and expense already recorded.

At the year-end date, tax liabilities and assets reflect management's judgements in respect of the application of the tax regulations, the R&D tax regulations and management's estimate of the future amounts that will be settled.

In assessing our year-end corporation tax liability, we have made a provisional assessment as to the likely amount of development expenditure that will be eligible under each of the HMRCs large company and SME R&D tax credit schemes as the detailed tax computations have not been completed.

Our judgement at year end assumed that the level of eligible spend was comparable with prior years. At 31 March 2020 there are current (£18k) and deferred tax (£68k) provisions totalling £86k.

Due to the uncertainties noted above, it is possible that the Company's initial estimates are different to the final position adopted when the tax computation is finalised, resulting in a different tax payable or recoverable from the amounts provided.

4 Turnover

Turnover is attributable to the principal activities of the company. Turnover analysed geographically between markets was as follows:

| | 2020 £'000 | 2019 £'000 |
|----------------|---------------|---------------|
| United Kingdom | 8,643 | 8,346 |
| Rest of Europe | 1,588 | 2,021 |
| North America | 1,948 | 440 |
| Rest of World | 2,273 | 1,888 |
| Total turnover | <u>14,452</u> | <u>12,695</u> |

All operations are located in the United Kingdom.

PACER COMPONENTS LIMITED

Notes to the financial statements
For the year ended 31 March 2020

5 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging / (crediting):

| | 2020 | 2019 |
|---|-------|-------|
| | £'000 | £'000 |
| Amortisation of intangible fixed assets | - | 95 |
| Depreciation of tangible fixed assets | 127 | 74 |
| Re-organisation expenses: | | |
| Fixed asset impairment | - | 30 |
| Write off of intangibles | - | 192 |
| Exceptional dilapidations charges | - | 250 |
| Other exceptional charges | - | 83 |
| Loss on disposal of tangible fixed assets | - | 30 |
| Auditors' remuneration: audit services | | |
| Audit services | - | 17 |
| Foreign exchange (gains)/expenses | (57) | 41 |
| Operating lease rentals: | | |
| Plant and machinery | - | 1 |
| Other | 43 | 103 |
| Research and development costs | 42 | 179 |

The prior year exceptional items set out above, result from reorganisation activities related to the acquisition of the company. These include the one off reassessment and true up of restructuring during FY19 aligning accounting judgements with that of the new group accounting policies.

PACER COMPONENTS LIMITED

Notes to the financial statements
For the year ended 31 March 2020

6 Directors and Employees

Staff costs during the year were as follows:

| | 2020 £'000 | 2019 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 1,244 | 1,462 |
| Social security costs | 174 | 167 |
| Pension costs | 115 | 122 |
| Termination costs | - | 14 |
| | <u>1,533</u> | <u>1,765</u> |

The average number of employees during the year was:

| | 2020 No. | 2019 No. |
|-------------------------------|-------------|-------------|
| Selling and distribution | 26 | 26 |
| Management and administration | 6 | 6 |
| | <u>32</u> | <u>32</u> |

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pension's provider.

Remuneration in respect of directors was as follows:

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Emoluments | - | 107 |
| Pension contributions to defined contribution plans | - | 5 |
| | <u>-</u> | <u>112</u> |

No emoluments in respect of Mr J L Macmichael, Mr P Haining, Mr G S Marsh or Mr P O James are charged in the accounts. Pension arrangements with regards to the directors of the parent company are disclosed in the parent company accounts with Mr J L Macmichael being disclosed within Solid State Supplies Ltd.

Directors who are both directors of this company and of the ultimate parent company who have share options relating to their role as Group directors are not recharged to the subsidiaries. Full disclosure of the Group Directors options are publicly available in the accounts of the ultimate parent entity Solid State PLC.

7 Interest receivable / (payable)

| | 2020 £'000 | 2019 £'000 |
|---------------------|---------------|---------------|
| Other loan Interest | (1) | 31 |
| Term loan interest | - | 9 |
| Leasing | - | 4 |
| Other bank charges | - | 58 |
| | <u>(1)</u> | <u>102</u> |

PACER COMPONENTS LIMITED

Notes to the financial statements

For the year ended 31 March 2020

8 Tax on profit on ordinary activities

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| UK Corporation tax based on the adjusted profits | - | 47 |
| Amount payable to group companies on surrender of tax losses in the year | 86 | - |
| | <u>86</u> | <u>47</u> |
| Deferred taxation | 18 | 22 |
| | <u>104</u> | <u>69</u> |

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Profit /(loss) on ordinary activities before taxation | <u>621</u> | <u>(170)</u> |
| Corporation tax thereon at the standard rate of 19% (2018: 19%) | 118 | (32) |
| Expenses not deductible for tax purposes | 2 | 95 |
| Deferred tax assets not recognised | - | 42 |
| Difference between capital allowances and depreciation and amortisation | 3 | - |
| Enhanced relief on research and development expenditure | (25) | (32) |
| Other adjustments | - | (4) |
| Change in rate in respect of deferred tax recognition | 6 | - |
| | <u>104</u> | <u>69</u> |

The UK corporation tax rate is 19% (effective from 1 April 2017). As a result of the amendment in 2020 which was substantially enacted on 17 March 2020 the rate of corporation tax is set to remain at 19%. The deferred tax liabilities at 31 March 2019 have been calculated based on this rate.

R&D tax credits

The Group recognised a credit of £nil (2019: £nil) within operating profit in relation to claims made under the Research and Development expenditure credit scheme (RDEC).

PACER COMPONENTS LIMITED

Notes to the financial statements
For the year ended 31 March 2020

9 Intangible fixed assets

| | Development Costs £'000 | Total £'000 |
|--|-------------------------------|----------------|
| Cost | | |
| At 1 April 2019 | - | - |
| Additions | - | - |
| Write off | - | - |
| At 31 March 2020 | - | - |
| Amortisation | | |
| At 1 April 2018 | - | - |
| Charge for the year | - | - |
| Write off | - | - |
| At 31 March 2020 | - | - |
| Net book value at 31 March 2020 | - | - |
| Net book value at 31 March 2019 | - | - |

Amortisation of intangible assets is included in administrative expenses.

10 Tangible fixed assets

| | Computer hardware £'000 | Furniture and office equipment £'000 | Total £'000 |
|--|-------------------------------|---|----------------|
| Cost | | | |
| At 1 April 2019 | 531 | 673 | 1,204 |
| Additions | 135 | 106 | 241 |
| Disposals | - | - | - |
| At 31 March 2020 | 666 | 779 | 1,445 |
| Depreciation and impairment | | | |
| At 1 April 2019 | 473 | 151 | 624 |
| Charge for the year | 44 | 83 | 127 |
| Disposals | - | - | - |
| At 31 March 2020 | 517 | 234 | 751 |
| Net book value at 31 March 2020 | 149 | 545 | 694 |
| Net book value at 31 March 2019 | 58 | 522 | 580 |

No assets are held under finance leases at 31 March 2020.

PACER COMPONENTS LIMITED

Notes to the financial statements
For the year ended 31 March 2020

11 Investments

| | Total £'000 |
|--|----------------|
| Cost | |
| At 1 April 2019 | 84 |
| Additions | - |
| Disposals | - |
| At 31 March 2019 | <u>84</u> |
| Depreciation and impairment | |
| At 1 April 2019 and 31 March 2020 | <u>-</u> |
| Net book value at 31 March 2020 | <u>84</u> |
| Net book value at 31 March 2019 | <u>84</u> |

Investments relate to the 100% investment in its subsidiary Pacer USA LLC which is a limited liability corporation registered in Florida USA.

12 Stocks

| | 2020 £'000 | 2019 £'000 |
|----------------------------------|---------------|---------------|
| Raw materials and finished goods | <u>1,716</u> | <u>1,503</u> |
| | <u>1,716</u> | <u>1,503</u> |

Stock recognised in costs of sales during the year as an expense was £10,597k (2019: £9,745k). An impairment loss of £11k (2019: £31k) was recognised in cost of sales during the year against stock due to slow moving and obsolete items.

13 Debtors

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 2,427 | 1,807 |
| Other debtors | 11 | 169 |
| Amounts owed by group undertakings | 5,574 | 4,745 |
| Prepayments and accrued income | <u>725</u> | <u>65</u> |
| | <u>8,737</u> | <u>6,786</u> |

Impairment losses recognised from the reversal of provisions against trade debtors of £3k were recognised during the year (2019: gain £7k).

14 Creditors: amounts falling due within one year

| | 2020 £'000 | 2019 £'000 |
|---------------------------------------|---------------|---------------|
| Other loans | - | - |
| Finance leases | - | - |
| Trade creditors | 759 | 745 |
| Amounts owed to group undertakings | 3,901 | 2,927 |
| Corporation tax | 18 | 18 |
| Other taxes and social security costs | 158 | 156 |
| Directors' current accounts | - | - |
| Accruals and deferred income | <u>514</u> | <u>206</u> |
| | <u>5,350</u> | <u>4,052</u> |

PACER COMPONENTS LIMITED

Notes to the financial statements
For the year ended 31 March 2020

15 Provisions for liabilities

| | Dilapidations provision | Deferred tax provision | Total Provisions for liabilities |
|--|----------------------------|------------------------------|---|
| | £'000 | £'000 | £'000 |
| At 1 April 2019 | 250 | 50 | 300 |
| Charged to the profit and loss account | 54 | 18 | 72 |
| Utilised | - | - | - |
| At 31 March 2020 | 304 | 68 | 372 |

The dilapidations provision relates to the requirement for the Company to reinstate the leasehold premises which it occupies at the end of the lease obligation. The minimum term of the leases is less than five years but there are options to extend the lease obligations which could be exercised by the Company which would have the effect of delaying the point at which the liabilities will crystallise.

Deferred taxation provided for in the financial statements is set out below:

| | 2020 £'000 | 2019 £'000 |
|-------------------------------------|---------------|---------------|
| Accelerated capital allowances | 81 | 52 |
| Short term timing difference (STTD) | (13) | (2) |
| Deferred tax on capitalised R&D | - | - |
| | 68 | 50 |

It is anticipated that the STTD will unwind in FY21 to generate a net tax increase of approximately £10k (2019: £20k) relating to the timing differences on tangible fixed assets and the STTD.

16 Called up share capital

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Allotted, called up and fully paid: | | |
| 1,027,067 (2019: 1,027,067) ordinary shares of £0.25 each | 257 | 257 |

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

17 Capital and reserves

Called up share capital – represents the nominal value of shares that have been issued.

Profit and loss account – include all current and prior period retained profits and losses.

18 Leasing commitments

The company's future minimum payments under operating leases are as follows:

| | 2020 £'000 | 2019 £'000 |
|----------------------------|---------------|---------------|
| Within one year | 63 | 68 |
| Between one and five years | 106 | 180 |
| Later than five years | - | - |

PACER COMPONENTS LIMITED

Notes to the financial statements
For the year ended 31 March 2020

19 Parent company

The company is a wholly owned subsidiary of Pacer Technologies Limited which is an intermediate holding Company which is registered in England and Wales.

The ultimate parent company is Solid State plc, a company registered in England and Wales. Group financial statements are available from Solid State plc, 2 Ravensbank Business Park, Hedera Road, Redditch, B98 9EY.

20 Related party transactions

Transactions with wholly owned subsidiaries of the Solid State Plc group are not disclosed, as allowed by FRS 102 section 33.1A.

21 Contingent liabilities

The company participates in a cross-guarantee of bank borrowings of its ultimate parent company, Solid State plc and fellow subsidiary companies. At 31 March 2020, liabilities covered by this guarantee amounted to £nil (2019: £nil).