CT AUTOMOTIVE

Defined by **Innovation**

CT Automotive Group plc
Annual Report and
Financial Statements 2022

Welcome

Encouraging trading in 2023

The Group navigated through a turbulent year and is now on an upward trajectory, with new awards and customer wins.

Our purpose

Driving innovative design and engineering solutions to help shape the future of the automotive industry.

Our mission

- Grow profitability and improve stakeholder returns.
- To drive continual innovation and operational efficiencies to maintain our position as an industry leader.
- To maintain our reputation for design excellence and innovation across our chosen markets.
- To build our global presence in response to market trends.

Further investor information

Investor presentations, news and other shareholder information can be found on our website.

For more information, visit:
ct-automotive.net/investors

Financial Highlights

Revenue

$124.3m*

(2021:$127.8m*)

Gross profit

$14.9m*

(2021:$25.2m*)

Adjusted EBITDA

$(7.1)m*

(2021:$3.3m*)

* continuing operations excluding UK discontinued operations.

- Group revenue from continuing operations was broadly maintained at FY21 levels.
- Strong FY22 production revenues despite volatile and short-term nature of customer orders offsetting reduced tooling revenues.
- Profitability impacted by increased production and distribution costs as the Group reacted to maintain service.
- Balance sheet strengthened following post period-end fundraise with gross proceeds of approximately $9.6m predominately to support working capital.

Operational Highlights

- Cost savings programme is progressing as planned.
- Supply chain disruptions and semi-conductors shortages impacted production levels.
- New customer wins including Rivian and Vinfast.
- New manufacturing plant in Mexico opened and supplying customers.

CT Automotive Group plc: Also referred to as "CT Automotive" or the "Group".

Contents

At a glance

Well positioned as operating conditions stabilise

CT Automotive offers two principal services:

- Engineering, design and development of automotive components and associated production tooling; and
- The serial production of such parts, with end supply to a growing number of the global original equipment manufacturers (OEMs).

CT Automotive's Engineering, Design and Development services offer bespoke turnkey packages whereby product development is managed from concept and design of parts, through feasibility studies and development engineering to product validation and the subsequent in-house manufacture of serial production tools. Engineering, Design and Development is a core part of the pre-production process for the design and engineering of the specialist tools required to mass produce the bespoke part.

Serial Production is the manufacture of parts for supply to OEM assembly lines for inclusion in car interiors, either directly to the OEM or through a Tier One supplier.

We are the all-round interior trim supplier

Air registers
From high-volume, multi-global platform supply to premium brand prestigious models, CT Automotive designs, develops, and manufactures the product from design inception to end of life, supporting global supply throughout the products life.

Wrapped assemblies
Through extensive research and development of specialist techniques, CT Automotive's tailoring and trim department caters for and provides the very highest-quality wrapped trim panels, shifter assemblies and lid consoles, with no limiting factors on globally available coverings.

Decorative finishes
CT Automotive's in-house chrome plating, painting and finishing divisions allow for a full range of high-quality finishing techniques that span across many different styles and applications, allowing us to support all our customers' requirements and high standards.

Mechanical assemblies
CT Automotive also produces a wide range of kinematic assemblies, to complement our portfolio of interior trim product with the supply of deployable cup holders, docking stations and storage bins.

Light guides
Ambient light guides supplied by CT Automotive's class can be incorporated into our mechcanical assemblies or trim panels, or provided as individual assemblies, to provide the enhanced interior experience and unrestricted design ambitions of customer and end user.

HVAC
CT Automotive specialises in 2k tooling manufacture and production supply of cabin comfort system components, including a broad range of HVAC doors and assemblies.

Our global footprint

The Group has an international manufacturing footprint, with the majority of production across three sites in China and additional sites in Turkey, Mexico and the Czech Republic. Our operating model combines Western design and engineering expertise with lower cost manufacturing capabilities, to provide full service supply from concept through to production and subsequent global supply.

8

Manufacturing sites

6

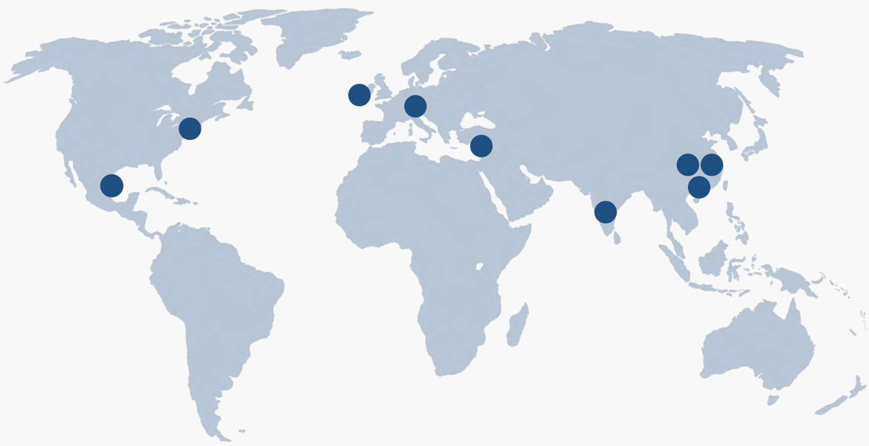
Sales offices

2

Innovation and design centres

7

Distribution hubs



Customer wins

During FY22, CT Automotive won the new business of two OEMs:

- Rivian
- Vinfast

UK closure

During FY22 the Group has announced the closure of Chinatool Automotive Systems Limited, a production facility in Sunderland, UK, which has been impacted by severe labour shortages and inflationary increases in energy costs and wages.

Mexico opening

The opening of our plant in Puebla, Mexico, has been a success and it is now supplying customers in North America.

- The plant is fully operational with extensive floor space to allow us to expand and grow with new and existing customers alike, without being impacted by the USA's Section 301 tariff imposed on China operations.
- With Mexico being an emerging economy, the plant is well placed to service the Mexican domestic market as it grows in the future.
- Situated in the same region as the biggest automobile factory in Mexico, VAG's Puebla Factory, CT Automotive is well positioned next to an existing customer to exploit potential growth opportunities.

Expertise and experience

Growth strategy

CT Automotive's organic growth is primarily driven by three key factors:

1. Enhanced market share among OEM and Tier One customers,
2. Cultivating new customer relationships, and
3. Reducing costs wherever possible across the business.

In the current year, our focus will be further intensified towards securing Electric Vehicle (EV) projects, specifically targeting EV companies as well as EV projects within legacy automotive manufacturers, and utilising investment capital to cut costs.

1

Increasing penetration of existing OEM and Tier Ones

The Group has strong, established, relationships with a number of Tier 1 suppliers and OEMs, including Marelli, Forvia, VAG and Lucid. Maintaining strategic relationships with all customers is critical to ensure ongoing nomination on future vehicle platforms with each customer and also increasing content per vehicle. The increasing demand for EVs presents a unique opportunity for the Group to significantly increase the value of components per car. EV manufacturers place a strong emphasis on enhancing the interior experience for customers, they do this by leveraging advancements in technology and using high quality materials combined with interesting design. Modern consumers now expect more from their vehicles, prompting OEMs to introduce captivating and distinctive features to elevate their interiors and differentiate themselves from competitors. These trends align favourably with the Group's strategic position, as these interior enhancements tend to be more expensive, yielding improved profit margins and a higher component value per car set. CT Automotive has proven its capability of working with leading EV manufacturers on various interior parts by collaboratively designing and then manufacturing parts for Lucid and another leading American EV OEM.

2

Robotics and cost savings

CT Automotive is looking to further leverage its position in low-cost economies by increasing its investment in robotics, the ROI of this investment is extremely fast, nine to twelve months. It has dual benefits of not only making the Group leaner but also more agile, allowing for a better response to customer demand fluctuations. It is expected that with the new robotic equipment, CT Automotive can remove a significant number of direct staff from the mould shop, equating to a substantial saving per month. With the recent $9.6m fundraise, the Group is looking to improve the economies of scale of its supply base through material rationalisation and renegotiation of terms on materials and Brought Out Parts (BOPs) on a global scale. This has already yielded significant savings and should continue to get better through the year as the Group grows and increases its purchasing power.

3

Development of new customer relationships

The majority of global vehicle production is undertaken by 23 manufacturers which collectively account for approximately 85% of total annual vehicle production. Of these 23 manufacturers, the Group currently supplies components, either directly or indirectly, to 13 which collectively represent 65% of total annual vehicle production. Through CT Automotive's proven track record of delivering quality components to all segments of the automotive market, i.e. both volume producers, such as Nissan and Ford, premium brands, such as Bentley and Lamborghini, and leading EV brands, such as Lucid and another leading American EV OEM, the Group is constantly striving to develop new customer relationships.

The Group navigated through a turbulent year and is now on an upward trajectory, with new awards and customer wins. We responded to the challenging operating conditions while focusing on executing our important strategic priorities."

Innovative business model

Combining Western engineering expertise with emerging economy low-cost structures.

1 Established

- Experienced Management team
- Niche market/ high barriers to entry
- Embedded relationships

2 What we do

- Design & Innovation
- Development
- Manufacture
- Engineering
- Distribution

3 Clients

- OEMs
  - Value brands
  - Premium brands
  - Electric vehicles
- Tier One suppliers

4 Value creation

- Shareholder/ Stakeholder value
  - Customers
  - Investors & Lenders
  - Suppliers
  - Employees
  - Communities

Supported by our values

At CT Automotive, we are committed to delivering on our growth plans, in a sustainable manner that considers our environment and the communities that we operate in. We understand that our people are a core part of CT Automotive and value the contributions they make towards our goals each day.

People & culture
Growth driven by the strength and commitment of our people, constantly striving for improvement and innovation.

Trust
Building trust in our brand and capabilities with new OEMs and Tier 1 suppliers.

Collaboration
Working closely with our customers and suppliers to ensure modern, innovative designs.

Operational excellence
Striving for continuous efficiency and quality improvements to achieve the highest standard solutions for our customers.

Sustainability
Achieving growth responsibly, with a careful consideration for our wider impact and our social, environmental and ethical responsibilities.

Agility
Remaining agile and fast to react/adapt to market trends.

A compelling investment

01 Experienced Management team

With a collective experience of over 70 years in the automotive industry, CT Automotive's senior Management team possesses a strong foundation to drive the Group's growth. Their extensive industry tenure has fostered a wealth of invaluable knowledge and expertise, contributing significantly to the Group's past achievements and ongoing success.

Moreover, the Group has strategically recruited individuals with experience in publicly listed companies to enhance the team's capabilities and provide guidance in navigating regulatory procedures and improving compliance and governance. This comprehensive leadership approach fortifies the team's capabilities and positions CT Automotive for future growth.

02 Niche market with high barriers to entry

The automotive interior components market operates within a niche market, delivering precise technical and safety-compliant components integrated into vehicle designs during early development stages. Limited competition arises from the scarcity of suppliers globally possessing the necessary design, validation, and testing capabilities to meet carmakers' demanding standards on a worldwide scale.

The market's high barriers to entry stem from customers' rigorous supplier onboarding requirements and risk aversion due to potential costs arising from production line interruptions resulting from subpar component delivery in terms of quality and timeliness. Notably, there have been no significant new global entrants, apart from CT Automotive, in the market over the past two decades.

03 Embedded relationships

CT Automotive currently has an embedded supplier status with Nissan, VAG and Ford and aims to establish similar relationships with other leading OEMs, including Toyota, GM, Renault, Lucid and another well-known American EV OEM. Becoming an embedded supplier typically requires significant time and effort, with no assured outcome.

However, given the Group's track record of reliably delivering high-quality parts to several of these OEMs for a number of years, the prospect of achieving embedded supplier status appears promising.

04 Opportunities

The automotive market, particularly in the EV segment, is witnessing a heightened focus on interior quality and features as key selling points. Modern vehicles, particularly EVs, are expected to offer high-quality, technologically advanced interiors. This market trend presents favourable opportunities for CT Automotive, as projects involving higher quality cabins yield better margins by utilising more value-added processes and demanding extensive design efforts. Being drivetrain agnostic, CT Automotive is strategically positioned to leverage these opportunities in EV interiors.

Currently, the Group supplies an average of $20 worth of components per car, with potential for increased component value as customer relationships expand. With a specific focus on EVs, our Directors believe the average value per car set will increase considerably, based on the spending patterns observed with our longest-standing clients across our customer base.

70+ yrs

Experienced Management team with a collective experience of over 70 years in the automotive industry.

65%

Existing customers share of the automotive market.

$6.8bn

Estimated market for the interior components categories supplied by CT Automotive.

1

CT Automotive is the only significant new global entrant to the market over the past two decades.

$58.7m

Revenue of Marelli/Nissan across c.17 platforms.

Well positioned for the future

With the Group's current growth strategies and investment case, along with the subsiding chip shortages, ending of COVID-19 challenges in China, and customer demand increasing, the future looks bright for CT Automotive.

After weathering a turbulent few years in the automotive industry, the Group has made it through and come out in a better shape. Throughout this report you can find CT Automotive's plans for the future; there's a large emphasis on becoming leaner, through cutting costs wherever possible and use of increased automation. Without a doubt these processes and initiatives have been accelerated by the challenges that the Group has faced. With these exciting new initiatives, CT Automotive is well positioned to take advantage of years of experience, continuing to grow and develop relationships with existing and new customers, expanding the Group's market share and delivering value to the shareholders.

Letter from the Chairman & CEO

Simon Brian Phillips,
Executive Chairman

Scott McKenzie,
Chief Executive Officer

FY22 presented a series of unforeseen challenges for CT Automotive – both on the supply and demand sides of our business. We responded to the challenging operating conditions while focusing on several key strategic initiatives set out at our IPO in late 2021. This has left the business in a stronger position to deliver on our growth strategy and capitalise on improved market conditions as we move through FY23.

Introduction

FY22 presented a series of unforeseen challenges for CT Automotive – both on the supply and demand sides of our business. We responded to the challenging operating conditions while focusing on several key strategic initiatives set out at our IPO in late 2021. This has left the business in a stronger position to deliver on our growth strategy and capitalise on improved market conditions as we move through FY23.

We would like to express our gratitude for the unwavering support from the shareholders, lenders, suppliers, employees and customers during the year. Their backing has been instrumental as we navigated the challenges presented to us.

In particular, we would like to thank our existing and new shareholders who supported us in the recent fundraising which secured c.$9.6m of gross proceeds. The net proceeds of the fundraise will predominately be used to strengthen the balance sheet and to provide the Group with flexibility to take advantage of new pipeline opportunities as the business positions for growth. Additionally, a small portion of the net proceeds will be deployed to realise further efficiency savings including through investment in injection moulding production processes and robotics.

Overview

CT Automotive is a leading manufacturer of kinematic parts and decorative finishes for car interiors, supplying some of the world's largest Original Equipment Manufacturers (OEMs). With manufacturing facilities located in low-cost economies, we leverage our strategic presence to provide full service through our efficient distribution centres, creating a streamlined and robust supply chain.

Over the past year, CT Automotive has made further strides in the highly competitive automotive industry.

We further strengthened our market position through significant new wins with existing blue-chip customers such as Nissan, Ford and Lotus and also secured partnerships with new electric vehicle (EV) start-ups such as Rivian.

We successfully opened a new production facility in Puebla, Mexico, in line with our plans outlined at our IPO in December 2021 and despite the headwinds caused by the global pandemic. This strategic move has allowed us to diversify some of our production away from China, secure an improved supply chain for the Americas and enabled us to offer our customers in the region better pricing.

We are pleased to report that the plant is now fully operational and is performing to plan, after overcoming initial start-up issues during the first few months caused by fluctuations in customer production schedules as a result of supply chain issues detailed below.

During the year our business experienced significant challenges posed by lockdowns in China, which resulted in the enforced closure of our factories for up to 20% of the year. This also strained the supply chain and had a ripple effect on our suppliers, causing significant inefficiencies and production delays. Following the reversal of the zero-Covid policy towards the end of FY22, our manufacturing facilities in China have been able to rapidly return to full production capacity and drive efficiency back into the business.

As previously announced, increased labour, production and utility costs have led to the closure of our UK production facility in Sunderland with the majority of production capacity relocated to other Group sites.

Performance summary

We are pleased to report that our revenues from continued operations remained broadly flat at $124.3m (FY21: $127.8m), despite the challenges experienced over the past year. Although customer demand continued to improve compared to FY21 as the industry recovered from Covid-19, production levels were highly unstable due to wider automotive supply chain disruptions and semi-conductor shortages, which adversely impacted our profitability. Notwithstanding this, we continued to secure significant new development contracts, which underpin our future growth and demonstrate the OEMs' confidence in our capabilities.

Market conditions

The past year presented numerous hurdles for our business: semi-conductor shortages hampering OEM production, China's 'zero-Covid' policy which led to enforced plant closures, surging shipping container prices and general supply chain disruptions. High inflation rates in the UK in the latter part of FY22 caused an increase in energy and materials prices and labour costs and led to the decision to close our UK plant. In addition, the hyperinflationary environment in Turkey drove up energy and material costs and led to wage increases at our local facility. Despite these challenges, we were able to share certain costs with our customers and maintain supply.

In order to better manage potential demand volatility, the Group is investing in improved stock management processes and in increased automation of the key production processes. The new stock management processes are aimed at optimising inventory levels, thereby reducing costs and freeing up cashflow through improved production planning and material management, freight packing optimisation and a more efficient utilisation of production staff. The Directors believe that these improvements will strengthen the Group and improve operations but also better position the Group to mitigate similar adverse events that may occur in the future.

Key achievements

Our new facility in Puebla, Mexico, opened in late 2022 to support local supply to our North American customers and, following initial production delays due to the impact of continued supply chain disruption, production is now ramping up. The timely closure of our Sunderland production facility helped to curtail future production losses in the UK.

During the latter part of FY22 we successfully introduced production line efficiencies, while our new global supply chain office in Pune, India, has already identified and secured significant material cost savings.

Importantly, last year we successfully launched several new interior programs, showcasing the Group's wide range of engineering & design skills, for air vents, wrapped panels, interior lighting, console lids and kinetic assemblies. In FY22 CT Automotive delivered a variety of new projects for example, producing sun visors, mirror covers, footwell dividers and armrest hinges for Lotus, air vents and cup holders for Ford and air vents and wrapped panels for Marelli.

Strategic update

Our strategic focus is: on successfully securing new contracts, particularly new EV platforms, and on achieving further cost savings.

New contracts

During FY22 the shift to EV accelerated faster than anticipated. We recognise the need to monitor the transition of legacy automakers to EVs closely and the increasing competition from Chinese OEMs presents a forward threat to European and US OEMs. As the industry navigates through this period of transition, we are well positioned to secure EV platform contracts with existing customers, including Ford and a leading American EV OEM. In addition, with our manufacturing capabilities in China, we are strategically well placed to embrace the fast-growing Chinese EV market and domestic OEMs.

Margin enhancement initiatives

Our emphasis on cost savings is underpinned by a pricing strategy to ensure the very best landed costs to our customers, acknowledging the industry practice that, where applicable, cost increases of materials, labour, freight and in some cases utilities are passed across to our customers.

In the second half of FY22 the Group commenced an efficiency programme to target further cost savings across the Group and to realise an approximately nine percentage point improvement in pre-tax profit margin. The efficiency programme includes proposals to increase the flexibility of the Group's workforce and increasing the agility of the Group in response to elevated variability in customer order volumes. These proposals aim to ensure that the Group maximises its profitability while global automotive volumes continue to recover, and the Directors believe that these actions will ensure that the Group is well placed to further benefit from anticipated increased production volumes going forward.

Letter from the Chairman & CEO

As part of the efficiency programme, initial preparations are underway to consolidate some of the Group's manufacturing operations in China to Ganzhou, Jiangxi province, benefitting from comparatively lower labour costs. Additionally, the Group's proposed investment in robotics will realise efficiencies in the injection moulding process, with equipment expected to be deployed at the Group's manufacturing facilities in China by Q4 2023, with a short payback period. The combination of increased automation and the consolidation of our manufacturing facilities in Jiangxi would significantly improve our agility and responsiveness.

While the full benefits of these initiatives will be felt in FY24, action already taken to date resulted in a run rate pre-tax profit margin of approximately 7.6%. Action to be taken later in the year is expected to realise a further approximately 3 percentage points of margin, resulting in a run rate pre-tax profit margin by the end of the year of 10.5%.

Focus on quality

The automotive industry is widely recognised for its stringent quality standards, as even a small number of non-conforming parts reaching the customer can result in costly penalties. Consequently, the Group places significant emphasis on maintaining exceptional quality. In addition to delivering optimal cost efficiency to our customers, we prioritise providing them with products of the highest quality. This commitment is upheld through the implementation of rigorous quality checks (QC) throughout the production process and the internal "firewall" quality teams during a "safe launch" period of typically 90 days from the start of production during which 100% of new product is inspected. As a testament to our dedication, CT Automotive China and Turkey plants were recertified under the IATF 16949:2016 standard in FY21, while our plant in Mexico is expecting the certification audit in late FY23, further underpinning our commitment to excellence.

Health and safety

The well-being and safety of our employees take precedence above all else. Recognising that certain operations conducted within our global facilities possess inherent risks that could potentially lead to severe consequences, including fatalities, we maintain strict adherence to robust health and safety protocols. The efficacy of this approach is evident in the Group's global health and safety incident report, which highlights zero occurrences of fatal or severe injuries across all our plants throughout the year. We take immense pride in this accomplishment. More information on this can be found in the Sustainability Report section of the Annual Report.

Board changes

On 13 December 2022, the Group's Chief Financial Officer, David Wilkinson notified the Board of his decision to step down for personal reasons and he left the Group on 28 April 2023. David made a considerable contribution to the development of CT Automotive over 11 years at the company and we wish him well.

After the period-end, on 1 February 2023, we were pleased to announce the appointment of Anna Brown. She was appointed to the Board as an Executive Director of the Company on 28 April 2023, following an orderly handover period. Anna brings substantial listed company and financial experience to the role that will be invaluable as we continue to execute our growth strategy.

As previously announced, the Board intends to appoint a further non-executive director with the individual to be a representative of one of the Company's significant shareholders. A further announcement will be made in due course.

Our people

Throughout what has been a challenging year, one thing has remained consistent, and that has been the resilience and commitment of our people. Day in and day out, all around the globe, the employees at CT Automotive have been dedicated and enthusiastic, their expertise has been vital in driving the business forward. We thank them for their valuable contribution.

Sustainability and Corporate Social Responsibility (CSR)

We remain committed to sustainability and corporate social responsibility. This commitment extends to our operations, our employees and our communities. We are dedicated to continuously improving our environmental footprint, promoting fair and ethical labour practices, and engaging in initiatives that benefit our communities.

Governance and compliance

Following the experience of our first year on AIM, we recognise the need for further improvements in our compliance and governance processes. Our new CFO, Anna Brown, is taking the lead in bolstering the controls environment and driving these improvements through the business.

Current trading and outlook

Trading in the current year to date has been encouraging, with strong customer demand and order books building. The Group's manufacturing facilities have recovered from the specific operational challenges experienced in Q4 last year:

- The Group has seen a rapid recovery in manufacturing at the Group's facilities in China following the lifting of the Government's zero-Covid policy measures.
- The Group's new facility in Puebla, Mexico is now fully operational.

The cost savings programme launched in the second half of FY22 continues to progress in line with plan. Efficiency initiatives have started to come on stream and are delivering margin improvements.

The Board is encouraged by stabilising order volumes since the start of FY23 and visibility for the year ahead. While macroeconomic uncertainty remains, there are signs that customer schedules are strengthening and OEM automotive supply chain issues are resolving.

As a result, the Board remains confident of achieving its expectations for FY23, supported by the benefit expected from efficiency savings.

We are optimistic about the outlook for the automotive industry. With the scrapping of the zero-Covid policy in China, we anticipate being able to operate normally and return to stable rhythm in our production facilities. With container shipping prices stabilising back to pre-pandemic levels, the Group can take advantage of improved supply chain efficiencies.

Additionally, better allocation of semi-conductors and stabilised customer production schedules will contribute to a more predictable operating environment where efficiencies can be leveraged to reduce cost and improve margins.

We will continue to focus on efficiency and optimisation across our global facilities. Our investment in the latest automation technologies will maximise production efficiency and strengthen our competitive position.

As we look to the future, we are optimistic about the resilience and adaptability of CT Automotive. We have a robust strategy in place, and we are well positioned to capitalise on the improved stability of our operating environment and the continued recovery in our global automotive end-markets. Thank you once again for your steadfast support, and we look forward to a year of progress and shared success.

Simon Phillips
Executive Chairman

Scott McKenzie
Chief Executive Officer

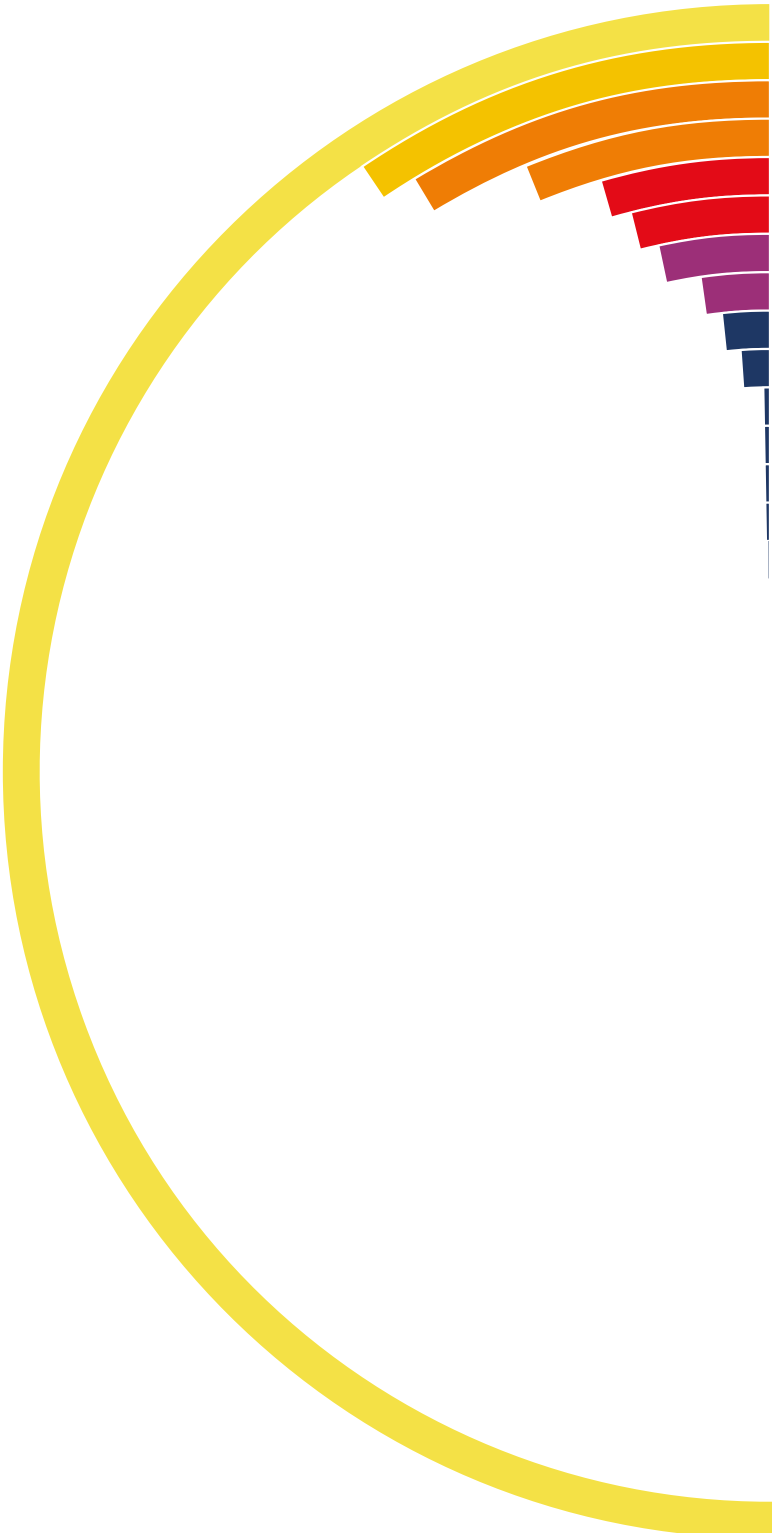
S172 Statement

The Directors take their responsibilities to shareholders and stakeholders very seriously. In addition to having regard to the interests of the Group's stakeholders, Directors also consider the impact of the Group's activities on the communities within which it operates, the environment and the Group's reputation. The Directors seek to act in good faith, in the way most likely to promote the success of the Group, for the benefit of its shareholders in the long term and to act fairly between all of the Company's shareholders. Through the Board and its Committees, Directors have taken action to promote and support these objectives across the Group, details of which can be found within the Sustainability report and S172 statement.

Business review

CT Automotive Serial Production revenue by OEM

FY22



OEM	% of Revenue
Nissan	55.7%
Ford	9.5%
Skoda	8.9%
GM	6.3%
Seat	4.5%
VW	4.0%
Lucid	3.6%
Renault	2.3%
Major EV OEM	1.9%
PSA/Stellantis	1.4%
Bentley	0.6%
Lotus	0.5%
Lamborghini	0.4%
Mazda	0.4%
Honda	0.2%

$6.8bn

Estimated market for the interior components categories supplied by CT Automotive.

65%

Existing customers share of the automotive market.

$58.7m

Revenue of Marelli/Nissan across c.17 platforms.


10:31 AM
Home
Work

Our market continued

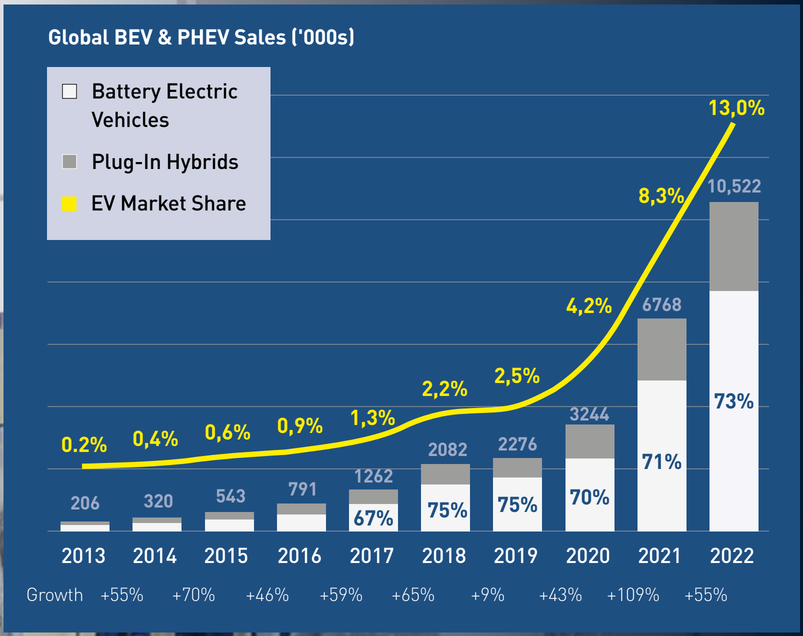
The prominence of EVs in the global market

As the global shift towards electric vehicles (EVs) continues to gain pace, it is essential for the Group to remain agile and maintain a keen eye on the international automotive industry. Given the rapid pace of electrification, an increased focus has been placed on securing EV-centric projects. Through FY22 CT Automotive worked with both leading and up-and-coming EV manufacturers such as, a leading American EV OEM, Lucid, and Rivian, as well as EV's from legacy OEMs.

A crucial catalyst for worldwide electric vehicle (EV) uptake has been governmental regulations and financial support, with each nation pursuing diverse strategies and varying degrees of action. One widespread approach by governments involves phasing out the sales of internal combustion engine (ICE) vehicles by a stated deadline, with the norm in Europe stated for 2035, and some countries even anticipating as early as 2030. For a considerable period, EVs have appealed to consumers, likely due to factors such as lower refuelling and road tax costs compared to ICE vehicles, subsidy incentives, and reduced emissions during operation. It's evident that consumer attitudes have evolved significantly over the past decade, with a growing emphasis on environmental consciousness and personal contributions to it. Coupled with the enticing advantages of EVs outlined above, and the fact they are improving, and forthcoming government policy modifications, the market trajectory appears definitive. However, this hastening transition requires continual monitoring of both consumer and government trends.

In the continually evolving landscape of electric vehicle production, reduced costs and increased efficiency are driving an expanding market appeal. Historically, the affordability of EVs has been curtailed by the expense of battery cells. However, the dynamics are changing with original equipment manufacturers (OEMs) such as a well known American EV OEM and BYD now producing battery cells en masse and capitalising on vertical integration strategies, which encompass their own mining activities and lithium refinement. These developments have started to exploit the advantage of economies of scale, driving the cost of EV production lower.

Thanks to the Group's extensive expertise and capabilities, we are strategically poised to leverage this industry revolution to our advantage and secure new contracts. We look forward to enhancing our collaboration with existing clientele including Ford, Lucid, and a market-leading American EV OEM, while also looking to develop new relationships with promising EV OEMs such as BYD and NIO. Our outlook is set on leveraging this transformative period in the auto industry to solidify our position and deliver value for our shareholders.



Source: EV Volumes, 'Global EV Sales for 2022'
(https://www.ev-volumes.com/country/total-world-plug-in-vehicle-volumes/)

Recent fundraise is supporting balance sheet and growth opportunities

Anna Brown,
Chief Financial Officer

We responded to the challenging trading and operating conditions while focusing on executing our important strategic priorities.

Revenue and margins

Total Group revenue from continuing operations was relatively stable with a small decrease of 3% from $127.8m in FY21 to $124.3m in FY22.

Although highly unstable due to supply chain disruptions and semi-conductor shortages, overall demand for interior components remained high. As a result, our production revenue grew by 11% to $117.3m (FY21: $105.6m). Tooling revenue reduced by 68% to $7.0m (FY21: $22.2m) predominately reflecting the timing of completion and its project-based nature.

Gross profit margins were adversely impacted by the increased variability and short-term nature of orders as the Group's customers reacted to available supply elsewhere in their respective supply chains, which in turn increased the Group's production costs as it responded to maintain service. Furthermore, enforcement of the Chinese Government's zero-Covid policy resulted in the temporary closure of some of the Group's manufacturing facilities and those of local suppliers, leading to increased costs as the Group caught up on lost production and expedited delivery of materials from local suppliers, as well as finished goods to customers, at a higher cost. During the year the Group incurred costs that, while part of the underlying results, are not expected to repeat as we return to more stable trading conditions. These costs included c.$5m in connection with higher than forecasted production inefficiencies and expedited air freight costs following lockdowns in China.

The above production challenges, together with completing fewer tooling projects, which typically generate higher margins, led to a decline in gross profit to $14.9m (FY21: $25.2m) and consequently a detorioration in gross profit margin to 12.0% in FY22 from a gross profit margin of 19.7% in FY21.

Non-recurring items

During FY22 the Group incurred non-recurring costs of $4.3m (FY21: $5.6m). These costs primarily related to pre-opening and start-up costs of $1.7m (FY21: $nil) in connection with the new production facility in Mexico, goodwill impairment of $1.2m (FY21: $nil) in relation to curtailing our US entity activity as the operations in Mexico came on-stream and $0.7m (FY21: $nil) being an accounting adjustment reflecting the impact of hyperinflation in Turkey.

EBITDA and operating result

FY22 underlying EBITDA was a loss of $7.1m (FY21: $3.3m profit) while reported EBITDA was a loss of $11.4m (FY21: $2.3m loss) as a result of significantly lower gross profit and after taking account of distribution expenses of $5.1m (FY21: $5.5m) and administrative expenses of $27.3m (FY21: $28.6m).

The Group incurred $3.8m of foreign exchange losses (FY21: $1.5m) due to unfavourable exchange rates movements primarily against US$.

These are included in administrative expenses. Depreciation and amortisation charges remained at similar levels for the year at $5.4m (FY21: $5.1m). Therefore, the resulting underlying operating loss was $12.6m (FY21: $1.8m) and reported operating loss was $16.8m (FY21: $7.4m).

Taxation

Despite generating losses before tax of $18.8m (FY21: $12.4m), the Group has recognised a tax charge of $3.1m (FY21: $1.2m tax credit). This is primarily driven by the write off of deferred tax assets previously recognised in the UK entities, resulting in a deferred tax charge of $2.4m (FY21: $1.4m credit).

In addition, the tax charge includes $0.6m (FY21: $0.3m) being a current year tax expense in our manufacturing subsidiaries and a technical provision for a tax uncertainty in a specific jurisdiction as required by IFRIC 23.

Discontinued operations

During FY22 the Group announced the closure of Chinatool Automotive Systems Limited, a production facility in Sunderland, UK, which was impacted by severe labour shortages and inflationary increases in energy costs and wages. Loss for the year attributable to the discontinued operations was $2.8m (FY21: profit of $0.1m).

Prior period adjustments

During the consolidation process, Management identified an error with regards to the calculation of the year-end inventory, which related to a number of years. The adjustment relates to the calculation of the provision for unrealised profits resulting from intra Group sales and a corresponding absorption of overheads within inventory. The adjustment resulted in the reduction of inventory, and therefore net assets, by $8.3m at 31 December 2021.

In addition, the Group has identified an error with regards to the transfer of tooling assets from the Group balance sheet to cost of sales upon completion of tooling and sale to the customer in FY21. As at 31 December 2021, the value of property, plant and equipment has been reduced by $2.6m with a corresponding increase in costs of sales in FY22.

Capital structure and interest

After taking into account the impact of prior period adjustments, the Group saw its total asset value decrease to $79.1m (FY21: $108.5m) and net asset value decrease to $2.6m (FY21: $27.3m).

Non-current assets remained broadly flat at $19.9m (FY21: $19.3m), reflecting a $3.8m increase in right of use assets (FY21: $0.6m decrease) offset by a goodwill impairment of $1.2m in relation to curtailing our US entity activity as the operations in Mexico came on-stream and a write down of deferred tax assets by $3.2m.

As at 30 June 2022, the Group recognised on its balance sheet $3.2m (FY21: 1.7m) of deferred tax assets in relation to losses which previously arose in the UK. As at 31 December 2022, the Directors have re-assessed the recoverability of these assets. Based on management forecasts of the taxable profits specifically in relation to the UK statutory entities, we expect these deferred tax assets to be recovered against future taxable profits in the UK in FY24-FY26. The Directors have therefore concluded that sufficient taxable profits arising in the UK to utilise these deferred tax assets would be possible rather than probable and have chosen to derecognise these deferred tax assets in accordance with the technical requirements of IAS12.

During FY22 the Group saw a $29.9m decrease in its current assets. This was primarily driven by a decrease in trade debtor and other receivable balances from $42.8m in FY21 to $26.9m in FY22 and the reduction in cash balances from $13.4m in FY21 to $4.8m in FY22 as the Group switched its customers to shorter payment terms and consumed cash to meet the increased production and distribution costs requirements.

The Group continued to actively manage its working capital by deploying the IPO proceeds, with the help of major customers and by utilising available finance facilities. Net debt as at 31 December 2022 was $12.2m (FY21: $9.1m) and included amounts drawn on the Group's trade loans and invoice finance facilities with HSBC. As at the year end $16.7m of the facilities were utilised (FY21: $16.5m) against total available facilities of c.$22m.

Recent fundraise is supporting balance sheet and growth opportunities

Although higher than originally anticipated due to increased interest rates and utilisation of facilities during the year, when compared to FY21 levels, FY22 net finance costs reduced to $2.0m (FY21: $4.4m). This was due to repayment of $26.2m term loans, unsecured loans and CLBILs at the end of FY21 and early FY22 utilising the proceeds from the IPO.

Post balance sheet events: $9.6m fundraising and changes to share capital

On 27 April 2023 the Group announced a fundraise and achieved total gross proceeds of $9.6m (before transaction costs of $0.5m).

The fundraising completed following the General Meeting on 15 May 2023 and the admission of the new ordinary shares to trading on AIM on 16 May 2023.

The enlarged share capital of the Company following admission increased to 73,597,548 ordinary shares in aggregate.

The net proceeds of the fundraise of $9.1m will predominately be used to strengthen the balance sheet and to provide the Group with flexibility to take advantage of growth opportunities. Additionally, a small portion of the net proceeds will be deployed to realise further efficiency savings including through investment in injection moulding production processes and robotics.

Going concern

The Directors have assessed the Group's business activities and the factors likely to affect future performance in light of the current and anticipated trading conditions. In making their assessment, the Directors have reviewed the Group latest budget, current trading, available debt facilities, proceeds from the recent fundraising and considered reasonably possible downside sensitivities in performance and mitigating actions.

The Directors are confident that, after taking into account existing cash and debt facilities available to the Group and the net proceeds of fundraising, the Group has adequate resources in place to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements being to June 2024 and have therefore adopted the going concern basis of accounting in preparing the financial statements. In making their assessment the Directors have considered the key factors listed below:

Financial KPIs

Adjusted financial KPIs are calculated on the basis explained in Note 34.

Revenue $m

$124.3m*

2022	124.3*
2021	127.8*
2020	109.9

Adjusted EBITDA $m

$(7.1)m*

2022	(7.1)*
2021	3.3*
2020	1.2

Adjusted Profit/(Loss) before tax $m

$(14.5)m*

2022	(14.5)*
2021	(6.8)*
2020	(5.0)

Profit/(Loss) before tax $m

$(18.8)m*

2022	(18.8)*
2021	(12.4)*
2020	(9.7)

Net debt $m

$12.2m

2022	12.2
2021	9.1
2020	57.9

*continuing operations excluding UK discontinued operations.

Fundraising

On 27 April 2023 the Group announced that it undertook a fundraise and achieved total gross proceeds of $9.6m (before transaction costs of $0.5m). The net proceeds of the fundraise of approximately $9.1m will predominately be used to strengthen the balance sheet and to provide the Group with flexibility to take advantage of growth opportunities. Additionally, a small portion of the net proceeds will be deployed to realise further efficiency savings including through investment in injection moulding production processes and robotics.

HSBC facilities

The Group uses HSBC post-despatch trade loans and invoice financing facilities as an additional working capital lever. These facilities have been committed for 12 months since the IPO, however starting from January 2023 the facilities are provided on a rolling 3-months basis and these are expected to be renewed going forward in light of the current trading and the post year end fundraise. As at 31 December 2022 the amounts drawn on the Group's trade loans and invoice finance facilities were $16.7m (FY21: $16.5m) against a total facility of c.$22m. The Directors believe that should the HSBC facilities be withdrawn, alternative funding options would be available to the Group.

Scenario modelling

As a result of difficult trading conditions and losses incurred during FY22, the Group has carefully considered its future liquidity position. In stress testing the forecast cash flows of the business, the Directors modelled a base case, several downside scenarios, a combined downside scenario and a set of mitigating actions to the downside scenario. The base case was modelled on a prudent basis, assuming flat revenues and using the production schedules and cost estimates. Positive cash headroom is maintained under the base case scenario.

Taking into account the trading conditions which existed during FY22 and outlook, the Directors have identified certain specific key risks to the base case assumptions and have modelled the scenarios as follows:

- Reduction in revenue risk: the entire market is down by 10% due to global economic recession, reflecting a scenario similar to 2008-2009 downturn;
- Increased cost of sales risk: reflecting the impact of inflation in cost of sales by 5% and 10% and inability to recover from customers;
- Stockholding risk: reflecting a scenario caused by disruption in customer schedules and therefore the need to hold more than normal stock levels required in the distribution centers;
- Availability of HSBC facilities: reflecting a withdrawal of HSBC facilities following a 3 months' notice and failure to replace the facilities with equivalent facilities on similar terms in October 2023.

In addition, the directors have modelled the first three risks above into a combined downside scenario and considered several controllable mitigating actions.

The principal mitigating actions have been modelled as managing stock levels and payment terms with customers and suppliers.

Such mitigating actions are within management's control and the business closely monitors appropriate lead indicators to implement these actions in sufficient time to achieve the required cash preservation impact.

Despite the combined impact of the above downside assumptions, the stress testing model demonstrates that the business is able to maintain a positive cash headroom.

As a result of the above considerations, the Directors consider that the Group has adequate resources in place for at least 12 months form the date of the approval of FY22 financial statements and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Anna Brown
Chief Financial Officer

Responsibility

CT Automotive's focus on a leadership strategy coexists with a strong commitment to the safety and welfare of staff, a sustainable approach to environmental practices, and a strong governance framework."

We have combined this, our second Annual Report and Sustainability Report, with our considerations and reporting on S172. As such, we have reviewed all the key stakeholders of the Group and considered the impact of each on our sustainability pillars: environment, social and governance (ESG).

Introduction and Section 172 statement
In addition to considering the interests of the Group's key stakeholders, the Directors also consider the impact of the Group's activities on the communities within which it operates, the environment, and the Group's reputation. As explained in the Strategic Report section, this is underpinned by our values:

- People and Culture
- Trust
- Collaboration
- Operational excellence
- Sustainability
- Agility

CT Automotive's focus on a leadership strategy co-exists with a strong commitment to the safety and welfare of our people, a sustainable approach to environmental practices, and a strong governance framework.

As part of this, the Group has aligned its direction with the UN's Sustainable Development Goals. Within these goals, the Board has chosen to focus our resources and attention on three primary goals:

- Gender equality – empowering women and ensuring their equal rights;
- Decent work and economic growth – creating job opportunities for youth;
- Reduced inequalities – supporting the marginalised and disadvantaged.

In addition, we plan to make future actions, as explained within this Sustainability Report, to address the following goal:

- Life on land – planting trees to help protect the environment.

Our values

People & culture
Growth driven by the strength and commitment of our people, constantly striving for improvement and innovation.

Trust
Building trust in our brand and capabilities with new OEMs and Tier 1 suppliers.

Collaboration
Working closely with our customers and suppliers to ensure modern, innovative designs.

Operational excellence
Striving for continous efficiency and quality improvements to achieve the highest standard solutions for our customers.

Sustainability
Achieving growth responsibly, with a careful consideration for our wider impact and our social, environmental and ethical responsibilities.

Agility
Remaining agile and fast to react/adapt to market trends.

Occupational health & safety

(values: People & Culture/Collaboration/ Operational Excellence)

CT Automotive embraces the 'come safe, work safe, and go safe' principle. We view our responsibility to provide a safe and clean work environment as fundamental, not merely a duty. By promoting a culture of safety, we aim to secure the wellbeing and productivity of our workforce while fostering a supportive and growth-oriented environment.

Health and safety is a cornerstone value of our Group, and we are dedicated to preventing injuries and health issues among our employees and visitors.

Health and Safety
To keep everyone safe in the workplace, the Group proactively conducts:

- At certain manufacturing facilities, a medical examination of employees before onboarding, and a routine yearly inspection for factory employees working in critical operations (such as moulding and chemical handling);
- Workplace monitoring (by external agencies authorised by local administration) of activities where elements such as heat, noise, vibration and chemicals significantly affect the health of employees.

Inspections
Internal and external inspection of equipment such as moulding machines, forklift trucks, overhead cranes and electric setups to identify and replace any unsafe elements so that our employees can work in safety;

1,100+

Over 1,100 equipment inspection programmes are carried out across all four CT Automotive factories.

1,000+

Over 1,000 inspections are internal.

70+

More than 70 inspections are external.

Training
Health and safety training programmes as part of the Environment, Health and Safety (EHS) induction during the onboarding of employees, and work-specific training to enable our people to carry out their work safely;

100+

More than 100 trainings conducted on health and safety subjects.

400+

Over 400 training sessions are internal.

30+

More than 30 training sessions are external.

Audits
Internal audits for health and safety systems are conducted by our employees. We also participate in external audits conducted by government agencies, private agencies and customers.

18

18 audits are regulatory.

5

More than 5 are business audits.

As a result of this proactive approach, risks of serious injuries and fatalities were eliminated in the workplace.

	CT Turkey	CT Mexico	CT Shezhen	CT Ganzhou
Fatalities	0	0	0	0
Severe injuries (permanent disability or organ loss)	0	0	0	0
Minor (first-aid)	19	8	5	14


CT AUTOMOTIVE

Our people

(values: People & Culture/Collaboration/ Trust/Agility)

We believe that our people are critical to the Group's success. The Group cares about their performance and rewards, wellbeing, personal development and rights in the workplace, and wants all voices to be heard.

Employee voice and rights in the workplace
We care what our employees think about the organisation and are always keen to learn how and where it needs to improve. The Group has conducted a survey of all employees and used the results to develop an action plan for improvement.

The survey was conducted in December 2022 with employees across Turkey, the UK and India taking part. Employees were asked to rate and comment on the organisation's performance in: engagement, diversity and inclusion; health and wellbeing; and transformation and change.

Workplace rights
All Group sites have Worker Union Groups, registered in compliance with local regulations, which meet at regular intervals with site management to discuss any issues in the workplace.

The Group has also participated in International Women's Day and conducted various activities such as New Year celebrations, sports events and table talks with employees to reach them outside the workplace and improve employer-employee relations.

Gender diversity
CT Automotive supports diversity and equality, employing a workforce that spans various ages, genders, ethnicities and religions.

2,700

In FY22, the Group employed approximately 2,700 people across its operational sites.

48.0%

Women represented 48% of the total workforce.

50.0%

On the shopfloor at a junior level, women represent almost 50% of employees.

3

The Board of CT Automotive has 3 female Directors.

2 & 1

The Board has two female Non-Executive Directors and one Group Chief Financial Officer (CFO).

Gender pay gap
The Group has identified the gender pay gap as an area for improvement and undertaken staff remuneration reviews in certain locations.

18.6%

Overall, the gender pay gap of the Group was 18.6% in FY22.

5.5%

The gap at junior level was 5.45%.

29.0%

The gap at mid-level was 29%.

19.0%

The gap at senior level was 19%.

Retention and turnover rate

96.4%

The Group sustained an overall retention rate of 96.4%.

3.6%

While 3.6% of employees left the Company in FY22.

Rating key

■	Very poor (0.0 - 4.9)
■	Poor (5.0 - 6.9)
□	Neutral (7.0 - 7.9)
■	Good (8.0 - 8.9)
■	Very good (9.0 - 10.0)

CT Group overall performance

Engagement	Diversity and inclusion (7.4/10)	Health and wellbeing (6.9/10)	Transformation and change (6.4/10)
Accomplishment	Diversity	Mental wellbeing	Belief in change
Autonomy	Inclusiveness	Organisational support	Communicating change
Environment	Non-discriminination	Physical wellbeing	Considering risks
Freedom of opinions	–	Social wellbeing	Impact on role
Goal setting	–	–	Individual input
Growth	–	–	Leading through change
Management support	–	–	Rationale for change
Meaningful work	–	–	Resources and support

Our environment

(values: Sustainability/Operational Excellence)

The Group is committed to protecting the environment. To achieve this, it has defined a series of objectives and expects the support of all stakeholders in achieving them.

CT Automotive is aware of the dangers created by climate change and global warming and recognises its accountability to conserve natural resources, reduce pollution and work towards cleaner production processes. To support this we have established the following practices:

- All our Chinese operations use non-fossil fuel green energy and we continue to work towards using solar power to support our energy requirements.
- CT Automotive operates a strong recycle and re-use policy regarding polymer consumption and is continually working to introduce recycled and lightweight materials through our engineer design and development (ED&D) programmes and customer workshops.
- The reduction of hazardous waste generated by production processes through using alternative processes and manufacturing techniques.
- The reduction of non-hazardous waste generated from packaging. This is being achieved by re-using export packaging and improving its density.
- Focused on its total emissions, the Group aims to minimise its environmental footprint through a systematic approach.
- CT Automotive is establishing Environment Management System ISO 14001 at all operational sites, including its newly-built facility in Mexico, and aims to implement the system by end of the year.
- The Group consumes no conflict material (raw materials or minerals from parts of the world where conflict is occurring) in any of its products.

Total emissions

CO_2 emissions (in tonnes)	CT China	CT Turkey	CT Mexico	CT UK
2022	7827 (+1.68%)	1232 (+21%)	41 —	157 (-24%)
2021	7695	1017	—	208
2020	8470	1184	—	187

EcoVadis ESG performance monitoring and reporting

(values: Sustainability/Operational Excellence)

CT Automotive is committed to continuously monitoring its ESG activities and has developed a two-stage review strategy that incorporates both internal and external monitoring.

Internal strategy
The Group is monitoring ESG-related actions by developing key performance indicators for its support functions such as environment, health and safety, human resources, data protection and IT assets, corporate social responsibilities, regulator compliances and audits.

External strategy
The Group is engaging EcoVadis as an independent third party to monitor its annual performance on ESG. This assessment focuses on 21 sustainability criteria that are grouped into four themes: environment, labour and human rights, ethics, and sustainable procurement. These criteria are based on international sustainability standards such as the ten principles of the UN Global Compact, the International Labour Organization (ILO) conventions, the Global Reporting Initiative (GRI) standards, the ISO 26000 standard, the Ceres Roadmap, and the UN Guiding Principles on Business and Human Rights, also known as the Ruggie Framework.

CT Automotive and its China operations
The Group has conducted an assessment of its China Operations in 2022. The Group has begun identifying a key action plan (listed below) and intends to perform another assessment this year across all operations:

Area of improvement	Action plan for year 2023
Environment	CT Automotive has a new environmental policy which has been evaluated, and is set for roll out at all operational sites.
	Clearer policies with more focus on natural resource conservation have been actioned.
Labour & human rights	More clearly defined reporting at a Group level is being actioned.
	All 4 Sites will apply for ISO 45001 certification by Q4 2023.
Ethics	Enhancement of documentation and polices relating to ethics is required and has been actioned.

Sustainability report continued

Community - our responsibility

(values: Collaboration/Trust/Sustainability)

The Group continued to support initiatives that provide the knowledge to help communities learn new skills, develop competency and secure employment. Our qualified professionals participated in various global forums and voluntarily contributed their time throughout the year to those who wanted to learn and gain experience in the field of quality management and related subjects.

CT Automotive continues to support two youth football teams in the UK: Wyvern Under 9s and Blyth Town Under 13s. In FY22 we provided all the equipment that the teams needed to train and play, and also coaching support at weekends from our then CFO David Wilkinson. We're proud to support the local community through grassroots football and to foster in children the values of teamwork, commitment, responsibility and mutual respect that we live by at CT Automotive.

In an effort to further give back to our local communities, the Group will be introducing a "Giving Back Days" scheme. This will allow our people one day of paid leave each calendar year to volunteer as they choose. We hope that this scheme will have both a positive impact on our local communities but also the wellbeing of our people.

(values: Collaboration/Operational Excellence/Trust/Sustainability)

Supplier and customer relationships
Building and maintaining relationships with suppliers and customers is essential for the ongoing success of the Group. A large emphasis is placed on working closely with both suppliers and customers, to ensure our activities are productive and efficient for all parties involved. This has been critical in building long-standing relationships with existing suppliers/customers and also begin working with new suppliers/customers. The strength of these relationships has helped the Group throughout the disruptions caused by the pandemic and related supply chain issues over the last two years.

Our customer relationships are developed over many years to build trust prior to nomination, each managed by dedicated key account managers. CT collaborate with customers for continuous improvements and innovation both in terms of design and operational efficiencies, ensuring that both CT and our customer remain competitive. This is supported by regular customer audits and surveys, including tours of our production facilities and assembly lines.

Similarly, the Group has worked with much of its supply chain for a number of years to establish trust and ensure reliability. Any new suppliers are subject to a detailed vendor onboarding process, to ensure the Group continues to only work with responsible suppliers and protect all parties from fraud. As part of this, our colleagues responsible for procurement are provided with regular training, including anti-corruption and bribery and anti-slavery and human trafficking. Our UK and Turkey operations are also certified under ISO27001 standards regarding data security, including personal data for GDPR. Although our other sites are not certified, IT security is managed centrally in the UK, and hence subject to the same processes and controls.

Giving back days

Mission Christmas: Cash for Kids
Our plant in Sunderland raise money every Christmas for a local charity, TFM Cash for Kids, who support local children in care with presents at Christmas.

Great North Run
CT Automotive supported our UK HR Manager, Jo, to run the Great North twice in recent years, also in aid of TFM Cash for Kids.

Charity Dog Run
CT Automotive supported our UK Stock Controller, Kate, in a charity dog run in aid of Battersea Dog and Cat Rescue.

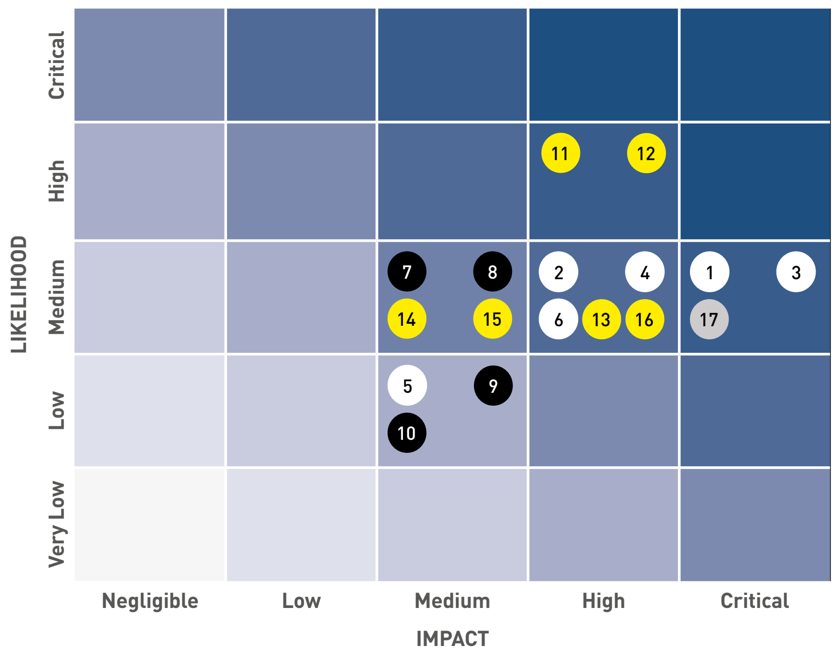
An analysis of our key risks and mitigation measures

In pursuing our strategic priorities to create value for our stakeholders, we experience risk. The Board is responsible for risk management and ensuring the Group maintains the appropriate level of risk to achieve its objectives.

The risks facing the Group could have a material adverse effect on the implementation of the Group strategy, our business, financial performance, shareholder value and returns, and reputation. Changes in economic or trading environment can affect the likelihood and potential impact of risks and may create new risks.

The Board have identified the following risk factors set out below. The Group's principal risks are presented in categories (strategic and external, operational, financial and compliance) for ease of reference.

Risk Heat Map



# **Strategic and External**	1. Pandemics 2. Economic conditions 3. Manufacturing in China 4. Security of supply 5. Global operations 6. Tariffs
# **Operational**	7. Product quality 8. Retention of staff 9. Cyber security 10. Health & safety
# **Financial**	11. Financial performance 12. Availability of finance and working capital 13. Fraud and depletion of Group funds 14. Fluctuation in input prices 15. Changes in labour costs 16. Foreign exchange
# **Compliance**	17. Compliance with environmental regulations

Heat Map	Risk	Description and impact	Key controls and mitigations
Strategic & External			
1	**Pandemics**	Failure to rapidly adapt and respond to the impacts of future pandemics, and their implications for the global economy, may result in disruption to our supply chain, our production output and distribution, and could negatively impact our operations as well as our financial performance. During FY22 operations and financial results have continued to be negatively impacted by the COVID-19 pandemic and China lockdowns. As a designer, developer and supplier of interior components to the global automotive industry, the Group is exposed to substantial risks associated with the performance of the global economy.	The Group has adapted to the uncertainty in customer schedules, with appropriate buffer stocks and allowance for the potential impact of shipping disruptions. Trading has now stabilised and we have seen more certainty in customers scheduling following the changes to Chinese Covid Policy. Management continues to closely monitor events and government guidelines, evaluating impacts and designing appropriate response strategies.
2	**Economic conditions**	The Group supplies to the automotive industry which is cyclical and is sensitive to factors such as consumer confidence, disposable income levels, availability of credit, commodities and resources, pandemics, epidemics and other health crises, fuel prices, and general economic conditions. Given the variety of economic parameters influencing global automotive demand, the volume of automotive production has historically been, and will continue to be, characterised by a level of cyclicality, which may make it difficult for the Group to accurately predict demand levels for its products. A deterioration in economic outlook, including economic growth, inflation, interest rates and consumer confidence could have a significant impact on the Group's financial performance.	The Group closely monitors industry indicators and assesses the potential impact of different economic scenarios. The Group maintains comprehensive sales policies and carries out regular reviews of pricing in local markets. With sufficient visibility the Group is able to scale operations accordingly and therefore while growth maybe be disrupted in the short term, volumes typically bounce back in the medium term.
3	**Manufacturing in China**	The Group principally manufactures in China which exposes it to certain risks. The political, legal and economic climate both within China and in relation to China's foreign economic policy can be unpredictable and subject to change. The Group is also reliant on international shipping from China to its customers' manufacturing facilities. Any disruption to international trade routes or increases in freight costs could require the Group to utilise higher cost freight options, including air freight, in order to ensure continuous supply to its customers. A deterioration in political, legal and economic climate in China could have a significant adverse impact on the Group's financial performance.	The Group has operated in China for nearly 20 years and is well versed in the associated challenges. We have an experienced Management team which includes a mix of both Western and local members in China, ensuring we combine the requirements of the international customer base with cultural and operational understanding in China. During FY22 the Group has successfully launched a new manufacturing facility in Mexico. Together with the production in Turkey, this improves further the Group's geographical diversification and reduces dependency on China. We engage reputable specialist advisers to ensure compliance with laws and regulations. All operations are also overseen by the CEO who is based in China. The Group uses reputable, long-term partners to provide freight services. In addition, the Group maintains buffer stocks in key locations to ensure we do not stock out providing any delays are within a certain tolerance.

An analysis of our key risks and mitigation measures

Heat Map	Risk	Description and impact	Key controls and mitigations
4	**Security of supply**	The Group and its customers rely on complex supply and delivery chains with short lead times and frequent deliveries, which make the logistics process in the automotive industry vulnerable to disruptions. Disruption in our supply chain due to adverse macroeconomic conditions, geopolitical events, and/or loss of resilience in our key supplier network, may result in the Group being unable to secure raw materials and services required to meet customer schedules on time and at acceptable prices. This could result in customer dissatisfaction, reputational impact, loss of market share, loss of revenue and erosion of expected profit margins.	We have a diversified portfolio of suppliers to reduce reliance on single suppliers or multiple key suppliers from the same region. Centralised procurement team ensures quality and monitors cost. The Group closely monitors material and production costs throughout the production process. The Group maintains buffer stocks in key locations to ensure we do not stock out providing any delays are within a certain tolerance.
5	**Global operations**	The Group currently has operations in various jurisdictions, including the UK, China, Hong Kong, the US, Mexico, India, the Czech Republic, Japan and Turkey. Each of these jurisdictions has different regulatory, tax and legal environments that could change in the future and adversely impact on the Group financial performance.	The Group combines local Management representatives and reputable local advisers to ensure compliance with local laws and regulations.
6	**Tariffs**	The imposition of tariffs or non-tariff trade barriers on automobiles and other goods could have a material adverse effect on the Group. At the beginning of FY18, the US administration announced a series of measures relating to international trade, which, individually or in aggregate, could have a material adverse impact on the global economy, international trade or the automotive industry.	Tariffs remain a threat to the Group, as is evidenced by the US Tariffs on Chinese products which have impacted the business since FY18. The continued drive to diversify our global footprint, including the latest plant in Mexico, provides some mitigation to the ongoing risk of further tariffs elsewhere.
Operational			
7	**Product quality**	The Group's business success depends on its ability to maintain high-quality products and processes. As a designer, developer and supplier of interior components to the global automotive industry, a determining factor for the Group's customers in purchasing our products is the quality of its products and manufacturing processes. A decrease in the actual or perceived quality of its products and processes could damage the Group's image and reputation, as well as those of the products.	The Group employs a substantial quality team, led by the Quality Director. Rigorous quality checks are maintained throughout the production process. In addition, the internal "firewall" quality teams are in place during a "safe launch" period of typically 90 days from the start of production during which 100% of new product is inspected.

Heat Map	Risk	Description and impact	Key controls and mitigations
8	**Retention of staff**	The Group's success depends on attracting and retaining Managing Directors, executive officers, senior Management, key employees and other skilled and unskilled personnel. The loss of Directors, executives, key employees and other skilled personnel could have a material adverse effect on the Group's market position. The Group also relies on Western-trained specialist engineers to manage its overseas operations, which, should these people leave or become materially more expensive, could undermine the continued productivity of the Group's overseas operations. The manufacture of many of the Group's products requires significant technical skills and expertise. The success of its operations and growth strategy will therefore also depend on attracting and retaining skilled and qualified personnel, maintaining its high-quality standards and implementing the Group's standardised process and quality Management globally.	Key staff are motivated by market rate remuneration packages which are benchmarked with local recruitment experts on a periodic basis. The Group does not operate "bands", to ensure we have the ability to remunerate roles appropriately for both the role and the individual. Direct staff rates of pay are reviewed against local competition. The Group undertakes bi-annual employee engagement survey to measure employee satisfaction. A wider Management share option scheme has been set up to further incentivise our key people.
9	**Cyber security**	A cyber security incident can result in unauthorised access to, or misuse of, our information systems, technology or data. This could lead to leakage of sensitive information, loss of our critical assets, impact on production and revenue and reputational damage.	ISO 27001 certification has been achieved in the UK and Turkey. A similar framework has been put in place globally. All major technology platforms used by the Group are either cloud based with high quality encryption and secure access or restricted access. The Group monitors compliance with policies on passwords and transferring data to third parties. All relevant IT policies are made available to users, along with regular targeted user awareness training. Our IT estate remains under constant review to ensure best practice continues.
10	**Health & safety**	Production facilities are inherently risky and could expose individuals to the risk of serious injury or fatality.	The Group strives for excellence in health & safety and considers it to be a top priority. Our workforce undergoes comprehensive first aid training, and regular drills are conducted to ensure preparedness in the event of an incident. All plants undergo regular external site inspection reviews to ensure compliance, while customers also undertake their own health & safety audits.
Financial			
11	**Financial performance**	Our financial performance may be adversely impacted by uncertain and volatile macroeconomic conditions that may drive inflationary pressures, rising energy costs, fluctuations in materials prices and unpredictable tax exposures due to changes in tax laws and their interpretation. These factors, if not managed appropriately, may impact the Group's financial performance and ability to meet market expectations.	Medium-term plans are flexed to consider sensitivities and scenario planning that relate to wider economic environment. The Group regularly monitors changes in tax legislation and given the complex nature of tax legislation, seek professional advice when required. The Audit Committee maintains regular oversight and governance of key areas, including liquidity and funding strategy, Group tax obligations and going concern statement.

An analysis of our key risks and mitigation measures

Heat Map	Risk	Description and impact	Key controls and mitigations
12	**Availability of finance and working capital**	Failure to secure and mange adequate financing could lead to inability to maintain the Group's working capital requirements, fund future growth and operate financially.	We closely monitor liquidity levels, sources of cash and utilisation levels of available debt facilities. The Group uses HSBC post-despatch trade loans and invoice financing facilities as an additional working capital lever. These facilities are provided on a rolling three-month basis, and these are expected to be renewed going forward inlight of the current trading and the post year end fundraise. The Directors believe that should the HSBC facilities be withdrawn, alternative funding options would be available to the Group. The Group works with well-established banks, and maintains relationships with multiple lenders in case of additional needs. In May 2023 the Group has secured an additional $9.1m net fundraise to strengthen the balance sheet, to provide the Group with flexibility to take advantage of new pipeline opportunities as the business positions for growth and to maintain sufficient minimum liquidity going forward.
13	**Fraud and depletion of Group funds**	The Group operates globally and is a complex business, the potential for fraud arises as a result. There is a risk of failure to adequately prevent and deter fraudulent activity and/or financial reporting leading to loss or misappropriation of business assets.	The Group operates a delegated authorities matrix with significant and unusual transactions requiring Board or Executive level approvals. Access to bank accounts is restricted to the Group treasury team and local senior management with robust controls over daily cash flow management and regular reconciliations. Regular stock counts take place at all key locations with any significant variances investigated by the Group Finance Controller. The Group is in the process of substantially increasing the Corporate Centre, in particular the finance team to ensure there are effective controls and processes in place to mitigate the risk of fraud.
14	**Fluctuation in input prices**	The Group relies on prices of certain raw materials and energy which are linked to commodity markets and thus subject to fluctuation. The primary raw materials and components used in the Group's products are polymers, leathers, paints, glues and chrome. The prices of such raw materials have fluctuated significantly in recent years and increased in the recent past. In addition, the Group uses substantial amounts of energy in its manufacturing process, the price of which is also subject to significant volatility. In addition, supply shortages or delays in delivery of raw materials, components or energy can also result in increased costs of manufacturing the Group's products. The Group has historically utilised an open book pricing model with its customers, whereby the customer is able to view the data and financial information relating to costs incurred on a confidential basis. Although the Directors are of the view that this approach has helped mitigate margin compression caused by increases historically, there is no guarantee that this will continue to be a success going forward.	The Group operates open book pricing with its customers which means, subject to negotiation, rises in input prices can be passed on. Input prices are monitored so increases can be reflected in pricing models and the increases passed on. The Group COO is leading on implementing a formal system to ensure the input prices are monitored regularly, particularly during a period of high inflation.

Heat Map	Risk	Description and impact	Key controls and mitigations
15	**Changes in labour costs**	An increase in labour and employee benefit costs in certain low-cost countries in which the Group operates such as China, India, Turkey, Mexico and the Czech Republic may adversely affect the Group's operating costs and compromise its competitiveness. A shortage in the labour pool or other general inflationary pressures or changes will also increase the Group's labour costs.	Labour costs are reported on a monthly basis and monitored closely against the ranges expected in the business model. During FY22 the Group has closed its manufacturing facility in Sunderland, UK due to high labour and production costs. The Group manages the overall impact on margins by driving efficiency in existing plants and seeking new competitive locations, for example consolidation of production facilities in China and opening a new facility in Mexico.
16	**Foreign exchange**	The Group trades with customers and suppliers internationally and therefore earns revenues and incurs costs in foreign currencies. As a result, the Group is exposed to exchange rate risk on purchases, primarily in Chinese Yuan and US dollars. Although the Group hedges its exposure, it still retains a level of exposure to fluctuations in exchange rates.	There is an element of natural hedging within the business through the mixture of customer receipts matching the currencies of supplier spend where possible. In addition, certain foreign exchange exposure is addressed via the following: ⊕ GBP exposure is currently hedged using forwards with Investec on a layering strategy. ⊕ TRY exposure is supported by a pricing mechanism with Turkish customers which matches movements in TRY to EUR movements (being the currency of customer receipts).
Compliance			
17	**Compliance with environmental regulations**	The Group's manufacturing operations requires using, managing, storing and safely disposing of hazardous substances, wastes and other regulated materials. As such, the Group is responsible for making sure that these materials are appropriately managed and failure to comply with these regulations could lead to fines and other penalties, as well as negative publicity which could damage the Group's reputation.	The Group uses local Management and reputable professional advisers to ensure compliance with local laws and regulations. Environmental issues are becoming more and more of a focus in the industry, so increased focus will be required. Any instances of non-compliance will be highlighted to the Board on a periodic basis and appropriate changes made to the Group's operations.

The Strategic Report which includes the Sustainability report and S172 statement have been approved by the Board on 15 June 2023.

On behalf of the Board:

Scott McKenzie
Chief Executive Officer

Anna Brown
Chief Financial Officer

Chairman's introduction to Governance

Committed to transparency accountability and ownership

We are committed to improving the positive impact we have across our business operations."

I am pleased to present the Board Annual Report on Corporate Governance. It has been a challenging year, not only with the commercial and operational issues we have faced but also continuing to meet the Governance requirements of a quoted company.

We have developed our approach to core governance responsibilities including risk management and continuously look to improve. Our Board Evaluation which is summarised below highlighted a number of areas for improvement, including regular and timely cadence of information to the Board and consequently to the market. In looking ahead to FY23 the Board is mindful of the increased focus on sustainability. We are committed to improving the positive impact we have in environmental, social and governance areas across our business operations. I look forward to communicating our progress in developing our sustainability strategy in our FY23 report.

The Board recognises the importance of sound corporate governance, and have therefore applied the QCA's Code which is deemed most appropriate for the Group's size, Board structure, stage of development and resources.

I have continued in my role as Executive Chairman, focused on driving the strategy and growth of the Group. The Board understands this is contrary to the QCA Code, and Tracey James as Senior Independent Director (SID) deals with shareholder or other Board members' related matters where necessary. Following our Board evaluation, Tracey has agreed to Chair Board meetings, to ensure we are focused on Strategic Matters and Stakeholder engagement and to guide us as we ensure our governance framework underpins our day-to-day activities and decisions.

The external appointment of our new Chief Financial Officer, Anna Brown, following the resignation of David Wilkinson, was a key focus and the Board has now strengthened its skills and experience in supporting and guiding the business as we move forward with our strategic objectives.

As required by AIM rules, our website (**https://ct-automotive.net/**) sets out our compliance with QCA Code principles along with the extent of any non-compliance.

Simon Phillips
Executive Chairman

Governance Structure

The Board has established two sub-committees since Admission to AIM:

MAIN BOARD
Full report on pages 42 and 45.

AUDIT AND RISK COMMITTEE
Full report on pages 48 to 52.

REMUNERATION COMMITTEE
Full report on pages 53 to 55.

SENIOR LEADERSHIP TEAM
Full report on page 46.

The terms of reference for both committees will be formally reviewed annually and are set out on the Group's website: **https://ct-automotive.net**.

Key Areas of focus

The Board's key areas of focus are:

- Engagement with key stakeholders.
- Formulating, reviewing and approving the Group's strategic direction.
- Approval of the Group's reports and financial statements.
- Review and appraisal of the Group's risk register and the risk management processes adopted.
- Approval of the annual budget, with reference to historical and current trading conditions.
- Approval of new bank facilities, or significant changes to existing facilities.
- Ensuring the Group maintains appropriate internal control and risk management systems.
- Approval of any major corporate finance transactions such as acquisitions.
- Reviewing and maintaining the Group's overall corporate governance, with reference to the QCA Code, including performing annual performance evaluations of the Board and the two sub-committees, Audit and Risk Committee and Remuneration Committee.
- Reviewing and recommending overall capital allocation including dividend policy.
- Approval of the delegation of authority between Executives and the terms of reference of all Committees of the Board.

QCA Code Compliance

The Board considers that the Group remains compliant with the Principles set out in the QCA Code as explained in the table below:

QCA Principle	CT Automotive Approach
1. Establish a strategy and business model which promote long-term value for shareholders.	The Board meets annually to review and approve the strategy for the Group. The strategic plan and business model are reviewed by the Senior Leadership Team on an ongoing basis with relevant operational and Management updates being reported to demonstrated delivery and progress. Decisions of the Board are made in line with the strategic plan and business model for the Group. Further details of the Group's strategy can be found in the Strategic Report on page 4.
2. Seek to understand and meet shareholder needs and expectations.	The Chairman, CEO and CFO communicate regularly with shareholders, investors and analysts, including at the half yearly results roadshow and AGM. The Group's website contains information on the Group's business, corporate information and specific disclosures required under AIM Rules for Companies and the QCA Code. Following the announcement of the Group's full year and half year results the Group makes presentations to institutional shareholders, private client brokers and investment analysts. Periodic meetings are held with existing and prospective institutional and other investors. Formal feedback from shareholder meetings is provided by the Group's broker and discussion of this feedback is an item on the Board's agenda.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	The Board values the opinions of key stakeholders in the business and is seeking to ensure that the views of its employees, suppliers, customers and partners are known and where relevant to the success of our business they are acted upon. The Group recognises its responsibility to promote its success for the benefit of its stakeholders and understands that the business has a responsibility towards its shareholders, employees, partners, customers, suppliers and to the local community. This is achieved by the regular communication with shareholders at investor roadshows and at the AGM. Further information on the how CT Automotive interacts with the local community can be found on the website. The Board is also conscious that the tone and culture that it sets will impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives whilst, in particular, meeting the demands of a sophisticated customer base.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	The Board is responsible for overseeing Management's activities in identifying, evaluating and managing the risks facing the Group and records them on the Group risk register. The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the execution of the Group's strategic objectives and business model. The Board monitors financial controls through the setting and approval of an annual budget and the review of Management accounts. Further information on the financial controls can be found within the Audit and Risk Committee report. The Board reviews the effectiveness of these systems. This is achieved primarily by a comprehensive review of risks which cover both financial and non-financial issues potentially affecting the Group and from discussions with the external auditor. Further details of our risk management, risks and internal controls can be found in the Strategic Risk section of the Strategic Report.
5. Maintain the Board as a well-functioning, balanced team led by the chair.	The Board keeps under review its current balance and composition in order to ensure that it has a sufficiently wide range of skills and experience to enable it to pursue its strategic goals and address anticipated issues in the foreseeable future. The Board is supported by the Audit and Risk and Remuneration Committees. The purpose of the Board is to ensure that the business is managed for the long- term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the communities in which the Group operates. The full Board is responsible and accountable to the shareholders for the Management and success of the Group and to provide effective controls to assess and manage risks in the Group. There is a formal schedule of matters specifically reserved for the Board that includes matters relating to strategy & management; structure & capital; financial reporting & controls; internal controls; contracts; communications; Board membership and other appointments; delegation of authorities and corporate governance. The Group has three Non-Executive Directors, each considered to be independent by the Board. The Board has communicated its intention to appoint a further Non-Executive Director. The Board meets on a minimum of 8 occasions with Board meetings spread across each year which tie in as far as possible with the Group's financial reporting and trading calendars. The Board has an Audit and Risk Committee and a Remuneration Committee each with delegated duties and responsibilities. Further details of the role of the Board and the committees and how they operate can be found in the Chairman's introduction to governance and the Board Committee reports that follow this section.

QCA Principle	CT Automotive Approach
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	The skills and experience of the Board are set out in their biographical details included within this corporate governance report and the Group's website and are considered by the Board as representing an appropriate range of capabilities needed to deliver the strategy of the group for the benefit of its shareholders over the medium to long term. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Company Secretary is an external professional firm. The timely reporting of actual performance against, goals, budgets and forecasts in the second half of the financial year has been an area of concern. Additional people resource, together with system and process enhancements has been signed off by the Board. We are confident that these changes together with the appointment of Anna Brown as CFO will ensure that we will have timely reporting moving forward.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	The Board regularly consider the effectiveness of its contributions, any learning and development needs and the level of scrutiny of the Senior Leadership Team. The Board is committed to undertaking annual assessments on the Board's effectiveness including the Chairman's performance review completed by the Senior Independent Non-Executive Director. The first reviews were undertaken at the end of 2022, further details of the Board performance review are set out in the corporate governance report.
8. Promote a corporate culture that is based on ethical values and behaviours.	The Board and Executive Directors will continue to "lead-by-example" our culture and values. This aligns with our Standard of Business Conduct which are shared with all new starters. In addition, the Group has internal policies on: Anti-corruption and bribery, mobile device acceptable use, modern slavery, staff/travel expenses, privacy and whistleblowing. These are reviewed and re-approved by the Board annually.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	The Board includes three independent Non-Executive Directors. The responsibilities of the Board are detailed on page 39. All relevant committees have been established to maintain compliance including: 1. Audit & Risk and, 2. Remuneration. The terms of reference for each committee are reviewed and re-approved annually. The responsibilities of each committee are summarised within the Audit and Risk Committee report and Remuneration Committee report. The Group maintains appropriate governance structures and processes according to its size and complexity. The role of the Independent Non-Executive Directors includes questioning and challenging the Executive Director and assisting where possible in developing strategic proposals, reviewing and commenting on the integrity of the Group's financial reporting systems and the information they provide; recommending appropriate standards of corporate governance; reviewing internal control systems; ensuring that risk management systems are robust and reviewing corporate performance and ensuring that performance is reported to shareholders. Compliance with the QCA Code and corporate governance requirements generally are reviewed on an on-going basis by the Board as well as part of the annual Board Effectiveness review process.
10. Communicate how the Group is governed and performing, by maintaining a dialogue with shareholders and other relevant stakeholders.	The Board ensures that all stakeholders across the business are actively engaged through the relevant areas of responsibility. This includes making sure that the business as a whole upholds its values and monitors behaviour for acceptability through policies and procedures and by the Executive Directors leading by example in setting the culture of the Group. The Group recognises that meaningful engagement with its shareholders is integral to the continued success of the Group and the Group has actively engaged with shareholders through meetings, presentations and roadshows.

Board of Directors

Our Board consists of three Executive and three Non-Executive Directors. The Board of Directors feels diverse and well-balanced, providing extensive expertise across multiple industries and skillsets.

Simon Brian Phillips,
Executive Chairman (53)
Location: Thailand
Appointment: September 2021

Simon co-founded CT Automotive in 2000, having identified an opportunity to disrupt the automotive tooling market. He led the business as Chief Executive Officer until 2014, developing the business model from its original tooling focus into the global Serial Production operation it is today. Following the appointment of Scott McKenzie as Chief Executive Officer, Simon has focused on driving the continued growth of CT Automotive and identifying new strategic opportunities.

Simon was a shareholder in an injection moulding company in the UK prior to exiting that business and co-founding CT Automotive. Simon has an engineering background, having studied Mechanical Engineering at Portsmouth University, with a specific emphasis on sub-sonic to super-sonic flight.

Scott McKenzie,
Chief Executive Officer (46)
Location: China
Appointment: September 2021

Scott joined CT Automotive from Magna International in 2007, following a career in automotive interior development and programme management. Upon joining, Scott quickly progressed to Operations Director before being appointed as Group Managing Director in September 2014.

Scott's background includes specialisation in new product development and manufacturing operations in the Far East since 2001. Scott's academic background is in Polymer Sciences and Technologies.

Anna Brown,
Chief Financial Officer (51)
Location: UK
Appointment: April 2023

Anna is a Certified Chartered Accountant, and brings substantial experience in strategic and operational financial roles in listed companies prior to joining CT Automotive. Prior to her joining CT Automotive, Anna spent eight years at McCarthy & Stone, latterly as Director of Strategic and Corporate Finance and Group Company Secretary, having previously held various roles including Group Financial Controller, Head of Accounting & Reporting, and IPO Project Director. Anna has also held several senior finance roles at KPMG.

Non-Executive Directors

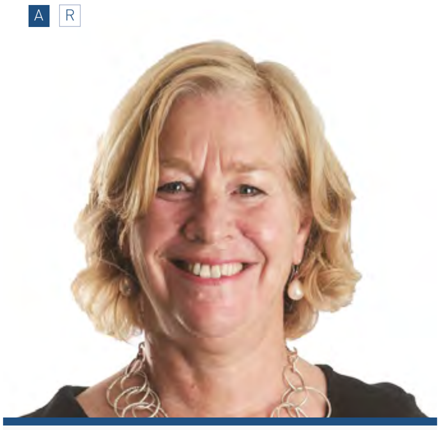
The role of the Non-Executive Directors is to:

- provide oversight and scrutiny of the performance of the Executive Directors;
- constructively challenge to help develop and execute on the agreed strategy;
- satisfy themselves as to the integrity of the financial reporting systems and the information they provide;
- satisfy themselves as to the robustness of the internal controls;
- ensure that the systems of risk management are robust and defensible; and
- review corporate performance and the reporting of performance to shareholders.

Expertise key

- Chair
- A Audit and Risk Committee
- R Renumeration Committee
- Member

A R

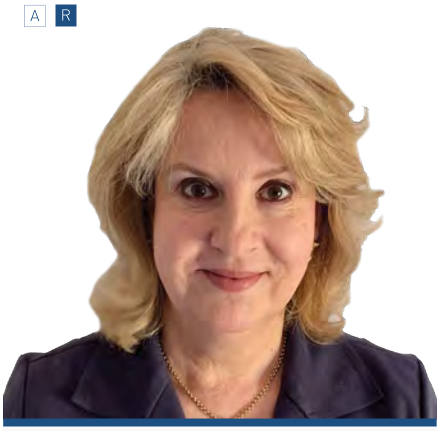


Tracey Dawn James, Senior Independent Non-Executive Director (60)
Location: UK
Appointment: December 2021

Tracey is a Chartered Accountant who has spent 26 years with Grant Thornton UK LLP, with the last 14 years as an Audit Partner. Tracey was a member of Grant Thornton's Oversight Board and also served on the Audit & Risk and Pensions Committees. She was also previously Finance Director of Karl Storz Endoscopy Canada (1999-2000).

Tracey is currently a Non-Executive Director and Chair of the Audit Committee at Gattaca plc and of ECO Animal Health Group Plc. Tracey has previously held Non-Executive Directorships at Places for People Group Limited and Activate Learning Group, where roles included the Chair of the Audit Committee.

A R



Francesca Eva Irene Ecsery, Non-Executive Director (59)
Location: UK
Appointment: December 2021

Francesca has over 20 years' experience as a Director of both public companies and start-ups in the digital, retail, fast-moving consumer goods and leisure industries. She is a Harvard MBA, fluent in five languages and has special expertise in multi-platform consumer marketing, branding and sustainable commercial strategies.

Francesca is also a Non-Executive Director of Henderson High Income Trust plc., Société Air France SA, Haffner Energy SA and the Association of Investment Companies. She previously served on the boards of Marshall Motors Holding plc, Sharply, Good Energy Group plc and Vita Communications. Her previous executive experience includes McKinsey, PepsiCo, Thorn EMI, Thomas Cook and STA Travel.

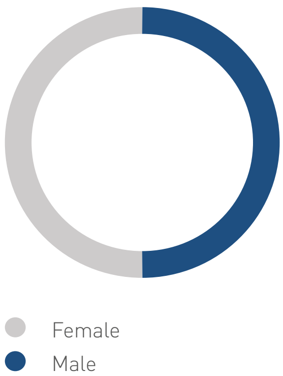
A R

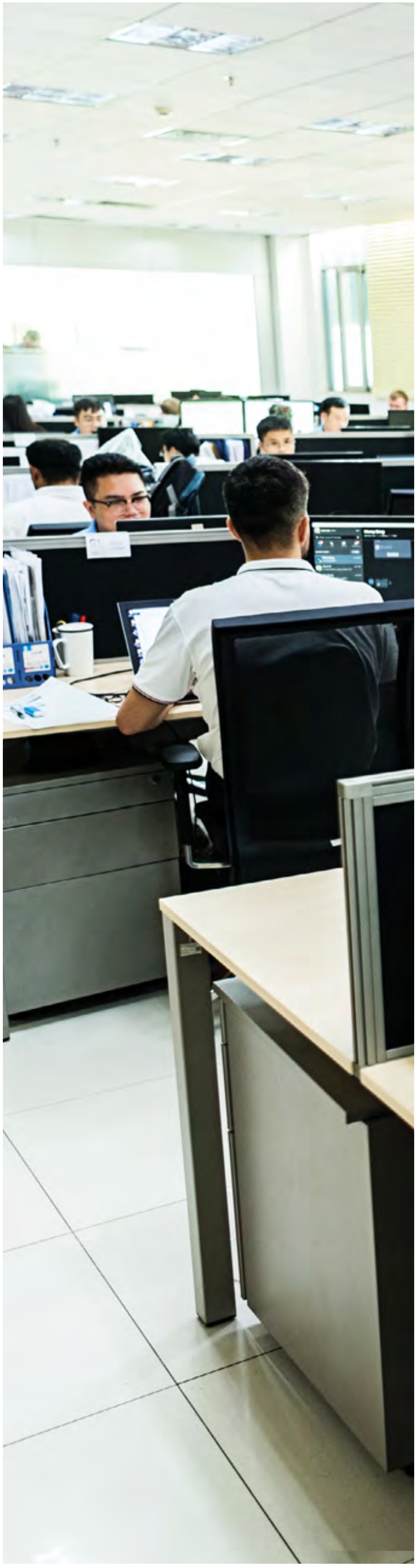
Raymond (Ray) John Bench, Non-Executive Director (50)
Location: UK
Appointment: December 2021

Ray has worked in the global automotive industry for the past 30 years, 12 of which were spent working for a Chinese OEM. He is an experienced automotive design engineer with extensive knowledge of automotive design processes.

Ray has significant experience of business and departmental management, including having been part of Shanghai Motor UK Technical Centre's UK senior leadership team. Ray's experience also includes leadership roles at Ricardo, Rover Group, and Land Rover.

Board diversity currently %





Board responsibilites

	Board	Audit and Risk Committee	Renumeration Committee
Executive			
Simon Phillips	12	—	2*
Scott McKenzie	12	2*	—
David Wilkinson	12	3*	—
Non-Executive			
Tracey James	12	3	2
Francesca Ecsery	12	3	2
Ray Bench	12	3	2

*By invitation

Board activities
The Board held regular Board meetings during FY22 at which it considered all matters of a routine natures, structured through clear agenda setting, written reports and presentations from members of staff and external advisors and consultants.

Board support, meeting management and attendance
The Board and its Committees meet regularly on scheduled dates, and the Board met 12 times during FY22. In leading and controlling the Group, the Directors are expected to attend all meetings and their attendance for the financial year is shown above.

In addition to the above, the Board and Committees held ad-hoc meetings to deal with non-routine business throughout the year.

All Committee and Board meetings held in the period were quorate.

The Company Secretary plays a vital role in ensuring good governance, assisting the Chairman. Procedures are in place for distributing meeting agendas and reports so that they are received in good time, with the appropriate information. Ahead of each Board meeting, the Directors each receive reports which include updates on strategy, finance, including Management accounts, operations, commercial activities, business development, risk management, legal and regulatory, people and infrastructure and on investor relations.

The Directors may have access to independent professional advice, where needed, at the Group's expense.

Strategic resources
The Executive Leadership Team includes representation from a wide range of disciplines, each leader identifies and managed the key resources and relationships in their areas.

Board effectiveness
The 2022 Board Effectiveness Review was the first Board evaluation for the Group, which listed in December 2021. In accordance with Principle 7 of the QCA Governance Code, the Board should 'regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual Directors'. It was agreed in December 2022 that the Company Secretary conduct the evaluation and the questionnaire was approved by the Board.

The review was undertaken by seven participants, being three Non-Executive Directors, three Executive Directors (Executive Chair, CEO and CFO) and a senior member of the management team, the COO.

It is noted that the QCA states that the Annual Report and Accounts should include a high level explanation of the board performance effectiveness process including how it was conducted and its results and recommendations, which can be found below.

2022 Key findings and recommendations

Annual Report and Accounts recommendations

- There needs to be clarity and a better understanding of the matters to be bought to the Group's Plc Board for decision making. This will facilitate better governance, including the timing for completion of action points.
- The executive team have spent much of the year dealing with operational challenges, the cadence of flow of information to the Plc Board requires more attention and is a work in progress. More time in the current year will be spent on horizon scanning and developing the flow of timely information.
- This has been a year of learning how to operate as a Plc Board. It is recognised that, with an Executive Chair in place, board dynamics would be enhanced by clarifying the role of the Non-Executive Directors. There is a need to reconfirm the expectations of both the Non-Executive and Executive Directors. In order to address matters in the immediate term, the Senior Independent Director is assuming responsibility for chairing board meetings and having a more regular dialogue with the Executive Chair. The Board has also agreed to meet face to face later in the year and will work on improving communications outside of formal meetings.
- ESG requires focus and a strategy will be a regular topic discussed at the Board.

In compliance with the QCA Code, succession planning was considered as part of the board effectiveness process. Board appointments are made based on required expertise to match the needs of the business while bearing in mind the need to introduce diversity into the Board composition.

Ethical behaviours

The Board ensures ethical values and behaviours are recognised and respected, promoting a strong culture of supporting our core values. These values are incorporated into our various codes which are made available on the Company Intranet and which the Board regularly reviews and updates. These codes include Employee code of conduct, human resources policies, Anti Bribery and Corruption policies, Modern Slavery policy, Health and Safety policies and Social Media policies.

Board induction, training and development

When appointed, new Directors are provided with a full and tailored induction in order to introduce them to the business and management of the Group. Throughout their tenure, Directors are given access to the Group's operations and personnel, and receive updates on relevant issues as appropriate, taking into account their individual qualifications and experience. This allows the Directors to function effectively with appropriate knowledge of the Group.

The Board is satisfied that each Director has sufficient time to devote to discharging their responsibilities as a Director of the Company.

Re-election of Directors

In accordance with the Company's Articles of Association, all Directors must retire at the first AGM following their appointment and may offer themselves for election or re-election by shareholders. In accordance with best practice, all Directors will retire at the AGM and, being eligible, will offer themselves for election or re-election.

Stakeholder engagement

The Board and its Committees recognise their responsibilities to shareholders and other stakeholders.

The Group communicates with shareholders through the Annual Report and Accounts, regulatory announcements and the AGM, as well as meetings with existing or potential new shareholders. Annual Reports as well as other regulatory announcements and related information are all available on the Group's website.

A list of the Company's significant shareholders can be found on page 46 and in the investor section of the Group's website which is updated following formal notifications of movements to the Group.

The Group maintains regular communication and dialogue with other stakeholders such as employees, customers, suppliers and regulators to understand their needs and concerns and factors these requirements into its decisions and activities.

Internal controls

The Board is ultimately responsible for the Group's systems of internal control and for reviewing its effectiveness throughout the year. The systems are designed to manage rather than eliminate risk of the failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board monitors financial controls through the setting and approval of an annual budget and the regular review of the monthly management accounts.

Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in the financial statements.

Key elements of the internal control system are described below:

- clearly defined management structure and delegation of authority to Board Committees and the Executive Management Committee;
- high recruitment standards to ensure integrity and competence of staff;
- regular and comprehensive information provided to management, covering financial and non-financial performance indicators;
- a detailed budgeting process for the coming year for Board approval;
- monthly monitoring and re-forecasting of annual and half-yearly results against budget, with major variances followed up and management action taken where appropriate;
- procedures for the approval of capital expenditure and investments; and
- regular review and updating of the Group risk register including the implementation of mitigating actions.

The Board, with the assistance of the Audit and Risk Committee, has conducted its annual review of the effectiveness of the system of internal control based on a review of significant risks identified, external audits and reports from management and concluded that the system of internal control is adequate given the stage of the Group's development.

During the year, the Committee has reviewed and reported on the identification, evaluation and Management of risks facing the business, and has considered the effectiveness of associated processes and controls to ensure a healthy balance between the risk we face and harnessing the opportunities that align with strategy to grow a strong and sustainable business. At least once a year, the Board reviews risk management and those risks the Board is not prepared to take are either avoided or, as far as possible, are mitigated and/or transferred to insurers. The responsibilities surrounding risk management and internal control systems are designed to meet the needs of the size and complexity of the business. It takes into account the applicable requirements of regulators in the various markets in which the business operates, as well as the legal requirements of being a UK company admitted to AIM. Internal controls are designed to manage, rather than eliminate risk and provide reasonable but not absolute assurance against material loss or misstatement.

Leadership team and substantial shareholders

Senior Leadership Team

The Board recognises that the success and growth achieved to date is underpinned by the wealth of experience within its Senior Leadership Team. This is a fully cross-functional team spread across the Group's key locations to provide maximum operational oversight.

The strategic objectives set by the Board are clearly communicated to the Senior Leadership Team, to provide clear direction and collaboration towards the Group's common targets. This team includes a number of long-standing employees to continue driving the existing growth culture of the Group.

Name	Role	Years of Service	Expertise
Barry Stone	European Operations Director	21	Operations, International, People, Management
Graham Mackey	Asian Operations Director	8	People, Operations, International, Management, Regulatory
David Xie	Quality Director	9	Operations, International, Regulatory, Management
Steven Bird	Business Development Director	22	Commercials, International, Operations, Marketing
Taketeru Yoshiike	Business Development Director	6	Commercials, International, Operations, Marketing
Stuart Lorraine	Chief Operating Officer	1	Operations, Finance, Management, International, People

Substantial shareholders

In addition to the Interests of the Directors' shown in the Remuneration Report, and in accordance with Part 22 of the Companies Act 2006, the Company has been notified that the following shareholders' interests exceed 3% of the Company's ordinary share capital in issue at 31 December 2022:

Name	No. of ordinary shares	Percentage of enlarged capital
Simon Phillips	19,483,702	38.3%
Charles Stanley	5,698,209	11.2%
Otus Capital Management	5,607,614	11.0%
Premier Miton Investors	4,614,140	9.1%
Stonehage Fleming	2,721,088	5.3%
Pithard Ongkosit	2,697,267	5.3%
Scott McKenzie	2,185,570	4.3%
Zall Holdings	1,798,178	3.5%
Lombard Odier Investment Managers	1,651,022	3.2%


CT AUTOMOTIVE
Innovation defines us

Audit and Risk Committee Report

Committee members: Tracey James (Chair), Francesca Ecsery, Ray Bench

Chair's statement

I am pleased to present the Audit and Risk Committee's ("the Committee") Annual Report on its activities for the period up to the review of our FY22 Annual Report and Accounts. As a company admitted to AIM, we are guided by the QCA's Audit Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code 2018 and to investor guidelines for best practice.

In this report, we set out how the Committee has met its responsibilities and report on the activities of the Committee during the year.

As Chair of the Committee, I would welcome questions from shareholders on any of the Committee's activities, at **cosec@msporg.co.uk**.

Aims and objectives

The Committee monitors the integrity of the Financial Statements of the Interim and Annual Reports and formal announcements relating to the Group's financial performance, including advising the Board that the Annual Report taken as a whole is fair, balanced and understandable. It reviews significant financial reporting issues, key judgements and accounting policies and disclosures in financial reports, reviews the effectiveness of the Group's internal control procedures and risk management systems and considers the Group's internal audit requirements. It reviews the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and Interim Financial Statements. It monitors the relationship with the Group's independent auditor, including the consideration of audit fees and independence.

Meetings and attendance:

The Committee met formally 4 times during the period, with additional informal meetings held where necessary.

Non-Executive Director	Maximum Formal Meetings	Formal Meetings Attended
Tracey James	4	4
Francesca Ecsery	4	4
Ray Bench	4	4

Committee experience:

	Leadership	Finance/Capital Markets	Automotive
Tracey James	✓	✓	–
Francesca Ecsery	✓	✓	✓
Ray Bench	✓	✓	✓

To enable the Committee to discharge its duties effectively, the Chief Financial Officer is responsible for ensuring the Committee receives high-quality, timely information. The Committee is supported by a professional Company Secretarial firm that acts as Company Secretary. Members of the Committee have access to the Company Secretary who attends and minutes all meetings. The Chair of the Committee works closely with the CFO and the finance team to ensure papers for meetings are comprehensive and comprehensible. When appropriate to do so, the Committee seeks the support of external advisers and consultants.

Membership of the Committee

During the year the Committee comprised of Tracey James (Chair), Francesca Ecsery and Ray Bench. Tracey James is a qualified Chartered Accountant and spent 14 years as a Senior Audit Partner at Grant Thornton UK LLP, including leading the Thames Valley audit practice, and has since gained further experience as Chair of Audit and Risk committees. The Board considers her to have recent and relevant financial experience that befits her role as Chair of the Audit & Risk Committee. All members of the Committee are considered independent. The Board considers that the Committee as a whole has the competence relevant to the sector in which the Group operates.

Operation of the Committee

The Committee agreed the Terms of Reference, which are regularly reviewed to conform to best practice, and are subject to approval by the Board. The Terms of Reference are available on the Group's website (**https://ct-automotive.net/**), as well as in hard copy format from the Company Secretary. Each year, the Committee works to a planned programme of activities, which are focused on key events in the annual financial reporting cycle and other matters that are considered in accordance with its Terms of Reference.

It provides oversight and guidance to contribute to the ongoing good governance of the business, particularly by providing assurance that shareholders' interests are being properly protected by appropriate financial management, reporting and internal controls. The Committee approves the terms of all audit and non-audit services provided by the Group's Auditors to ensure audit objectivity is maintained.

The main activities of the Committee during the period were as follows:

- Reviewing the management and reporting of financial matters, including key accounting policies.
- Reviewing the Annual Report and Accounts and advising the Board on whether, when taken as a whole, it provides shareholders with the information necessary to assess the Group's performance, business model and strategy.
- Considering the appointment of external auditors and the frequency of re-tendering and rotation of the audit.
- Overseeing the relationship with, and the independence and objectivity of, the external auditors.
- Setting policy in relation to the use of the external auditors for non-audit services.
- Advising the Board on the Group's appetite for and tolerance of risk and the strategy in relation to risk management and reviewing any non-conformances with these.
- Reviewing the Group's risk management and internal control systems and their effectiveness.
- Reviewing the Group's procedures for detecting fraud, bribery and corruption, and ensuring arrangements are adequate for employees to raise concerns.

Internal audit

As per the Terms of Reference, the Committee have assessed the requirement for internal audit. Given the current size of the Group and level of oversight achieved by the management team, the Board does not currently consider an internal audit function to be necessary. The Board is aware that the complexity and size of the Group will continue to grow and will therefore re-assess annually.

Risk management and internal controls

The Board has primary responsibility for the Group's overall approach to risk management and systems of internal control, and has delegated its oversight to the Committee.

During the year, the Committee has reviewed and reported on the identification, evaluation and management of risks facing the business, and has considered the effectiveness of associated processes and controls to ensure a healthy balance between the risk we face and harnessing the opportunities that align with strategy to grow a strong and sustainable business. At least once a year, the Board reviews risk management and those risks the Board is not prepared to take are either avoided or, as far as possible, are mitigated and/or transferred to insurers. The responsibilities surrounding risk management and internal control systems are designed to meet the needs of the size and complexity of the business. It takes into account the applicable requirements of regulators in the various markets in which the business operates, as well as the legal requirements of being a UK company admitted to AIM. Internal controls are designed to manage, rather than eliminate risk and provide reasonable but not absolute assurance against material loss or misstatement.

Risk management and internal controls

The key components of the current systems of internal controls are:

- Clearly communicating the Group's values and strategy, to ensure these are understood and people know what is expected.
- Developing business and financial plans that support the strategy.
- Reviewing policies and procedures, to ensure these remain fit for purpose.
- Strengthening controls and internal processes.
- Regular reporting of actual performance relative to goals, budgets and forecasts.
- Ensuring there is a structure of accountability.
- Training and monitoring.

The timely reporting of actual performance against, goals, budgets and forecasts in the second half of the financial year has been an area of concern. Additional people resource, together with system and process enhancements has been signed off by the Board. We are confident that these changes together with the appointment of Anna Brown as CFO will ensure that we will have timely reporting moving forward.

The Committee has also considered the control recommendations and areas where audit adjustments have arisen both from the external auditors and management. These areas are being looked at as areas of key focus in the coming year. This will improve the integrity, accuracy and timeliness of the financial statements produced.

Whistleblowing

The Group has a Whistleblowing Policy and procedures to help with the detection and prevention of fraud. Published on the Group's Intranet, the Policy provides all employees access to a confidential forum in which it is possible to raise concerns about potential and perceived improprieties. Provided it is appropriate to do so, the process is managed by the Chief Financial Officer. The outcomes of any investigations carried out in accordance with the Policy is reported to the Committee.

Key judgements and estimates

The Committee reviewed the following significant key judgements and estimates applied to a number of issues in the preparation of the Financial Statements.

The review included consideration of the points below:

Key judgement or estimate	Description and review undertaken
Going concern	The Directors have assessed the Group's business activities and the factors likely to affect future performance in light of the current and anticipated trading conditions. In making their assessment the Directors have reviewed the Group's latest budget, current trading, available debt facilities, proceeds from the recent fundraising and considered reasonably possible downside sensitivities in performance and mitigating actions. The Directors are confident that, after taking into account existing cash and debt facilities available to the Group and the net proceeds of fundraising, the Group has adequate resources in place to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements being to June 2024. In making their assessment the Directors have considered the key factors listed below: **Fundraising** On 27 April 2023 the Group announced that it undertook a fundraise and achieved total gross proceeds of $9.6m (before transaction costs of $0.5m). The net proceeds of the fundraise of approximately $9.1m will predominately be used to strengthen the balance sheet and to provide the Group with flexibility to take advantage of growth opportunities. Additionally, a small portion of the net proceeds will be deployed to realise further efficiency savings including through investment in injection moulding production processes and robotics. **HSBC facilities** The Group uses HSBC post-despatch trade loans and invoice financing facilities as an additional working capital lever. These facilities have been committed for 12 months since the IPO, however starting from January 2023 the facilities are provided on a rolling 3-months basis, and these are expected to be renewed going forward in light of the current trading and the post year end fundraise. As at 31 December 2022 the amounts drawn on the Group's trade loans and invoice finance facilities were $16.7m (FY21: $16.5m) against a total facility of c.$22m. The Directors believe that should the HSBC facilities be withdrawn, alternative funding options would be available to the Group. **Scenario modelling** As a result of difficult trading conditions and losses incurred during FY22, the Group has carefully considered its future liquidity position. In stress testing the forecast cash flows of the business, the Directors modelled a base case, several downside scenarios, a combined downside scenario and a set of mitigating actions to the downside scenario. The base case was modelled on a prudent basis, assuming flat revenues and using the production schedules and cost estimates. Positive cash headroom is maintained under the base case scenario. Taking into account the trading conditions which existed during FY22 and outlook, the Directors have identified certain specific key risks to the base case assumptions and have modelled the scenarios as follows: ⊕ Reduction in revenue risk: the entire market is down by 10% due to global economic recession, reflecting a scenario similar to 2008-2009 downturn; ⊕ Increased cost of sales risk: reflecting the impact of inflation in cost of sales by 5% and 10% and inability to recover from customers; ⊕ Stockholding risk: reflecting a scenario caused by disruption in customer schedules and therefore the need to hold more than normal stock levels required in the distribution centres; ⊕ Availability of HSBC facilities: reflecting a withdrawal of HSBC facilities following a 3 months' notice and failure to replace the facilities with equivalent facilities on similar terms in October 2023. In addition, the Directors have modelled the first three risks above into a combined downside scenario and considered several controllable mitigating actions. The principal mitigating actions have been modelled as managing stock levels and payment terms with customers and suppliers. Such mitigating actions are within Management's control and the business closely monitors appropriate lead indicators to implement these actions in sufficient time to achieve the required cash preservation impact. Despite the combined impact of the above downside assumptions, the stress testing model demonstrates that the business is able to maintain a positive cash headroom. As a result of the above considerations, the Directors consider that the Group has adequate resources in place for at least 12 months form the date of the approval of FY22 financial statements and have therefore adopted the going concern basis of accounting in preparing the financial statements.
Goodwill	The carrying amount of goodwill at 31 December 2022 was $1.3m (FY21: $2.4m) which solely relates to Chinatool UK Limited. Following the impairment testing and sensitivity analysis, Management concluded that the carrying amount of goodwill in relation to Chinatool UK Limited is appropriate. During FY22, the Group has set up CT Automotive Systems DE Mexico SA DE CV, a new production facility in Mexico aimed at supplying automotive customers in North America. As a result, the future trading activity via the US subsidiary IMS/Chinatool JV, LLC is going to be significantly curtailed. Therefore, goodwill of $1.2m relating to IMS/Chinatool JV, LLC was fully impaired during FY22.

Key judgement or estimate	Description and review undertaken
Stock valuation	Significant production stock is held across the Group at various stages of manufacturing completion. In addition, stock absorption for manufacturing overheads is a manual calculation performed by Management. Although there is an agreed basis for this calculation, the overhead absorption rates applied involve a level of judgement. During the consolidation process, Management identified an error with regards to the calculation of the year-end inventory, which related to a number of years. The adjustment relates to the calculation of the provision for unrealised profits resulting from intra Group sales and a corresponding absorption of overheads within inventory. The adjustment resulted in the reduction of inventory, and therefore net assets, by $8.4m at 31 December 2022, of which $8.3m existed at 31 December 2021. The Committee recognises the need to incorporate stock absorption into the accounting system to reduce the level of judgement required and will consider this action going forward. Due to the nature of customer schedules and demand changing, the Group will often hold certain stock lines for a number of months, and therefore stock ageing is considered by the external auditors to ensure this valuation remains appropriate. A judgement is applied by Management for the provision against aged stock which has been reviewed by the external auditors. The Committee has reviewed the external auditors report in respect of stock ageing and is satisfied with the judgements made by Management. The Committee recognises the need to implement regular stock ageing reports within monthly management information.
Deferred tax asset	As at 30 June 2022, the Directors recognised $3.2m of deferred tax assets in relation to deductible temporary differences arising in the UK. As at 31 December 2022, the Directors have re-assessed the recoverability of these assets. Based on Management forecasts of taxable profits in the UK entities, we expect these deferred tax assets to be recovered against future taxable profits in the UK as follows: $67,000 to be recovered in 2023, $935,000 to be recovered in 2024 and $2,198,000 to be recovered in 2025. As the majority of the deferred tax assets are expected to be recovered in 2024 and 2025, and given the losses of the Group in FY22 were greater than originally forecasted, the Directors concluded that sufficient taxable profits arising in the UK to utilise this deferred tax asset would be possible rather than probable. As a result, the Directors have chosen to derecognise deferred tax assets of $3.2m in accordance with the requirements of IAS12.
Taxation	Due to the global nature of the Group, there are various tax jurisdictions with compliance requirements and transfer pricing considerations across the Group. This includes assessments regarding permanent establishments and transfer pricing. Management have prepared detailed workings and papers on these calculations and sought external tax advice on the reasonableness of such judgements.
Accounting for and disclosure of non-underlying items	The Committee considered the accounting and disclosures of non-underlying items (see Note 7 to the Consolidated Financial Statements) in line with the accounting policy set out by the Group. The Committee reviewed with Management and discussed the accounting and disclosures with the Group's Auditors. The Committee concluded it was content with the accounting for and disclosure of non-underlying items.

Shareholders' attention is drawn to the section titled 'Auditor's responsibilities for the audit of the financial statements' in the report from the independent auditor, on pages 61 to 62, about specific areas as reported by the independent auditor to provide its opinion on the Financial Statements as a whole.

Independent auditor

The appointment of the independent external auditor is approved by shareholders annually. The independent auditor's audit of the Financial Statements is conducted in accordance with International Standards on Auditing (UK) ('ISAs'), issued by the Auditing Practices Board. There are no contractual obligations that act to restrict the Committee's choice of external auditor.

In July 2022, the Board proposed and shareholders approved at the AGM, the appointment of BDO LLP as the Group's registered independent public accounting firm for the financial year ended 31 December 2022.

This year, having considered the effectiveness and performance of the independent auditor, the Committee recommend to the Board the re-appointment of BDO LLP as independent external auditor for the next financial year.

As part of the annual audit services, the independent auditor provides the following:

- A report to the Committee giving an overview of the results, significant contracts, estimates, judgements and observations on the control environment and highlighting to Management any areas of weakness or concern highlighted through the course of their external audit work.
- An opinion on whether the Group and Company Financial Statements are true and fair.

The Committee regularly reviews all fees for non-audit work paid to the independent auditor. Non-audit fees were nil in FY22 (FY21: $36,000). The Committee concluded that the level of non-audit fees, which represent 0% (FY21: 9%) of the audit fees for the Group, did not have a negative impact on BDO's independence. The Committee will continue to keep the area of non-audit work under close review, particularly in the context of developing best practice on auditors' independence.

The Committee regulates the appointment of former colleagues of the independent auditor to positions in the Group. The independent external auditor also operates procedures designed to safeguard its objectivity and independence. These include the periodic rotation of the senior statutory auditor, use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff.

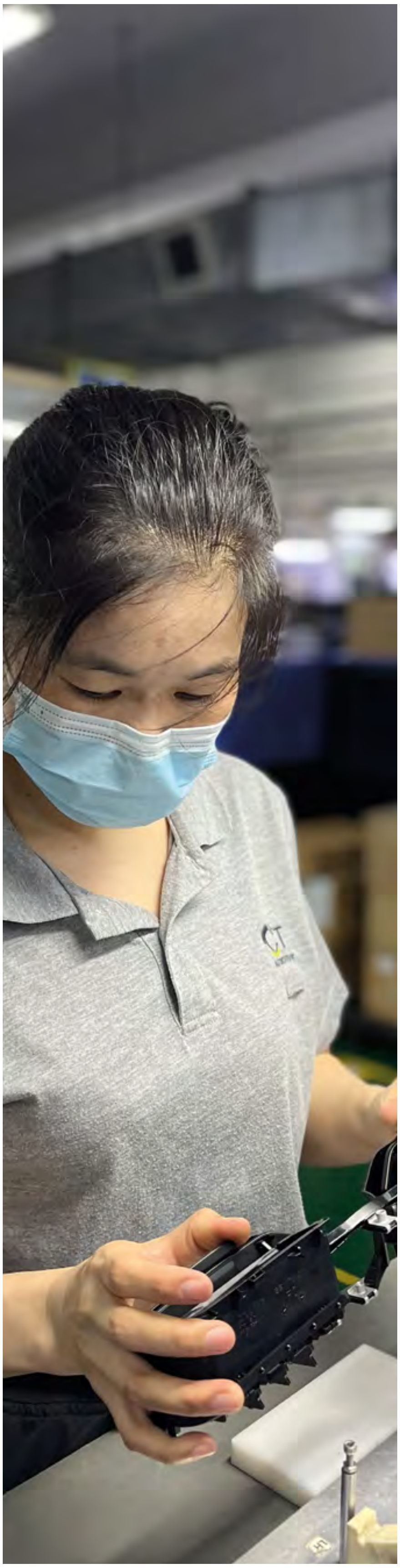
The independent external auditor reports to the Committee on matters, including independence and non-audit work on an annual basis.

Approval

This report was approved by the Committee, on behalf of the Board and signed on 15 June 2023 on its behalf by:

Tracey James

Tracey James
Chair of the Audit and Risk Committee



Remuneration Committee Report

Committee members: Francesca Ecsery (Chair), Ray Bench, Tracey James

This report is for the year ended 31 December 2022. It sets out the remuneration policy and the detailed remuneration for the Executive and Non-Executive Directors of the Company. As an AIM-quoted company, the information is disclosed to fulfil the requirements of AIM Rule 19. CT Automotive Group plc is not required to comply with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The information is unaudited except where stated.

Introduction

I am pleased to present the Committee's FY22 Directors' Remuneration Report which also looks forward to FY23.

Terms of reference

The Committee is responsible for reviewing and making recommendations in respect of the Executive Directors' remuneration and benefits packages, including share options and the terms of their appointment. The Remuneration Committee will also make recommendations to the Board concerning the allocation of share options to employees under the intended share option schemes.

The key roles of the Committee include:

- to develop remuneration packages to support the delivery of business objectives in the short, medium and long term;
- to align the interests of the Executives with the interests of long-term shareholders;
- to apply performance criteria to encourage Executives to operate within the risk parameters set by the Board;
- to ensure that the Group can recruit and retain high-quality Executives through fair and attractive, but not excessive, packages; and
- to communicate with the shareholders through the Annual Report on remuneration.

Directors service contracts, NED letters of appointment:

Key element	Executive Chairman: S.Phillips	CEO: S. McKenzie	CFO: D. Wilkinson	CFO: A. Brown
Effective date of contract	16/12/21	16/12/21	16/12/21 Resigned: 28/04/23	Designate appointment: 01/02/23 Board appointment: 28/04/23
Notice period	6 months' notice given by either party	12 months' notice given by either party	6 months' notice given by either party	6 months' notice given by either party

Non-Executive Directors have notice periods of three months from either party. The current Non-Executive Directors' initial appointments commenced on 16 December 2021.

Meetings and members

The Committee intends to meet at least twice annually, with additional meetings added as required.

The members of the Committee are myself (Chair), Tracey James and Ray Bench and are all independent Non-Executive Directors. The Board considers that the Committee to be well structured with sufficient expertise to fulfil its objectives and responsibilities.

Although the Committee members are solely Non-Executive Directors, the Executive Chairman, any other member of the Board and external advisers may be invited to attend for all or part of any meeting as and when appropriate, but such persons have no right of attendance.

Activities during FY22

The main Committee activities during the year were the finalisation and making in June 2022 of IPO executive LTIP awards (in line with the terms out in our AIM Admission document), considering and making LTIP awards on similar terms to the Group's new COO in September 2022, approving the terms of the departure of the Group CFO and considering the level and terms of share incentive awards to be made to senior managers (who are not Executive Directors) during the first half of FY23.

In the light of financial performance during the year as outlined earlier in this document, the Committee determined that no executive annual bonus would be paid in respect of FY22.

Following the year end, the Committee took decisions in respect of remuneration in FY23 and the terms of the appointment of our new CFO, Anna Brown.

Remuneration Policy

Salaries

Base salary is reviewed annually as at 1 January with reference to each Executive Director's performance and contribution during the year, Group performance, the scope of the Executive Directors' responsibilities and consideration of competitive pressures.

Benefits

The benefits provided to the Directors in FY22 comprised the provision of private medical insurance to one Director, and the payment of school fees for one Director.

Pension

The Group offers employer's contribution to a defined benefit pension scheme at 3% of salary for UK based Directors.

Bonus policy

Annual bonuses are based on financial and non-financial targets set by the Remuneration Committee each year. The parameters, performance criteria, weightings and targets are ordinarily set at the start of each financial year. The current maximum bonus payable is 75% of salary. Payments are made in cash following the completion of the yearly audit. Awards are subject to malus and clawback provisions and overriding Committee discretion.

LTIP

The Group operates a performance share plan with awards normally vesting after three years subject to meeting objective three year performance conditions set by the Committee. A major award of performance shares was made to the Executive Directors in June 2022 in line with the terms outlined in our AIM Admission document and below.

Wider management scheme

The Directors recognise the role of our people in contributing to its overall success and the importance of the Group's ability to incentivise and motivate its employees. Therefore, the Directors believe that certain employees should be given the opportunity to participate and take a financial interest in the success of the Group. To reflect this, the Group is in the process of setting up an employee share option scheme for the purpose of granting options to employees of the Group. Decisions in relation to the participation in the proposed scheme will be taken by the Committee.

Non-Executive Director remuneration

The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors. Non-Executive Director remuneration comprises a base fee and additional fees for the roles of Senior Independent Director and chairing Board committees. Fees are payable in cash.

Remuneration in FY22

During FY22, the salaries of the Executive Chairman, CEO and CFO were £220,000, £220,000 and £170,000 respectively.

Annual bonus

No annual bonus payments were made in respect of FY22.

Payments to past Directors for loss of office

There were no payments to Directors for loss of office during the year.

Long term incentives

On 29 June 2022, the Group made 2,546,662 awards under the CT Automotive Long Term Incentive Plan 2022 ("LTIP") to its three Executive Directors as set out in the table below. The LTIP Awards will vest in three equal annual tranches from the third anniversary of Admission (23 December 2021) subject to meeting earnings per share performance targets for each of FY23, FY24 and FY25.

Non-Executive Director remuneration

The Non-Executive Director fees in FY22 comprised a base fee of US$54,000 with additional fees for being committee chair of US$9,000 and for being the Senior Independent Director at US$7,000.

Interests of the Directors

The table below sets out the interests of the Directors and their families (within the meaning set out in the AIM Rules for Companies) (including any interest known to that Director which could with reasonable diligence be ascertained by him or her) in the issued share capital of the Company as at the date of this Report.

FY22 Summary of Directors' total remuneration:

The remuneration of Directors, showing the breakdown between remuneration elements is shown below:

	Year	Salary/ fees $'000	Taxable benefits $'000	Bonus $'000	Pension $'000	Total $'000
Executive						
Simon Phillips (Chairman)	**FY22**	**271**	**—**	**—**	**—**	**271**
	FY21	520	—	—	—	520
Scott McKenzie (Chief Executive Officer)	**FY22**	**305**	**76**	**—**	**—**	**381**
	FY21	268	—	—	—	268
David Wilkinson (Chief Financial Officer)	**FY22**	**207**	**3**	**—**	**—**	**210**
	FY21	131	2	—	5	138
Non-Executive						
Tracey James	**FY22**	**66**	**—**	**—**	**—**	**66**
	FY21	2	—	—	—	2
Francesca Ecsery	**FY22**	**60**	**—**	**—**	**—**	**60**
	FY21	2	—	—	—	2
Ray Bench	**FY22**	**60**	**—**	**—**	**—**	**60**
	FY21	2	—	—	—	2

Long term incentives:

	Date of award	Number of awards	Exercise price per ordinary share	Vesting dates
Simon Phillips	29/06/2022	509,332	£0.005	Portions of a third on 23 Dec 2024, 23 Dec 2025 and 23 Dec 2026
Scott McKenzie	29/06/2022	1,018,665	£0.005	
David Wilkinson	29/06/2022	1,018,665	£0.005	

David Wilkinson's awards lapsed following his resignation following the year end.

Interest of the Directors:

Name	No. of ordinary shares	Percentage of enlarged capital (at 31 December 2022)
Simon Phillips	19,483,702	38.3%
Scott McKenzie	2,185,570	4.3%
David Wilkinson	1,357,214	2.6%
Tracey James	17,006	0.0%
Francesca Ecsery	2,040	0.0%
Ray Bench	3,401	0.0%

Interests of the Directors continued

Post year end, the Directors' shareholdings changed following participation in the Fundraising completed in May 2023. Simon Phillips subscribed for 236,752 new shares bringing his holding to 19,702,454 (26.8% of the issued share capital). Scott McKenzie subscribed for 59,188 new shares bringing his holding to 2,244,758 (3.1% of the issued share capital). There have been no other changes in Director shareholdings between 31 December 2022 and the date that this Report was signed.

Remuneration in FY23

Salaries and fees

There will be no salary increases for Executive Directors and no fee increases for Non-Executive Directors in FY23.

The salary of our CFO is £200,000 from 28 April 2023.

Bonus for FY23

At the discretion of the Remuneration Committee, Executives will be entitled to earn maximum bonus of 75% of basic salary. The bonus will be based 70% on Profit after Tax, 20% on personal objectives and 10% on ESG targets.

LTIP awards

No LTIP awards will be made to the Executive Chair or CEO in FY23. The Committee, in consultation with the Executive Chairman, expects to make a long term incentive award during the first half of FY23 to our new CFO.

The Board expects to make long term incentive awards to senior employees below the executive level during the first half of FY23.

Approval

This report was approved by the Committee, on behalf of the Board, on 15 June 2023, and signed on its behalf by:

Francesca Ecsery
Chair of the Remuneration Committee

Directors' Report

Results and proposed dividends

The Group generated revenue of $124.3m in FY22 (FY21 restated: $127.8m) and a loss before tax of $18.8m (FY21: $12.4m). Adjusted operating loss for the Group was $12.6m (FY21: $1.8m adjusted operating loss) after adjusting for non-recurring items (see Note 7 for details).

With a negative reserves position in the Group at the year-end, the Board is unable to recommend the payment of any dividend.

The Strategic Report, found on page 2, provides a detailed analysis of the results in the year and an indication of future developments.

Annual General Meeting

The Annual General Meeting will be held at 9.00am on 13 July 2023 at 1000 Lakeside North Harbour Western Road, Portsmouth, PO6 3EN.

We encourage shareholders to attend the 2023 AGM, details of which can be found in the Notice of Meeting.

Although shareholders will be able to vote via poll on resolutions at the AGM, we would recommend shareholders vote in advance of the AGM via the form of proxy which is attached to the Notice of Meeting. Should shareholders wish to put questions to the Board, these can be submitted via the investor website or by emailing **media@ct-automotive.net** in advance of the AGM. Any questions raised will be published on the website after the AGM, together with the results of voting.

Directors

The Directors who held office during the year were as follows:

Executive Directors;

- Simon Phillips – Chairman
- Scott McKenzie – Chief Executive Officer
- David Wilkinson – Chief Financial Officer (resigned 28 April 2023)
- Anna Brown – Chief Financial Officer (appointed 28 April 2023)

Non-Executive Directors;

- Tracey James (Senior Independent Director)
- Francesca Ecsery
- Ray Bench

The Directors' remuneration and their interests in share capital are shown in the Remuneration Committee report on pages 53 to 55. All Directors are subject to annual re-election; details can be found in the Governance Report on page 45.

The Directors have the benefit of an indemnity covered by insurance which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. CT Automotive has granted this indemnity in favour of the Directors of the Company as is permitted by Section 232-235 of the Companies Act 2006. Neither the insurance nor the indemnities provide cover where the relevant Director or officer has acted fraudulently or dishonestly.

The Board may exercise all the powers of the Company, subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by a special resolution of the shareholders. Specific powers are detailed in the Company's Articles of Association, including the power to issue and buy back shares, along with the rules for the appointment and removal of Directors.

Employees

The Group offers equal opportunities to staff at all levels. All job applicants and employees receive equal treatment regardless of sex, race, colour, age, nationality or ethnic origin. As explained in the Sustainability report, the Group employs a diverse range of staff.

Regular consultation and meetings, formal, virtual or otherwise, are held with all levels of employees to discuss problems and opportunities. The Group is also introducing an employee survey to obtain feedback and better analyse with market benchmarking.

The Group also recognises its obligations towards disabled staff in line with the Disabilities Discrimination Act. In particular:

- the continued employment and training of persons who become disabled during employment;
- the training, career development and promotion of opportunities to disabled persons;
- encouraging the involvement of employees in the Group's performance; and
- achieving a common awareness on the part of all employees for the financial and economic factors affecting the performance of the Group.

Policy on the payment of creditors

The Group aims to abide by the terms and conditions for its business transactions with suppliers, subject to the supplier meeting its obligations. No single supplier arrangement is considered essential to the business of the Group.

Political contributions

The Group made no political donations or incurred any political expenditure during the year (FY21: $Nil).

Post balance sheet events

On 27 April 2023 the Group announced a fundraise and achieved total gross proceeds of $9.6m (before transaction costs of $0.5m).

The fundraising completed following the General Meeting on 15 May 2023 and the admission of the new ordinary shares to trading on AIM on 16 May 2023. The enlarged share capital of the Company following admission increased to 73,597,548 ordinary shares in aggregate.

The net proceeds of the fundraise of $9.1m will predominately be used to strengthen the balance sheet and to provide the Group with flexibility to take advantage of growth opportunities. Additionally, a small portion of the net proceeds will be deployed to realise further efficiency savings including through investment in injection moulding production processes and robotics.

Streamlined Energy and Carbon Reporting (SECR)

The disclosure of streamlined energy and carbon reporting have been included as part of the Emissions section of the Sustainability report.

Financial instruments

Information in respect of the Group's policies on financial risk management objectives, including policies to manage credit risk, liquidity risk and foreign currency risk, along with the capital structure of the Group, are given in Note 27 to the financial statements.

Auditor

The Group's independent external auditor, BDO LLP, will be proposed by the Board for re-appointment at the AGM for the financial year ended 31 December 2023, with James Newman as the senior statutory auditor.

Registered office

1000 Lakeside North Harbour Western Road, Portsmouth, England, PO6 3EN.

Company registered number: 10451211.

Signed on behalf of the Board on 15 June 2023.

Scott McKenzie
Chief Executive Officer

Statement of Directors' responsibilities

In respect of the Strategic Report, Directors' Report and the financial statements, the Directors are responsible for preparing the Annual 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 are required to prepare the group financial statements in accordance with UK adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. 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 Company and of the profit or loss of the Group and 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;
- state whether they have been prepared in accordance with UK adopted international accounting standards 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 Group and the Company will continue in business.

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

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Group'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 Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Signed on behalf of the Board on 15 June 2023.

Scott McKenzie
Chief Executive Officer

Anna Brown
Chief Financial Officer

Independent auditors' report to the members of CT Automotive Group plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of CT Automotive Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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 listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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. We have assessed going concern to be a key audit matter and our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting is included in the Key audit matters section of our report.

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 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.

Independent auditors' report to the members of CT Automotive Group plc continued

Overview	2022	2021
Coverage		
Group profit before tax	90%	89%
Group revenue	83%	83%
Group total assets	83%	92%
Key audit matters		
Production revenue	Yes	Yes
Tooling revenue	Yes	Yes
Going concern	Yes	No
Materiality		
Group financial statements as a whole	USD 941,000	USD 610,000
Based on % loss before tax	5%	10%

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We determined there to be seven significant components including the Parent Company which were subject to full scope audits. Based on the structure of the Group and location of operations, the audits of two of the significant components were audited by the local BDO network member firm in China, with the audits of the remaining significant components performed by the Group engagement team.

Based on our risk assessment, specific audit procedures were performed over revenue for one and revenue, stock and property, plant and equipment for another non-significant component entity respectively. All other non-significant components had no material balances which required specific audit procedures and a desktop review was performed.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

i. Attending the audit planning meeting to discuss areas of risk, including the key audit matters set out below;
ii. The issuance of detailed instructions that included materiality levels and procedures to be performed on the significant risks of material misstatement areas;
iii. Conducting periodic virtual meetings and providing guidance on the audit strategy for the significant risk of material misstatement areas;
iv. Conducting virtual file reviews of the component auditor working papers;
v. Reviewing the highlights memorandum prepared by the component audit team and discussing areas which impact the group, as necessary; and
vi. Attending the audit completion meeting to report significant audit matters and findings.

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) that 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.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Production revenue As detailed in the accounting policies in note 1 and further disclosure in note 5.	Revenue is a key performance measure for the group and a driver of profitability. We have assessed there to be a significant risk in relation to the existence of revenue through the posting of improper or fraudulent manual journals and through inappropriate recognition of revenue around the year end (cut-off).	**Our procedures included:** For a sample of production revenue throughout the year we agreed the revenue recognised by performing a three-way match to sales invoices, proof of delivery and corresponding receipts from customers. For sales made during December 2022 and January 2023, we tested a sample of revenue recognised during this period by reviewing the International Chamber of Commerce terms in the underlying contract and agreeing to the proof of delivery to determine that the revenue was recognised in the correct period. We also reviewed a sample of manual journals, if any, to production revenue, and agreed these to supporting documentation to determine the validity thereof. **Key observation:** Based on our procedures performed we did not identify any matters to suggest that the existence of revenue was not appropriate.
Tooling revenue As detailed in the accounting policies in note 1 and further disclosure in note 5.	The recognition of tooling revenue is based on management's manual review of tooling projects completed and release of revenue into the profit and loss on a quarterly basis. Given the manual nature in which revenue is recognised and the potential for management override, this poses the risk that management may recognise revenue in an inappropriate period. We therefore assessed there to be significant risk in relation to the existence of revenue through inappropriate recognition of revenue around the year end (cut-off).	**Our procedures included:** For a sample of the tooling revenue throughout the year, we reviewed the revenue recognition by performing a three-way match, agreeing to: i) Contracts/Purchase Order's of the sampled projects; ii) Cash receipts which reconciles to the Contract/Purchase Order; and iii) Customer approval of the tooling to evidence that the performance obligation has been satisfied during the year. Due to the interlinking of revenue and contract liabilities, we also test these to verify completeness of revenue. For a sample of contract liabilities at the balance sheet date, we have checked that the project is not complete at the year end with reference to the contract or customer approval. We also reviewed the pre and post year end bank statements and selected a sample of receipts from customers and verified whether these have been appropriately accounted for within contract liabilities as at the balance sheet date. We have also assessed the recoverability of tooling work in progress carried within inventory by performing procedures on management's loss-making contracts schedule, following the completion of data integrity checks on the schedule, to determine if a provision is required. For a sample of contracts on the schedule we agreed the details to the contract, agreed a sample of expenditure incurred to supporting documentation and for management estimates of future costs we considered this against historic costs and actual costs incurred subsequent to year end. **Key observation:** Based on our procedures performed we did not identify any matters to suggest that the existence of revenue was not appropriate.

Independent auditors' report to the members of CT Automotive Group plc continued

Key audit matter		How the scope of our audit addressed the key audit matter
Going concern As detailed in the accounting policies in note 1.	The group has incurred significant losses in the current financial year and this has also resulted in a decline in working capital position. There is a risk in relation to the group's ability to meet the liabilities as they are incurred. Further, the automotive sector has been impacted with cost rises and supply chain issues. We have therefore assessed going concern as a significant risk.	**We have performed the following procedures:** ⊕ Assessing the inputs and underlying assumptions of the going concern model, including those within the cash flow forecasts, prepared by the directors which is based on the current conditions of production or distribution impacts due to microchip shortages and cost inflation impacts prevalent across the global automotive sector. This included obtaining and reviewing post year-end actual results, corroborating the proceeds from additional fund raise post year end, checking the banking agreement in place and assessing the directors ability to forecast accurately by comparing prior year forecasts from management with current year actuals. ⊕ Checking the mathematical accuracy of the going concern forecasts. ⊕ In respect of the severe but plausible downside scenarios prepared by directors, being reduction in revenue, increase in cost of sales, increase in distributor stock impacting the working capital and removal of the existing banking facilities from October 2023, we have obtained sufficient explanation and corroborative evidence as necessary in cases where there was excess of liabilities over cash during the forecast period. ⊕ We have spoken to the existing bank to confirm the extent of support that the bank would continue to provide and also to gain comfort on any risks in relation to extending the rolling 3 month working capital facility that existed as at the balance sheet date. **Key observation:** See the Conclusions relating to going concern section of the report above.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Group financial statements

	2022 (USD)	2021 (USD)
Materiality	941,000	740,000
Basis for determining materiality	5% of loss before tax	10% of loss before tax (before prior year adjustments)
Rationale for the benchmark applied	We considered the losses before tax to be the most significant determinant of the Group's financial performance for the users of the financial statements.	
Performance materiality	658,700	427,000
Basis for determining performance materiality	70% of Group materiality based on our assessment of the control environment and the expected value of known and likely misstatements.	

Parent company financial statements

	2022 (USD)	2021 (USD)
Materiality	748,000	549,000
Basis for determining materiality	1.25% of Gross assets	90% of Group materiality
Rationale for the benchmark applied	Given parent is non trading and nature of the entity being holding.	Set at 90% a percentage of Group materiality given the assessment of the components' aggregation risk.
Performance materiality	588,000	384,300
Basis for determining performance materiality	70% of Parent Company materiality based on our assessment of the control environment and the expected value of known and likely misstatements.	

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 10% and 90% (2021: 20% and 90%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from USD 94,000 to USD 560,000 (2021: USD 123,000 to USD 547,000). In the audit of each component, we further applied performance materiality levels of 70% (2021: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of USD 18,820 (2021: USD 16,800). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements 2022 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: ⊕ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ⊕ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ⊕ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ⊕ the Parent Company financial statements are not in agreement with the accounting records and returns; or, ⊕ certain disclosures of Directors' remuneration specified by law are not made; or ⊕ we have not received all the information and explanations we require for our audit.

Independent auditors' report to the members of CT Automotive Group plc continued

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

Non-compliance with laws and regulations

Based on our understanding of the Group and the Parent, the industry in which they operate and our understanding of the legal and regulatory framework we identified that the principle risks of non-compliance with laws and regulations related to the Companies Act 2006, the applicable accounting frameworks and the rax regulations within the United Kingdom, China and Hong Kong.

We focused on laws and regulations that could give rise to a material misstatement in the Group or Parent Company financial statements. Our procedures included:

- Discussions with Management and those charged with governance regarding known or suspected instances of non-compliance with laws and regulations and fraud.
- Review of board minutes for any evidence of non-compliance with laws and regulations and fraud and a review of legal expense accounts.
- We reviewed the Group's tax computations and returns and financial statements against the requirements of the relevant tax legislation and applicable accounting frameworks respectively.
- We reviewed the Group's assessment and judgements made in relation to uncertain tax treatments in accordance with the requirements of IFRIC 23 'Uncertainty over Income Tax Treatment'.
- We have obtained and reviewed the tax memorandum from BDO China and also confirmed whether they have noted any material non-compliance that would have an impact on the financial statements.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud and evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements. We considered the fraud risk areas to be management override of controls and the risk of fraud in revenue recognition.

Our procedures included:

- Testing a sample of journal entries in particular those that were considered non-standard or contained unusual descriptions by agreeing to supporting documentation.
- In response to the risk of fraud in revenue recognition, the procedures set out in the key audit matters section above.
- For work performed by the significant component auditor, in this area, we issued detailed instructions and reviewed their reporting and audit working papers.
- We reviewed and assessed the appropriateness of management estimates and exercised professional scepticism in considering the impact of those estimates on the reported results and key performance measures such as loss before tax.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were all deemed to have appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Newman

James Newman
Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

Southampton, UK

15 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Notes	2022 $'000	Restated* 2021 $'000
Continuing operations:			
Revenue	5	**124,269**	127,784
Cost of sales		**(109,407)**	(102,539)
Gross profit		**14,862**	25,245
Distribution expenses		**(5,059)**	(5,494)
Other operating income	6	**650**	1,431
Administrative expenses		**(27,287)**	(28,571)
EBITDA (before non-recurring items)		**(7,129)**	3,254
Depreciation	8	**(4,820)**	(4,632)
Amortisation	8	**(602)**	(440)
Non-recurring items	7	**(4,283)**	(5,571)
Operating loss	8	**(16,834)**	(7,389)
Finance income		**10**	8
Finance expenses	10	**(1,997)**	(4,398)
Share of post-tax losses of equity accounted associates	19	**–**	(579)
Loss before tax		**(18,821)**	(12,358)
Taxation (charge)/credit	11	**(3,054)**	1,152
Loss for the year from continuing operations		**(21,875)**	(11,206)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	12	**(2,789)**	133
Loss for the year attributable to equity shareholders		**(24,664)**	(11,073)
Other comprehensive income			
Items that are/may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		**(927)**	280
Other comprehensive (loss)/income for the year, net of income tax		**(927)**	280
Total comprehensive loss for the year		**(25,591)**	(10,793)
Total loss per share			
From continuing operations:			
Basic loss per share	13	**(42.9)c**	(55.2)c
Diluted loss per share	13	**(42.9)c**	(55.2)c
From continuing and discontinued operations:			
Basic loss per share	13	**(48.4)c**	(54.6)c
Diluted loss per share	13	**(48.4)c**	(54.6)c

* See note 3.

The notes on pages 70 to 105 form part of these financial statements.

Consolidated balance sheet
As at 31 December 2022

	Notes	2022 $'000	Restated* 2021 $'000	Restated* 2020 $'000
Assets				
Non-current assets				
Goodwill	14	**1,259**	2,417	2,417
Intangible assets	16	**528**	520	545
Property, plant and equipment	17	**7,302**	7,681	9,584
Right of use assets	18	**10,769**	6,942	7,549
Investments in associates	19	**–**	–	1,443
Deferred tax assets	20	**–**	1,745	308
		19,858	19,305	21,846
Current assets				
Inventories	21	**27,342**	31,504	34,058
Tax receivable		**227**	1,496	1,417
Trade and other receivables	22	**26,880**	42,782	44,626
Cash and cash equivalents	23	**4,829**	13,445	2,156
		59,278	89,227	82,257
Current liabilities				
Trade and other payables	24	**(45,924)**	(50,029)	(51,942)
Other interest-bearing loans and borrowings	25	**(17,058)**	(22,587)	(36,925)
Derivative financial liabilities	26	**(671)**	(15)	–
Corporate tax payable		**(771)**	(655)	(778)
Lease liabilities	18	**(3,022)**	(2,844)	(2,879)
		(67,446)	(76,130)	(92,524)
Non-current liabilities				
Other interest-bearing loans and borrowings		**–**	–	(22,811)
Derivative financial liabilities	26	**(95)**	–	–
Deferred tax liabilities	20	**(118)**	–	–
Lease liabilities	18	**(8,900)**	(5,144)	(5,645)
		(9,113)	(5,144)	(28,456)
Net assets/(liabilities)		**2,577**	27,258	(16,877)
Equity attributable to equity holders of the parent				
Share capital	29	**342**	342	132
Share premium	29	**54,717**	54,717	–
Translation reserve	29	**(347)**	580	300
Retained earnings	29	**(16,323)**	7,431	18,503
Merger reserve	29	**(35,812)**	(35,812)	(35,812)
Total equity/(deficit)		**2,577**	27,258	(16,877)

* See note 3.

The notes on pages 70 to 105 form part of these financial statements.

The financial statements were approved by the Director and was signed on his behalf by:

Simon Phillips
Director

Registered number: 10451211

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

	Share capital $'000	Share premium $'000	Translation reserve $'000	Restated* Retained Earnings $'000	Merger reserve $'000	Other reserve $'000	Restated* Total equity $'000
At 1 January 2021 as previously published	132	–	300	24,668	(35,812)	–	(10,712)
Effect of restatement	–	–	–	(6,165)	–	–	(6,165)
At 1 January 2021 (restated)	132	–	300	18,503	(35,812)	–	(16,877)
Total comprehensive income for the year							
Loss for the year (restated)	–	–	–	(11,073)	–	–	(11,073)
Other comprehensive income	–	–	280	–	–	–	280
Total comprehensive income for the year (restated)	–	–	280	(11,073)	–	–	(10,793)
Contributions by and distributions to shareholders:							
Reclassification of shareholder loan notes	–	–	–	–	–	9,900	9,900
Conversion of loan notes/other liabilities into Ordinary Shares	57	12,352	–	–	–	(9,900)	2,509
Share issue in relation to IPO	153	44,923	–	–	–	–	45,076
Equity issue costs	–	(2,558)	–	–	–	–	(2,558)
At 31 December 2021 (restated)	342	54,717	580	7,430	(35,812)	–	27,257
Hyperinflationary monetary adjustment relating to FY21	–	–	–	911	–	–	911
Restated at 1 January 2022	342	54,717	580	8,341	(35,812)	–	28,168
Total comprehensive income for the year:							
Loss for the year	–	–	–	(24,664)	–	–	(24,664)
Other comprehensive income	–	–	(927)	–	–	–	(927)
Total comprehensive income for the year	–	–	(927)	(24,664)	–	–	(25,591)
At 31 December 2022	**342**	**54,717**	**(347)**	**(16,323)**	**(35,812)**	**–**	**2,577**

* See note 3.

The notes on pages 70 to 105 form part of these financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2022

	2022 $'000	Restated* 2021 $'000
Cash flows from operating activities		
Loss from continuing operations	**(21,875)**	(11,206)
(Loss)/profit from discontinued operations	**(2,789)**	133
Loss for the year after tax	**(24,664)**	(11,073)
Adjustments for:		
Depreciation	**5,345**	4,932
Amortisation	**602**	440
Impairment of goodwill	**1,158**	-
Impairment of associate	**–**	1,627
Finance income	**(10)**	–
Finance expense	**2,090**	4,474
Net fair value losses recognised in profit or loss	**750**	–
Impairment of lease assets	**429**	–
Loss on disposal of property, plant and equipment	**825**	1,012
Gain on renegotiation of lease	**(168)**	–
Taxation	**3,103**	(1,108)
Hyperinflation impact on operating profit	**665**	–
Share of post-tax losses of equity accounted associates	**–**	579
	(9,875)	883
Decrease in trade and other receivables	**14,786**	693
Decrease/(Increase) in inventories	**1,104**	2,554
(Decrease)/Increase in trade and other payables	**(618)**	(1,652)
Tax refund/(paid)	**145**	(529)
Net cash generated from operating activities	**5,542**	1,949
Cash flows from investing activities		
Purchase of intangible assets	**(633)**	(421)
Purchase of property, plant and equipment	**(2,864)**	(1,670)
Investments in associates	**–**	(201)
Interest received	**10**	–
Net cash used in investing activities	**(3,487)**	(2,292)
Cash flows from financing activities		
(Repayment)/drawdown of loan facilities	**(2,500)**	2,500
Issue of convertible loan notes	**–**	5,600
Share issue (net of transaction costs)	**–**	42,518
Repayment of lease liabilities	**(3,607)**	(3,565)
Interest paid	**(2,090)**	(2,922)
Repayment of term loan	**–**	(15,599)
Repayment of CLBILs	**–**	(8,143)
Drawdown/(repayment) of trade loans	**4,131**	(5,698)
Repayment of invoice finance	**(3,880)**	(1,537)
Net cash (used in)/generated from financing activities	**(7,946)**	13,154
Net (decrease)/increase in cash and cash equivalents	**(5,891)**	12,811
Cash and cash equivalents at beginning of year	**9,807**	(2,677)
Effect of exchange rate fluctuations on cash held	**555**	(327)
Cash and cash equivalents at end of year (see Note 23)	**4,471**	9,807

* See note 3.

The notes on pages 70 to 105 form part of these financial statements.

Notes to the consolidated financial statements

1. Accounting policies

Introduction

CT Automotive Group PLC (the "Company") is a Public company listed on AIM incorporated, domiciled and registered in England in the UK. The registered number is 10451211 and the registered address and principal place of business is 1000 Lakeside North Harbour, Western Road, Portsmouth, PO6 3EN.

The Company's functional and reporting currency is USD, the Directors elected to set the Company up in this way due to the international nature of the Group and overall reliance on USD; the Group revenue is predominantly received in USD and working capital facilities are also predominantly denominated in USD.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as an entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 106 to 112.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

There are no judgements or estimates that are deemed to have a significant effect on the financial statements other than those stated in Note 2.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and the financial statements of the foreign operation in Turkey which is subject to hyperinflationary accounting.

Going concern

The Directors have assessed the Group's business activities and the factors likely to affect future performance in light of the current and anticipated trading conditions. In making their assessment the Directors have reviewed the Group's latest budget, current trading, available debt facilities, proceeds from the recent fundraising and considered reasonably possible downside sensitivities in performance and mitigating actions.

The Directors are confident that, after taking into account existing cash and debt facilities available to the Group and the net proceeds of fundraising, the Group has adequate resources in place to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements being to June 2024. In making their assessment the Directors have considered the key factors listed below:

Fundraising

On 27 April 2023 the Group announced that it undertook a fundraise and achieved total gross proceeds of $9.6m (before transaction costs of $0.5m). The net proceeds of the fundraise of approximately $9.1m will predominately be used to strengthen the balance sheet and to provide the Group with flexibility to take advantage of growth opportunities. Additionally, a small portion of the net proceeds will be deployed to realise further efficiency savings including through investment in injection moulding production processes and robotics.

HSBC facilities

The Group uses HSBC post-despatch trade loans and invoice financing facilities as an additional working capital lever. These facilities have been committed for 12 months since the IPO, however starting from January 2023 the facilities are provided on a rolling 3-months basis, and these are expected to be renewed going forward in light of the current trading and the post year end fundraise.

As at 31 December 2022 the amounts drawn on the Group's trade loans and invoice finance facilities were $16.7m (FY21: $16.5m) against a total facility of c.$22m. The Directors believe that should the HSBC facilities be withdrawn, alternative funding options would be available to the Group.

Scenario modelling

As a result of difficult trading conditions and losses incurred during FY22, the Group has carefully considered its future liquidity position. In stress testing the forecast cash flows of the business, the Directors modelled a base case, several downside scenarios, a combined downside scenario and a set of mitigating actions to the downside scenario. The base case was modelled on a prudent basis, assuming flat revenues and using the production schedules and cost estimates. Positive cash headroom is maintained under the base case scenario.

Taking into account the trading conditions which existed during FY22 and outlook, the Directors have identified certain specific key risks to the base case assumptions and have modelled the scenarios as follows:

- Reduction in revenue risk: the entire market is down by 10% due to global economic recession, reflecting a scenario similar to 2008-2009 downturn;
- Increased cost of sales risk: reflecting the impact of inflation in cost of sales by 5% and 10% and inability to recover from customers;
- Stockholding risk: reflecting a scenario caused by disruption in customer schedules and therefore the need to hold more than normal stock levels required in the distribution centers;
- Availability of HSBC facilities: reflecting a withdrawal of HSBC facilities following a 3 months' notice and failure to replace the facilities with equivalent facilities on similar terms.

1. Accounting policies continued

Going concern continued

Scenario modelling continued

In addition, the Directors have modelled the first three risks above into a combined downside scenario and considered several controllable mitigating actions. The principal mitigating actions have been modelled as managing stock levels and payment terms with customers and suppliers. Such mitigating actions are within Management's control and the business closely monitors appropriate lead indicators to implement these actions in sufficient time to achieve the required cash preservation impact.

Despite the combined impact of the above downside assumptions, the stress testing model demonstrates that the business is able to maintain a positive cash headroom.

As a result of the above considerations, the Directors consider that the Group has adequate resources in place for at least 12 months form the date of the approval of FY22 financial statements and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. 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. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Discontinued operations

When the Group has sold or terminated a component that represents a separate major line of business or geographical area of operations during the year, or has classified the component as held for sale, its results are presented separately, net of any profit or loss on disposal, in the statement of profit or loss and other comprehensive income, with the comparative amounts restated.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. 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 profit or loss. Exchange differences arising on the retranslation of the foreign operation are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency US Dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve. When a foreign operation is disposed of, such that control is lost, the entire accumulated amount in the foreign currency translation reserve, is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while still retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

1. Accounting policies continued

Foreign currency continued

Effective from 1 January 2022, the Group has applied IAS 29, Financial Reporting in Hyperinflationary Economies, for its subsidiary in Turkey, whose functional currency has experienced a cumulative inflation rate of more than 100% over the past three years. Assets, liabilities, the financial position and results of foreign operations in hyperinflationary economies are translated to US Dollar at the exchange rate prevailing at the reporting date. The exchange differences are recognised directly in other comprehensive income and accumulated in the translation reserve in equity. Such translation differences are reclassified to profit or loss only on disposal or partial disposal of the overseas operation. Prior to translating the financial statements of foreign operations, the non-monetary assets and liabilities and comprehensive income (both previously stated at historic cost) are restated to account for changes in the general purchasing power of the local currencies based on the consumer price index published by the Turkish Statistical Institute. The consumer price index for the year ended 31 December 2022 increased by 47.8%. Monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period.

Comparative amounts presented in the consolidated financial statements were not restated. Hyperinflationary accounting needs to be applied as if Turkey has always been a hyperinflationary economy therefore as per CT Automotive Group's policy choice, the differences between equity at 31 December 2021 as reported and the equity after restatement of the non-monetary items to the measuring unit current at 31 December 2022 were recognised in retained earnings. The subsequent gains or losses resulting from the restatement of non-monetary assets and liabilities are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Serial production goods are recognised as sold at a point in time when control is passed to the customer, which depending on the incoterms (a series of pre-defined commercial terms published by the International Chamber of Commerce relating to international commercial law) can be when they are delivered to the customer site or when the customer collects them.

Tooling and the provision of associated services is recognised at a point in time when the performance obligations in the contract are satisfied and control is passed to the customer, which is based on the date of issue of the parts submission warrant (PSW) or a similar approval from customers, or other evidence of the commencement of serial production. Monies received from customers in advance of completing the performance obligations are recognised as contract liabilities as at the balance sheet date and released to revenue when the related performance obligations are satisfied at a point in time.

Discounts on the serial production contracts are considered one off and agreed with the customers as part of the negotiation and as per the terms of the contract, they are either paid in advance or otherwise. Discounts paid in advance are recognised as a prepayment and recognised as a debit to revenue in the period in which the related revenue is recognised. All other discounts are recognised as a debit to revenue based on the period in which the related revenues are recognised.

Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Government grants

Government grants are recognised on the accrual basis and any performance requirements are disclosed as required. Grants of a revenue nature are recognised in the statement of profit or loss in the same period as the related expenditure and recognised gross as other income.

During the year, the government grant income relates to government support received in China relating to utilities and training subsidies, promotion of foreign trade and COVID-19 recovery.

Expenses

Finance income and expenses

Finance expenses comprise interest payable on borrowings and interest on lease liabilities which are recognised in profit or loss using the effective interest method.

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

Non-recurring items

The Group recognises items within the statement of profit or loss that are infrequent, unusual and not expected during the regular business operations as non-recurring. These are disclosed as a separate line on the face of the statement of profit or loss. Note 7 provides further details on the nature of the non-recurring items.

1. Accounting policies continued

Taxation

(a) Current taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Intangible assets

Research and development

Expenditure on research activities is recognised in profit or loss as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Intangible assets (including software)

Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software	–	1-5 years

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

1. Accounting policies continued

Property, plant and equipment continued

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Assets under construction	–	not depreciated
Plant and equipment	–	2-5 years straight line
Furniture, fixtures and equipment	–	2-5 years straight line
Motor vehicles	–	2-5 years straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the value that would arise on sale of inventories in the normal course of business, minus a reasonable estimation of selling costs.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

1. Accounting policies continued

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of any issues are classified as a financial liability.

Non-derivative financial instruments

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are initially measured at their transaction price. Trade receivables and other receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. See Note 25 for full details of classes of interest-bearing borrowings.

Effective interest rate

The 'effective interest' is calculated using the rate that exactly discounts estimates, future cash payments or receipts (considering all contractual terms) through the expected life of the financial asset or financial liability to its carrying amount before any loss allowance.

Impairment of financial assets

A provision for impairment is established on an expected credit loss model under IFRS 9. The amount of the provision is the difference between the asset's carrying amount and the expected value of the amounts recovered.

The probability of default and the expected amounts recoverable are assessed under reasonable and supportable past and forward looking information that is available without undue cost or effort. The expected credit loss is a probability weighted amount determined from a range of outcomes (including assessments made using forward looking information) and takes into account the time value of money.

Impairment losses and subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The Group utilises derivatives consisting of exchange contracts to reduce foreign currency risk.

Convertible loan notes

A portion of loans from Directors in the form of loan notes and other loans as shown within Note 25 have been reclassified or converted from liability into equity during the prior financial year consequent to change in the terms and conditions of the loan agreements.

The instruments were evaluated for the conditions within IAS 32, namely, (a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity and (b) the instrument will or may be settled in the issuer's own equity instruments.

1. Accounting policies continued

Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

All automotive products are sold with a warranty which mirrors the warranty offered by the OEM to consumers.

Due to the thorough quality checking that is undertaken by the customers during assembly, and the low risk nature of the products, it is the Company's policy to only hold a small provision for warranty claims. This is supported by the historically low value of warranty claims in the past few years which the Directors do not consider to be material.

Leases

Identifying leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset;
(b) The Group obtains substantially all the economic benefits from use of the asset; and
(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs, how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

These other leases are recognised in profit or loss on a straight line basis over the term of the lease.

Lease measurement

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised.

1. Accounting policies continued

Leases continued

Lease Measurement continued

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Share options are potentially dilutive, but the Group's loss means any potentially dilutive instruments are anti-dilutive.

Segment Reporting

IFRS 8 'Operating Segments' requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. See Note 4 for the accounting policy and related disclosures for segment reporting.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

New standards, interpretations and amendments

There have been a number of amendments to existing standards which are effective from 1 January 2022 but they do not have material effect on the Group financial statements.

At the date of approval of the consolidated financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group. For the next reporting period, applicable International Financial Reporting Standards will be those endorsed by the UK Endorsement Board (UKEB).

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these consolidated financial statements, the following could have a material impact on the Group's financial statements going forward:

New/Revised International Financial Reporting Standards		Effective Date: Annual periods beginning on or after:	UKEB adopted
IAS 12	Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Yes
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024	No
IFRS 16	Amendment to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024	No

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

There are no other standards and interpretations in issue but not yet adopted that the Directors anticipate will have a material effect on the reported income or net assets of the Group.

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

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experiences may differ from these estimates and assumptions. The estimates and assumptions 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.

In preparing these financial statements, the Directors made the following judgements:

Incremental borrowing rate used to measure lease liabilities

Where the interest rate implicit in the lease cannot be readily determined, lease liabilities are discounted at the lessee's incremental borrowing rate. This is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities and the corresponding right-of-use assets.

To determine the incremental borrowing rate, the Group uses recent third-party financing as a starting point, and adjusts this for conditions specific to the lease such as its term and security.

The Group used an incremental borrowing rate of from 3.25% to 32.5% depending on the specifics of the lease, particularly based on which country the underlying asset is based in.

Deferred tax asset recognition

As at 30 June 2022, the Directors recognised $3.2m of deferred tax assets in relation to deductible temporary differences arising in the UK. As at 31 December 2022, the Directors have re-assessed the recoverability of these assets. Based on Management forecasts of the taxable profits in the UK entities, we expect these deferred tax assets to be recovered against future taxable profits in the UK as follows: $67,000 to be recovered in FY23, $935,000 to be recovered in 2024 and $2,198,000 to be recovered in 2025. As the majority of the deferred tax assets are expected to be recovered in 2024 and 2025, and given the losses of the Group in FY22 were greater than originally forecasted, the Directors concluded that sufficient taxable profits arising in the UK to utilise this deferred tax asset would be possible rather than probable. As a result, the Directors have chosen to derecognise deferred tax assets of $3.2m in accordance with the requirements of IAS12.

Other key sources of estimation uncertainty:

Inventories provision

Inventory is carried at the lower of cost and net realisable value. Provisions are made to write down obsolete inventories to net realisable value. The provision is $1,601,000 at 31 December 2022 (2021: $1,268,000). A difference of 10% in the provision as a percentage of gross inventory would give rise to a difference of +/- $160,100 in gross margin.

Goodwill

The carrying amount of goodwill at 31 December 2022 was $1,259,000 (FY21: $2,417,000 which solely relates to Chinatool UK Limited. The goodwill relating to Chinatool UK Limited was subject to annual impairment testing, and no need for impairment was identified during the year. Details of the impairment testing performed and sensitivity analysis performed is set out in Note 14.

During the year ended 31 December 2022, the Group has set up CT Automotive Systems DE Mexico SA DE CV, a new production facility in Mexico aimed at supplying automotive customers in North America. As a result, the future trading activity via the US subsidiary IMS/Chinatool JV, LLC is going to be significantly curtailed. Therefore, goodwill of $1,158,000 relating to IMS/Chinatool JV, LLC was fully impaired during the year ended 31 December 2022.

Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries or associates is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the financial statements of a Group entity becomes necessary. Following Management's assessment, the Group's subsidiary in Turkey has been accounted for as an entity operating in a hyperinflationary economy. The results, cash flows and financial positions of Chinatool Otomotiv Sanayi Tic. Limited Sti. have been expressed in terms of the measuring units current at the reporting date.

The movement in the general price index in the current period was 47.8% (FY21: 11.1%).

3. Restatement of prior year

The Group has identified an error with regards to the calculation of year-end inventory on consolidation which relates to a number of years. The error relates to the calculation of provision for unrealised profits resulting from intra group sales.

The earliest period being presented and restated in these consolidated financial statements is the period ended 31 December 2020. As at 31 December 2020, the value of finished goods inventories has been reduced by $6,165,000, with a reduction of retained earnings at this date of $6,165,000.

As at 31 December 2021, the value of finished goods has been reduced by $8,275,000. Cost of sales for year ended 31 December 2021 has increased by $2,110,000.

In addition, the Group has identified an error with regards to the transfer of tooling assets from the Group balance sheet to cost of sales upon completion of tooling and sale to the customer, which relates to 2021.

With regard to tooling projects completed in FY21, an additional $2,626,000 of cost of sales should have been recognised.

As at 31 December 2021, the value of Property, plant and equipment has been reduced by $2,626,000 with a corresponding increase in costs of sales.

Loss per share for the year ended 31 December 2021 has increased to 55 cents per share.

4. Segment information

Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM has been identified as the Management team including the Chief Executive Officer and Chief Financial Officer. The segmental analysis is based on the information that the Management team uses internally for the purpose of evaluating the performance of operating segments and determining resource allocation between segments.

The Group has 3 strategic divisions which are its reportable segments.

The Group has the below main divisions:

1) Tooling – Design, development and sale of tooling for the automotive industry.
2) Production – Manufacturing and distributing serial production kinematic interior parts for the automotive industry.
3) Head office – Manages Group financing and capital management.

The Group evaluates segmental performance on the basis of revenue and profit or loss from operations calculated in accordance with IFRS.

Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. This policy was applied consistently in the current and prior year.

2022	Tooling $'000	Production $'000	Head Office $'000	Total $'000
Revenue				
Total revenue from customers	6,980	117,289	–	124,269
Depreciation and amortisation	–	(5,422)	–	(5,422)
Finance expense	–	(1,939)	(58)	(1,997)
Segment Profit/(Loss)	1,601	866	(21,288)	(18,821)
Share of post-tax loss of equity accounted associates				–
Group Loss before tax and discontinued operations				(18,821)

2022	Tooling $'000	Production $'000	Head Office $'000	Total $'000
Additions to non-current assets	–	3,549	–	3,549
Reporting segment assets	1,517	77,071	548	79,136
Reportable segment liabilities	(4,994)	(70,051)	(1,514)	(76,559)

4. Segment information continued

2021 (restated)	Tooling $'000	Production $'000	Head Office $'000	Total $'000
Revenue				
Total revenue from customers	22,175	105,609	–	127,784
Depreciation and amortisation	–	(5,072)	–	(5,072)
Finance expense	–	(2,034)	(2,364)	(4,398)
Segment Profit/(Loss)	5,260	(7,550)	(9,489)	(11,779)
Share of post-tax loss of equity accounted associates				(579)
Group Loss before tax and discontinued operations				(12,358)

2021 (restated)	Tooling $'000	Production $'000	Head Office $'000	Total $'000
Additions to non-current assets	–	1,879	–	1,879
Reporting segment assets	6,802	89,190	12,540	108,532
Reportable segment liabilities	(3,628)	(74,119)	(3,527)	(81,274)

	External revenue by location of customers		Non-current assets by location of assets	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
US	**27,640**	29,489	**253**	124
UK	**16,603**	15,685	**2,395**	4,213
Czech Republic	**21,399**	35,356	**651**	440
China	**18,415**	18,289	**12,578**	13,686
Turkey	**12,806**	9,690	**1,450**	555
Mexico	**4,766**	2,198	**2,390**	–
Spain	**4,692**	6,985	**–**	–
Brazil	**3,567**	3,074	**–**	–
Japan	**3,162**	1,521	**–**	–
Thailand	**2,378**	2,187	**–**	–
Slovakia	**1,051**	597	**–**	–
Italy	**986**	1,041	**–**	–
South Africa	**960**	869	**–**	–
Germany	**727**	731	**–**	–
Other	**5,117**	72	**141**	287
	124,269	127,784	**19,858**	19,305

Due to the nature of the automotive industry becoming increasingly consolidated with mergers, acquisitions and strategic alliances, the number of customers under separate control is decreasing whilst the size of such customers is increasing.

Analysis of concentration of customers, top 3 and others:

In FY22 the Group had 3 major customers representing $50.4m (39%), $23.9m (18%) and $20.1m (16%) of Group revenue.

In FY21 the Group had 3 major customers representing $42.7m (32%), $43.2m (33%) and $13.3m (10%) of Group revenue.

5. Revenue

	2022 $'000	2021 $'000
Disaggregation of revenue		
An analysis of revenue by type is given below:		
Sale of parts	**117,289**	105,609
Sale of tooling (including design and development)	**6,980**	22,175
	124,269	127,784

An analysis of revenue by geographical market is given within Note 4.

All revenue is recognised from goods transferred at a point in time.

Contract balances

The following table provides information about significant changes during the year in contract assets and contract liabilities from contracts with customers:

	Contract assets $'000	Contract liabilities $'000
Balance as at 1 January 2022	–	2,925
Revenue recognised that was included in contract liabilities at the beginning of the year	–	(1,016)
Increases due to cash received, excluding amounts recognised as revenue during the year	–	2,248
Movements due to foreign exchange	–	(39)
Balance as at 31 December 2022	**–**	**4,118**

The contract liabilities included within trade and other payables primarily relate to the advance consideration received from customers on tooling projects.

The contract assets and contract liabilities are recognised in profit or loss when the performance obligations of each contract are satisfied which is at the point that the contract is satisfied and control has passed to the customer. As such, the Group does not recognise revenue on any partially satisfied performance obligations.

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2023 $'000	2024 $'000	Total $'000
Tooling projects	**10,047**	**–**	**10,047**

All consideration from contracts with customers are accounted for as contract assets or liabilities and released to the revenue once performance obligation is fulfilled.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

6. Other operating income

	2022 $'000	2021 $'000
Government grants	**546**	1,421
Other income	**104**	10
	650	1,431

The government grant income relates to government support received in China relating to utilities and training subsidies, promotion of foreign trade and COVID-19 recovery.

7. Non-recurring items

	2022 $'000	2021 $'000
AIM listing fees	**31**	1,810
Turkish foreign exchange losses	**–**	1,113
Impairment of associate	**–**	1,627
Impairment of goodwill	**1,158**	-
Impact of implementing IAS29	**665**	–
China housing fund contribution	**453**	–
Start-up costs in Mexico	**1,738**	–
Irrecoverable excess freight costs	**238**	1,021
	4,283	5,571

The Directors consider that it is appropriate to remove the non-recurring costs and certain non-trading items discussed below to better allow the reader of the accounts to understand the underlying performance of the Group.

The AIM listing completed in December 2021 incurred one-off transaction costs and advisory fees. Costs of $31,000 (FY21: $1,810,000) have been recognised within administrative expenses in relation to this.

In December 2021, the Turkish Lira was significantly depreciated against the US Dollar following unprecedented Government announcements in Turkey. This resulted in the Group incurring one-off unrealised foreign exchange losses of $nil (FY21: $1,113,000) arising in Chinatool Otomotiv San. Tic. Ltd Sti.

An impairment review of the loans and shareholdings the Group held in Marin Engineering Limited and Scomadi (Thailand) Co. Ltd. was completed in FY21. These balances were fully impaired before the loan was written off and the shares were transferred to a third party. This resulted in a one-off impairment charge of $nil (FY21: $1,627,000).

Global freight costs have temporarily increased significantly following the pandemic and related logistic issues. This has resulted in freight container costs exceeding the container rates quoted to customers. In recognition of this expecting to normalise over time, the Group has negotiated with customers to maximise the recovery of excess freight costs. There is however an element of excess freight costs which is deemed irrecoverable amounting to $238,000 (2021: $1,021,000) recognised within distribution expenses.

In respect of the year ended 31 December 2022, the rate of inflation in Turkey reached a level whereby it is considered hyperinflation and as a result the Group has been required to restate the results of Chinatool Otomotiv San. Tic. Ltd Sti in accordance with IAS 29. The impact of this restatement is not part of the underlying performance of the business and is therefore considered non-trading.

During the year ended 31 December 2022, the Group's Chinese entities received a backdated demand for Housing Fund contributions (a form of social insurance in China) relating to the period 2010 to 2019. Since 2020 these contributions have been correctly calculated and paid so this backdate charge will not recur.

During the year ended 31 December 2022, the Group opened a new production facility in Mexico and incurred $1,738,000 of pre-opening and start-up costs which the Directors consider to be non-recurring in nature.

Goodwill of $1,158,000 relating to IMS/Chinatool JV, LLC was fully impaired during the year ended 31 December 2022 as the setting up of CT Automotive Systems DE Mexico SA DE CV is expected to curtail future trading through IMS/Chinatool JV, LLC as US sales through the Mexican subsidiary will be subject to lower tariffs. Management expect to move manufacturing and distribution of existing North American projects to Mexico, and are tendering for new North American projects on the basis of manufacturing and distribution from Mexico. Moving manufacturing for these projects from China to Mexico will reduce the exposure to Section 301 tariffs on imports into the US from China and will improve the Group's competitive pricing for North American projects.

8. Expenses and auditors' remuneration

	2022 $'000	Restated 2021 $'000
Operating loss is stated after charging:		
Amortisation:		
– Continuing operations	**602**	440
Depreciation:		
– Continuing operations	**1,608**	1,697
– Discontinued operations	**165**	167
Foreign exchange	**3,804**	1,576
Depreciation of right-of-use assets:		
– Continuing operations	**3,212**	2,935
– Discontinued operations	**360**	133
Cost of inventories	**86,148**	75,076

	2022 $'000	2021 $'000
Auditors' remuneration		
Audit of Group financial statements	**164**	158
Audit of financial statements of subsidiaries of the Company	**309**	241

9. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2022 $'000	2021 $'000
Production staff	**2,576**	2,265
Management and administration staff	**258**	456
	2,834	2,721

	2022 $'000	2021 $'000
Wages and salaries	**30,439**	29,484
Social security costs	**1,436**	2,068
Contributions to defined contribution plans	**179**	101
	32,054	31,653

Key Management personnel compensation

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company.

	2022 $'000	2021 $'000
Key Management remuneration including social security costs	**1,240**	921
Company contributions to money purchase pension plans	**10**	5
	1,250	926

9. Staff numbers and costs continued
Directors' remuneration

	2022 $'000	2021 $'000
Directors' remuneration	**1,099**	364
Company contributions to money purchase pension plans	**7**	5
	1,106	369

Full details of Directors' remuneration are shown on page 54.

Retirement benefits were accruing to 1 Director in the year (FY21: 1) under money purchase schemes.

10. Finance expenses

	2022 $'000	2021 $'000
Interest on bank loans and borrowings	**1,038**	2,340
Interest on lease liabilities	**742**	576
Loan note interest	**–**	528
Other interest charges	**217**	954
	1,997	4,398

11. Taxation

Recognised in profit or loss	2022 $'000	2021 $'000
Current tax expense		
Current year (including carry back of losses)	**621**	135
Adjustments for prior periods	**23**	150
Current tax expense	**644**	285
Deferred tax credit		
Origination and reversal of temporary differences	**2,438**	(993)
Adjustments for prior periods	**(88)**	–
Effect of changes in tax rates	**60**	(444)
Deferred tax charge/(credit)	**2,410**	(1,437)
Total tax charge/(credit)	**3,054**	(1,152)

	2022 $'000	2021 $'000
Reconciliation of effective tax rate		
Loss for the year	**(21,875)**	(11,206)
Total tax charge	**3,054**	(1,152)
Loss excluding taxation	**(18,821)**	(12,358)
Tax using the UK corporation tax rate of 19% (FY21: 19%)	**(3,576)**	(2,348)
Effect of tax rates in foreign jurisdictions	**1,810**	258
Non-taxable income	**13**	22
Non-deductible expenses	**209**	1,255
Adjustments for prior periods	**1,328**	150
Tax rate changes	**(590)**	(454)
Unrecognised deferred tax assets	**3,845**	–
Other differences	**15**	(35)
Total tax charge/(credit)	**3,054**	(1,152)

The UK Government announced in the March 2021 Budget that the main rate corporation tax in the UK will increase from 19% to 25%. This was substantively enacted by the balance sheet date and as a result deferred tax balances at 31 December 2021 have been measured at 25%.

Included within tax payable is an IFRIC 23 uncertain tax payable totalling $778,000 (FY21: $618,000), which is a result of uncertainty in the tax legislation in a certain jurisdiction.

12. Discontinued operations

On 30 September 2022, the Group made a decision to discontinue Chinatool Automotive Systems Limited.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	2022 $'000	2021 $'000
Revenue	**3,958**	5,155
Cost of sales	**(5,240)**	(6,108)
Other income	**21**	37
Distribution expenses	**(110)**	(9)
Administrative expenses	**(1,276)**	1,178
Net finance income/expense	**(93)**	(76)
(Loss)/profit before tax	**(2,740)**	177
Attributable tax expense	**(49)**	(44)
Net (loss)/profit attributable to discontinued operations	**(2,789)**	133

During the year, Chinatool Automotive Systems Limited incurred a cash outflow of $1,536,000 (2021: cash outflow of $1,580,000) to the Group's net operating cash flows, paid $nil (2021: $543,000) in respect of investing activities and paid $372,000 (2021: $324,000) in respect of financing activities.

Assets and liabilities of Chinatool Automotive Systems have not been classified as held for sale at 31 December 2022 due to their immaterial nature and because all short term assets and liabilities are expected to be either settled or transferred to continuing Group operations. These are included in the respective Group assets and liabilities and are as follows:

	2022 $'000
Assets	
Property, plant and equipment	**68**
Right of use assets	**98**
Inventories	**219**
Trade and other receivables	**171**
Cash	**34**
Total assets	**590**
Liabilities	
Trade and other payables	**(810)**
Overdraft	**(153)**
Lease liability	**(494)**
Current tax liability	**(46)**
Deferred tax liability	**(37)**
Total liabilities	**(1,540)**
Net liabilities	**(950)**

13. Loss per share

From continuing and discontinued operations:

	2022 Number	2021 Number
Weighted average number of equity shares	**50,933,289**	20,286,757
	$	$
Earnings, being loss after tax	**(24,664,000)**	(11,073,000)
	Cents	Cents
Loss per share	**(48.4)**	(54.6)

In FY22 there were share options outstanding that could have a dilutive effect on earnings per share in the future but are not taken into account in the current period because the Group has reported a loss. In FY21 there were no outstanding instruments that can result in diluted earnings per share to be different from basic earnings per share.

13. Loss per share continued

From continuing operations:

	2022 Number	2021 Number
Weighted average number of equity shares	**50,933,289**	20,286,757

	$	$
Earnings, being loss after tax before discontinued operations	**(21,875,000)**	(11,206,000)

	Cents	Cents
Loss per share	**(42.9)**	(55.2)

From discontinued operations:

	2022 Cents	2021 Cents
Basic and diluted (loss)/earnings per share	**(5.5)**	0.7

14. Goodwill

	$'000
Cost	
Balance at 1 January 2021 & 31 December 2021	2,417
Additions	–
Balance at 31 December 2022	2,417
Impairment	
Balance at 1 January 2021 & 31 December 2021	–
Impairment charge	1,158
Balance at 31 December 2022	1,158
Net book value	
31 December 2022	1,259
31 December 2021	2,417

Goodwill considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	Goodwill	
	2022 $'000	2021 $'000
Chinatool UK Limited	**1,259**	1,259
IMS/Chinatool JV, LLC	**–**	1,158

The recoverable amount of Chinatool UK Limited has been determined based on a value-in-use calculation. This calculation uses forecasts approved by the Directors which covers a four year period. These are detailed forecasts based on customer schedules and expected project lifetimes. The detailed forecasts have been reviewed for a four year period as this is considered to be the range over which the customer schedules can be relied upon to create detailed forecasts.

In performing these calculations, the future cashflows of Chinatool UK Limited have been discounted at 14%. The Directors concluded that this discount rate is appropriate having reviewed discount rates applied by competitors in our sector, including businesses who are exposed to similar automotive supply risks and applying a margin to take account of our size, the complexity of our operations and levels of borrowing in the Group.

14. Goodwill continued

Using the stated assumptions, there is significant headroom between the recoverable amount of goodwill relating to Chinatool UK Limited. Applying sensitivity analysis to these calculations, a 2% increase to the discount rate applied reduces the headroom, but still allows for of over $10m of headroom.

Goodwill of $1,158,000 relating to IMS/Chinatool JV, LLC was fully impaired during the year ended 31 December 2022 as the setting up of CT Automotive Systems DE Mexico SA DE CV is expected to curtail future trading through IMS/Chinatool JV, LLC as US sales through the Mexican subsidiary will be subject to lower tariffs. Management expect to move manufacturing and distribution of existing North American projects to Mexico, and are tendering for new North American projects on the basis of manufacturing and distribution from Mexico. Moving manufacturing for these projects from China to Mexico will reduce the exposure to Section 301 tariffs on imports into the US from China and will improve the Group's competitive pricing for North American projects.

15. Investments in subsidiaries

The Group and Company have the following investments in subsidiaries:

Company name	Registered office/ Country of Incorporation	Class of shares held	Ownership 2022	Ownership 2021
Direct shareholdings				
China Tool Projects UK Limited	Rooms 2102-3 China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong	Ordinary	**100%**	100%
Ct Automotive CZ s.r.o.	Pod Hybšmankou 2339/19 Praha 5 – Smíchov, 150 00 Czech Republic	Ordinary	**100%**	100%
Yinghuali Automotive Interiors Private Limited	15A, 4th Floor, City Vista Suite No.349, Fountain Road, Kharadi, Pune, Maharashtra, India	Ordinary	**100%**	100%
CT Automotive Japan K.K	4-6-8 Konan, Minato-ku, Tokyo, Japan	Ordinary	**100%**	100%
Indirect shareholdings				
Chinatool Mould Systems Limited	Rooms 2102-3 China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong	Ordinary	**100%**	100%
Chinatool UK Limited	3000a Parkway, Whiteley, Hampshire, United Kingdom	Ordinary	**100%**	100%
Chinatool Automotive Systems Limited	3000a Parkway, Whiteley, Hampshire, United Kingdom			
Chinatool Otomotiv Sanayi Tic. Limited Sti.	Plastikçiler Organize Sanayi Bölgesi, Geposb, 9.cadde 92.Sok. N:5, Gebze Kocaeli, Turkey	Ordinary	**100%**	100%
IMS-Chinatool JV, LLC	17199 N. Laurel Park Drive, Ste. 412 Livonia, MI 48152 USA	Ordinary	**100%**	100%
Chinatool Automotive Mould Systems Limited (英華利汽車模具系統(深圳) 有限公司*)	No. 6 Building Hua Yisheng Ids Park, No. 4 Industrial Zone, FuYong Town, Bao'an District, ShenZhen, China	Ordinary	**100%**	100%
Chinatool Automotive Components Co. Limited (英華利汽車零部件 (贛卅) 有限公司*)	No. 16 Standard Factory, Phase 2 Hong Kong Industrial Park, Ganzhou City Ganzhou Development Zone, Jiangxi Provence, China	Ordinary	**100%**	100%
CT Automotive Systems DE Mexico SA DE CV	Cerrada Constitucion No.11 Int.C, San Francisco Ocotlan, Coronango, Puebla, Mexico C.P. 72680	Ordinary	**100%**	–

* These entitled are all PRC limited companies. The English translation of the Company named is for reference only. The official names of these companies are in Chinese.

16. Intangible assets

	Software $'000
Cost	
Balance at 1 January 2021	1,706
Additions	421
Effect of movements in foreign exchange	(67)
Balance at 31 December 2021	2,060
Additions	633
Effect of movements in foreign exchange	(244)
Balance at 31 December 2022	**2,449**
Amortisation and impairment	
Balance at 1 January 2021	1,161
Amortisation for the year	440
Effect of movements in foreign exchange	(61)
Balance at 31 December 2021	1,540
Amortisation for the year	602
Effect of movements in foreign exchange	(221)
Balance at 31 December 2022	**1,921**
Net book value	
At 31 December 2022	**528**
At 31 December 2021	520

Amortisation charge

The amortisation charge is recognised in the following line items in the statement of profit or loss:

	2022 $'000	2021 $'000
Administrative expenses	**602**	440

17. Property, plant and equipment

	Plant and equipment $'000	Fixtures and fittings $'000	Motor vehicles $'000	Total $'000
Cost				
Balance at 1 January 2021	16,687	3,323	38	20,048
Additions	182	1,276	–	1,458
Disposals	(1,049)	(554)	–	(1,603)
Effect of movements in foreign exchange	(554)	(166)	(4)	(724)
Balance at 31 December 2021	15,266	3,879	34	19,179
Effect of hyperinflation	406	179	–	585
Additions	1,811	1,053	–	2,864
Disposals	(2,654)	(464)	(11)	(3,129)
Effect of movements in foreign exchange	(1,484)	(372)	–	(1,856)
Balance at 31 December 2022	**13,345**	**4,275**	**23**	**17,643**
Depreciation				
Balance at 1 January 2021	8,571	1,855	38	10,464
Depreciation charge for the year	574	1,290	–	1,864
Disposals	(255)	(336)	–	(591)
Effect of movements in foreign exchange	(150)	(85)	(4)	(239)
Balance at 31 December 2021	8,740	2,724	34	11,498
Effect of hyperinflation	146	115	–	261
Depreciation charge for the year	367	1,406	–	1,773
Disposals	(1,826)	(429)	(11)	(2,266)
Effect of movements in foreign exchange	(719)	(206)	–	(925)
Balance at 31 December 2022	**6,708**	**3,610**	**23**	**10,341**
Net book value				
At 31 December 2022	**6,637**	**665**	**–**	**7,302**
At 31 December 2021	6,526	1,155	–	7,681

18. Leases

The treatment of leases within the scope of IFRS 16 is disclosed in the accounting policies (Note 1).

The Group leases buildings and machinery where payments are fixed until the contracts expire. There is no variability in respect of payments and there is not considered to be any significant judgement in relation to the lease terms.

Right of use assets	Land and buildings $'000	Plant and machinery $'000	Total $'000
At 1 January 2021	7,306	243	7,549
Additions	1,538	911	2,449
Depreciation	(2,521)	(547)	(3,068)
Foreign exchange movement	4	8	12
At 31 December 2021	6,327	615	6,942
Effect of hyperinflation	35	–	35
Additions	8,089	435	8,524
Impairment	(429)	–	(429)
Depreciation	(2,866)	(706)	(3,572)
Foreign exchange movement	(683)	(48)	(731)
At 31 December 2022	**10,473**	**296**	**10,769**

The range of incremental borrowing rates used during the year for right of use asset additions is 3.25%-18.4% (FY21: 3.25%-8.5%).

Lease liabilities	Land and buildings $'000	Plant and machinery $'000	Total $'000
At 1 January 2021	7,916	608	8,524
Additions	1,547	911	2,458
Interest expense	541	46	587
Foreign exchange movement	(15)	8	(7)
Repayments	(2,993)	(581)	(3,574)
At 31 December 2021	6,996	992	7,988
Effect of hyperinflation	38	–	38
Additions	7,918	437	8,355
Interest expense	526	44	570
Foreign exchange movement	(760)	(55)	(815)
Repayments	(3,069)	(1,107)	(4,176)
Reduction in lease liabilities	(38)	–	(38)
At 31 December 2022	**11,611**	**311**	**11,922**

The maturity profile of the lease liabilities is as follows:

	2022 $'000	2021 $'000
Under 1 year	**3,022**	2,844
1-2 years	**2,373**	1,637
2-5 years	**5,327**	2,594
More than 5 years	**1,200**	913
	11,922	7,988

19. Investments in equity-accounted associates

The following entities have been included in the consolidated financial statements using the equity method:

Name	Country of incorporation and Principal place of business	**Proportion of ownership Interest held as at 31 December 2022**	Proportion of ownership Interest held as at 31 December 2021
Scomadi (Thailand) Co. Ltd	88 The Park, Floor 12, l Ratchadaphisek, Khlong Toei, Bangkok, Thailand	**0%**	0%
Scomadi Asia Pacific Co. Ltd	88 The Park, Floor 12, l Ratchadaphisek, Khlong Toei, Bangkok, Thailand	**0%**	0%
Marin Engineering Co. Ltd	276/874, Bo Win, Si Racha, l Chon Buri, Thailand	**0%**	0%

The primary business of these entities is the design, manufacture and marketing of motorised scooters.

On 30 September 2021, all outstanding loan balances due from Marin Engineering were written off by the Company. On 30 November 2021, all of the Company's shareholdings in Marin Engineering Limited, Scomadi (Thailand) Co. Ltd and Scomadi Asia Pacific Co. Ltd were transferred to a third party for $nil consideration.

The primary business of these entities is the design, manufacture and marketing of motorised scooters.

a) Summarised financial information (material associates)

Marin Engineering Co. Ltd

	Year to 31 December 2021 $'000
Revenues	1,303
Loss for the year	1,623

b) Summarised financial information (immaterial associates)

	Year to 31 December 2021 $'000
Loss for the year	451

20. Deferred tax assets and liabilities

A review of the deferred tax is performed at each Balance Sheet date and adjustments made in the event of a change in any key assumptions.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Liabilities/ (assets) 2022 $'000	Liabilities/ (assets) 2021 $'000
Property, plant and equipment	**118**	260
Losses	**–**	(2,005)
Tax liabilities/(assets)	**118**	(1,745)
Net tax liabilities/(assets)	**118**	(1,745)

Movement in deferred tax during the year

	1 January 2022 $'000	**Recognised in income $'000**	**31 December 2022 $'000**
Property, plant and equipment	**260**	**(142)**	**118**
Losses	**(2,005)**	**2,005**	**–**

20. Deferred tax assets and liabilities continued

Movement in deferred tax during the prior period

	1 January 2021 $'000	Recognised in income $'000	31 December 2021 $'000
Property, plant and equipment	308	(568)	(260)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. In estimating future taxable profits the Group has considered its forecast performance in line with its going concern analysis. More details on the forecast assumption made at this judgement are in Note 1.

As at 31 December 2022, the Directors have re-assessed the recoverability of previously recognised deferred tax assets of $3.2m. Based on Management forecasts of the taxable profits in the UK entities, we expect these deferred tax assets to be recovered against future taxable profits in the UK as follows: $67,000 to be recovered in FY23, $935,000 to be recovered in 2024 and $2,198,000 to be recovered in 2025. As the majority of the deferred tax assets are expected to be recovered in 2024 and 2025, and given the losses of the Group in FY22 were greater than originally forecasted, the Directors concluded that sufficient taxable profits arising in the UK to utilise this deferred tax asset would be possible rather than probable. As a result, the Directors have chosen to derecognise deferred tax assets of $3.2m in accordance with the requirements of IAS12.

In addition, there are trading losses arising in other entities outside of the UK, however no deferred tax assets have been recognised in respect of these.

Unrecognised deferred tax assets

	2022 $'000	2021 $'000
Tax losses carried forward against profits of future years	3,200	–

Of the unused tax losses, $3,200,000 can be carried forward indefinitely.

21. Inventories

	2022 $'000	Restated 2021 $'000
Raw materials and consumables	**6,605**	8,627
Work in progress	**7,735**	6,654
Finished goods	**13,002**	16,223
	27,342	31,504

Inventories recognised as an expense during the year is disclosed in Note 8.

The provision for inventories recognised during the year ended 31 December 2022 was $333,000 (FY21: $229,000).

Trade loans are secured against inventories of $9,583,000 (FY21: $5,452,000).

22. Trade and other receivables

	2022 $'000	2021 $'000
Trade receivables	**16,167**	26,444
VAT receivable	**633**	–
Other receivables	**1,832**	2,633
	18,632	29,077
Prepayments and accrued income	**8,248**	13,705
Total trade and other receivables	**26,880**	42,782

Included within trade and other receivables is $nil (FY21: $nil) expected to be recovered in more than 12 months.

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision to trade receivables. The expected loss rates are based on the Group's historical credit losses. Due to the nature of the Group's customers, no credit loss provision has been made at year end (FY21: $nil). The key assumptions used in evaluating the credit loss provision are the historical default ratio of these customers, any known liquidity risks of the customers and based on the information available we have assessed a range of possible outcomes.

22. Trade and other receivables continued

As at 31 December 2022 trade receivables of $5,897,000 (FY21: $4,007,000) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows:

	2022 $'000	2021 $'000
Not past due	**10,270**	22,174
Past due 1-90 days	**4,260**	3,498
Past due more than 90 days	**1,637**	772
	16,167	26,444

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

Invoice finance balances are secured against trade receivables of $7,117,000 (FY21: $10,997,000).

23. Cash and cash equivalents

Cash and cash equivalents for purposes of the statement of cash flows comprises:

	2022 $'000	2021 $'000
Cash and cash equivalents	**4,829**	13,445
Unsecured bank overdraft	**(358)**	(3,638)
Cash and cash equivalents	**4,471**	9,807

The cash and cash equivalents balances are held in Current Accounts and are readily available with no restrictions in place. 73.6% of the Group's cash and cash equivalents are held in foreign subsidiaries. The Parent Company has the ability to recall these balances through management charges and dividend repatriation.

24. Trade and other payables

	2022 $'000	2021 $'000
Current		
Trade payables	**21,793**	24,938
Non-trade payables and accrued expenses	**10,266**	11,419
Other taxation and social security	**2,449**	7,388
Contract liabilities	**4,118**	2,925
Other payables	**7,298**	3,359
Total	**45,924**	50,029

Included within trade and other payables is $nil (FY21: $nil) expected to be settled in more than 12 months.

All trade and other payables other than employee social security and taxes, contract liabilities and provisions for losses on forward contracts (fair value through profit or loss) are classified as financial liabilities measured at amortised cost. The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Previously included within other payables at 31 December 2020 were $1,946,000 of balances due to Simon Phillips which were reclassified into Equity Loan Notes on 14 September 2021 and subsequently settled by issue of Ordinary Shares before 31 December 2021.

In addition to the shareholder loan notes, at 23 December 2021 Directors Loan balances of $487,619 were satisfied by the issue of 249,615 Ordinary Shares to the Directors.

25. Borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see Note 27.

	2022 $'000	2021 $'000
Current liabilities		
Unsecured bank overdraft	**358**	3,638
Current portion of secured bank loans	**9,583**	5,452
Invoice finance	**7,117**	10,997
Unsecured loans	**–**	2,500
	17,058	22,587
Total	**17,058**	22,587

Invoice finance balances are secured against trade receivables. Trade loans are secured against inventories.

The currency profile of the Group's loans and borrowings is as follows:

	2022 $'000	2021 $'000
USD	**8,982**	12,928
GBP	**358**	3,147
EUR	**7,718**	6,433
RMB	**–**	79
	17,058	22,587

	Currency	Nominal interest rate	Contracted maturity	Carrying amount 31 December 2022 $'000	Carrying amount 31 December 2021 $'000
Unsecured loans	USD	10%	2022	**–**	2,500
Unsecured bank overdraft	GBP	2.5%	2022	**358**	3,638
Trade loans	EUR/USD	4.04%	2022	**9,583**	5,452
Invoice finance	EUR/USD	3.75%	2022	**7,117**	10,997
				17,058	22,587

Terms and debt repayments

The unsecured loans were initially drawn down as a 6 month loan in January 2021. An agreement was reached with the lender to extend repayment to January 2022 and the loans were repaid during the current period.

The Term Loan, which existed in the prior year, was repayable over equal instalments to June 2023. Interest was paid quarterly in full. This term loan was fully repaid on 24 December 2021.

The CLBILs, which existed in the prior year, was repayable over equal instalments to 2023. Interest was paid monthly in full. The CLBILs were fully repaid on 24 December 2021.

The loan notes, which existed in the prior year, were reclassified into equity instruments on 14 September 2021 based on changes in their terms such that they met the IAS 32 definition of equity.

The invoice finance facility allows 90% prepayment against eligible invoices up to 120 days old. The invoice financing facility is secured against the debts that it is drawn down on.

Trade loans are on a 70 days repayment basis.

The unsecured bank overdraft is repayable on demand and has no set repayment schedules.

25. Borrowings continued
Terms and debt repayments continued
The movement of loans notes in the prior period is as follows:

	Loan notes – liabilities $'000	Loan notes – equity $'000
At 1 January 2021	7,426	–
Accrued interest	528	–
Conversion of shareholder loan notes to equity	(7,954)	9,900
Issue of loan notes to third parties	5,600	–
Conversion of loan notes to Ordinary Shares	(5,600)	(9,900)
As at 31 December 2021	–	–

The original shareholder loan notes due to Simon Phillips ($7,426,000 at 31 December 2020) were reclassified to equity instruments on 14 September 2021 based on changes in their terms such that they met the IAS 32 definition as equity instruments. At the date of this conversion, $1,946,000 of other shareholder balances due were also reclassified into equity instruments after changes in their terms, in line with IAS 32. On 23 December 2021, the balance of these loan notes ($9,900,000) was set off against $3,694,069 owed by Simon Phillips and entities controlled by Simon Phillips, with the resulting balance owed to him ($6,205,931) being satisfied in full by the issue to him of 3,176,871 new Ordinary Shares.

On 20 September 2021, $5,600,000 of new loan notes were issued to unrelated third parties which were classified as a liability as per the terms of the agreement, carrying an interest rate of 10% and due to be repaid on 31 December 2023. On 23 December 2021, these were converted into 5,034,898 Ordinary Shares. These were issued at a 43% discount to the AIM listing placing price.

2022	**Opening balance 1 January $'000**	**Cash received/ (paid) on principal $'000**	**Other movements (incl FX) $'000**	**New leases $'000**	**Interest accrued $'000**	**Interest paid $'000**	**Closing balance 31 December $'000**
Trade loans	**5,452**	**4,131**	**–**	**–**	**377**	**(377)**	**9,583**
Unsecured loans	**2,500**	**(2,500)**	**–**	**–**	**30**	**(30)**	**–**
Invoice finance	**10,997**	**(3,880)**	**–**	**–**	**688**	**(688)**	**7,117**
Lease liabilities	**7,988**	**(3,606)**	**(815)**	**8,355**	**570**	**(570)**	**11,922**
Balance at 31 December 2022	**26,937**	**(5,855)**	**(815)**	**8,355**	**1,665**	**(1,665)**	**28,622**

2021	Opening balance 1 January $'000	Cash movements $'000	Foreign exchange movements $'000	Other movements $'000	Closing balance 31 December $'000
Term loan	15,603	(16,042)	(4)	443	–
CLBILs	8,190	(8,351)	(47)	208	–
Trade loans	11,150	(6,092)	–	394	5,452
Unsecured loans	–	2,250	–	250	2,500
Loan notes	7,426	(8,010)	56	528	–
Invoice finance	12,533	(1,537)	–	1	10,997
Lease liabilities	8,524	(1,116)	(7)	587	7,988
Balance at 31 December 2021	63,426	(38,898)	(2)	2,411	26,937

26. Derivative financial instruments

The Group has entered into foreign currency forward contracts which are recognised at fair value through profit or loss.

	2022 $'000
Current	
GBP/EUR forward contracts	**266**
GBP/USD forward contracts	**405**
	671
Non-current	
GBP/EUR forward contracts	**51**
GBP/USD forward contracts	**44**
	95
Total	**766**

Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than their functional currency. Where this risk is considered to be significant, Group treasury enters into forward foreign exchange contracts for the purposes of foreign exchange risk management.

As at 31 December 2022, the Group has a number of open forward contracts with Investec, which are used to manage exchange rate movements between GBP, USD and EUR. Of the open contracts, 18 are due to mature in FY23, a further 2 contracts will mature in 2024.

27. Financial instruments

(a) Fair values of financial instruments

Fair values

IFRS 13.93(b) requires an analysis of those financial instruments that are measured at fair value at the end of the year in a fair value hierarchy. In addition, IFRS 13.97 requires financial instruments not measured at fair value but for which fair value is disclosed to be analysed in the same fair value hierarchy.

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

The table below compares the carrying value of the Group's financial instruments with the fair value of those instruments at the Balance Sheet date, using the techniques described below.

All financial liabilities designated as fair value are valued based on level 2 inputs. All financial liabilities measured at amortised cost are valued based on level 3 inputs.

27. Financial instruments continued
(a) Fair values of financial instruments continued
Fair values continued

	Carrying amount 2022 $'000	**Level 2 2022 $'000**	**Level 3 2022 $'000**	Carrying amount 2021 $'000	Level 2 2021 $'000	Level 3 2021 $'000
Financial assets measured at amortised cost						
Trade and other receivables	**17,999**	**–**	**17,999**	29,077	–	29,077
Cash and cash equivalents	**4,829**	**–**	**4,829**	13,445	–	13,445
Total financial assets at amortised cost	**22,828**	**–**	**22,828**	42,522	–	42,522
Financial assets designated as fair value through profit or loss						
Derivative forward exchange contracts	**–**	**–**	**–**	–	–	–
Total financial assets designated at fair value through profit or loss	**–**	**–**	**–**	–	–	–
Financial liabilities designated as fair value through profit or loss						
Derivative forward exchange contracts	**(766)**	**(766)**	**–**	(15)	(15)	–
Total financial liabilities at fair value through profit or loss	**(766)**	**(766)**	**–**	(15)	(15)	–
Financial liabilities measured at amortised cost						
Other interest-bearing loans and borrowings	**(17,058)**	**–**	**(17,058)**	(22,587)	–	(22,587)
Lease liabilities	**(11,922)**	**–**	**(11,922)**	(7,988)	–	(7,988)
Trade and other payables	**(39,357)**	**–**	**(39,357)**	(39,716)	–	(39,716)
Total financial liabilities measured at amortised cost	**(68,337)**	**–**	**(68,337)**	(70,291)	–	(70,291)
Total financial instruments	**(46,275)**	**(766)**	**(45,509)**	(27,784)	(15)	(27,769)

Forex options are based on mark to market valuations provided by the supplier. Within the figures for other interest-bearing loans and borrowings are financial instruments valued using net present value of future cash flows using a discount rate of 11%.

Financial risk management
The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Market risk
- Liquidity risk

(b) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Due to the nature of the Group's customers being established blue chip entities the risk and history of credit losses is typically minimal. As such, no general provisions for credit losses are made.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. All UK, US Hong Kong, India and Japan cash and cash equivalents are held exclusively with HSBC. In China and Turkey most balances are held with HSBC, with additional amounts held with reputable local banks. For banks and financial institutions, only independently rated parties with minimum rating "A" or above are accepted.

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2022 $'000	2021 $'000
Americas	**4,926**	2,758
Europe	**9,978**	15,281
Asia	**805**	8,179
Africa	**458**	226
	16,167	26,444

Further disclosures regarding trade and other receivables, which are neither past due nor impaired are provided in Note 22.

27. Financial instruments continued

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitment and to capitalise on opportunities for business expansion. The Group manages liquidity risk by continuously monitoring short- and long-term forecasts and actual cash flows and by ensuing that they are holding sufficient cash to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business. As at the balance sheet date, the Management had working capital facilities of $18,400,000, of which $1,800,000 was undrawn.

31 December 2022	**Carrying amount $'000**	**Contractual cash flows $'000**	**1 year or less $'000**	**1 to <2 years $'000**	**2 to <5 years $'000**	**5 years and over $'000**
Non-derivative financial liabilities						
Secured bank loans	**9,583**	**9,583**	**9,583**	**–**	**–**	**–**
Lease liabilities	**11,922**	**10,680**	**3,524**	**2,645**	**3,311**	**1,200**
Bank overdrafts	**358**	**358**	**358**	**–**	**–**	**–**
Trade and other payables*	**39,357**	**39,357**	**39,357**	**–**	**–**	**–**
Invoice finance	**7,117**	**7,117**	**7,117**	**–**	**–**	**–**
	68,337	**67,095**	**59,939**	**2,645**	**3,311**	**1,200**

31 December 2021	Carrying amount $'000	Contractual cash flows $'000	1 year or less $'000	1 to <2 years $'000	2 to <5 years $'000	5 years and over $'000
Non-derivative financial liabilities						
Secured bank loans	5,542	5,542	5,542	–	–	–
Lease liabilities	7,988	8,470	2,844	1,629	2,602	1,395
Bank overdrafts	3,638	3,638	3,638	–	–	–
Trade and other payables*	39,716	39,716	39,716	–	–	–
Invoice finance	10,997	10,997	10,997	–	–	–
Unsecured loan	2,500	2,500	2,500	–	–	–
	70,381	70,863	65,237	1,629	2,602	1,395

* Excludes derivatives (shown separately).

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

In respect of working capital facilities, being invoice finance and trade loans, the facilities are designated in the currency of the funded asset, minimising the potential impact of movements in foreign exchange as any relative increase or decrease in relative value will impact both the asset and the associated liability.

The Group's structured debt, Term Loan and Loan Notes, are both designated in US Dollars. The US Dollar was selected as it is the primary trading currency of the Group and therefore the debt is in the same currency as a large proportion of the Group's incoming revenue which is used to service and repay it.

The majority of the Group's debt is in US Dollars, creating an exposure to movements in the US Dollar base rate. The Directors consider that the benefit of the debt being denominated in the Group's main trading currency outweighs the risk of this exposure. Rates are monitored monthly and the decision will be reviewed at the next renewal opportunity.

27. Financial instruments continued

Market risk – Foreign currency risk

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts. The following excludes balances denominated in US Dollars.

31 December 2022	GBP $'000	EUR $'000	RMB $'000	TL $'000	HKD $'000	INR $'000	CZK $'000	JPY $'000	MXN $'000	Total $'000
Cash and cash equivalents	**8**	**463**	**1,513**	**256**	**1**	**20**	**3**	**11**	**37**	**2,312**
Trade and other receivables	**1,963**	**8,310**	**13,939**	**2,084**	**139**	**58**	**58**	**(24)**	**531**	**27,058**
Secured bank loans	**(357)**	**(7,717)**	**(14)**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,088)**
Trade and other payables	**(8,311)**	**(881)**	**(28,668)**	**(2,439)**	**(167)**	**(92)**	**(27)**	**(34)**	**(618)**	**(41,237)**
Lease liabilities	**(1,390)**	**-**	**(8,326)**	**(475)**	**-**	**(77)**	**(450)**	**-**	**-**	**(10,718)**
Forward exchange contracts	**(767)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(767)**
Balance sheet exposure	**(8,854)**	**175**	**(21,556)**	**(574)**	**(27)**	**(91)**	**(416)**	**(47)**	**(50)**	**(31,440)**
Net exposure	**(8,854)**	**175**	**(21,556)**	**(574)**	**(27)**	**(91)**	**(416)**	**(47)**	**(50)**	**(31,440)**

31 December 2021	GBP $'000	EUR $'000	RMB $'000	TL $'000	HKD $'000	INR $'000	CZK $'000	JPY $'000	Total $'000
Cash and cash equivalents	6,817	2,079	297	3	5	–	3	43	9,247
Trade and other receivables	303	7,344	8,634	2,089	5	–	–	–	18,375
Secured bank loans	–	(1,534)	–	–	–	–	–	–	(1,534)
Trade and other payables	(3,627)	(3,007)	(26,757)	(978)	52	(38)	(12)	(40)	(34,407)
Lease liabilities	(1,750)	–	(5,447)	(154)	–	(121)	–	–	(7,472)
Forward exchange contracts	–	(15)	–	–	–	–	–	–	(15)
Balance sheet exposure	1,743	4,867	(23,273)	960	62	(159)	(9)	3	(15,806)
Net exposure	1,743	4,867	(23,273)	960	62	(159)	(9)	3	(15,806)

Sensitivity analysis

A 10% weakening of the following currencies against the US Dollar at 31 December 2022 would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables remain constant.

Strengthening

	Profit or loss 2022 $'000	Profit or loss 2021 $'000
GBP	**(885)**	171
EUR	**18**	487
RMB	**(2,156)**	(1,733)
TL	**(57)**	111
HKD	**(3)**	6
JPY	**(5)**	1
CZK	**(42)**	–
INR	**(9)**	(4)
	(3,139)	(961)

27. Financial instruments continued
Market risk – Foreign currency risk continued
Market risk – Interest rate risk
Profile

At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2022 $'000	2021 $'000
Fixed rate financial instruments		
Borrowings	–	2,500
Lease liabilities	**11,922**	7,988
	11,922	10,488
Variable rate financial instruments		
Borrowings	**17,058**	20,087
	28,980	30,575

Sensitivity analysis
A change of 100 basis points in interest rates at the balance sheet date would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates and financial instrument at fair value through profit or loss. The analysis is performed on the same basis for 31 December 2021.

	2022 $'000	2021 $'000
Profit or loss		
Increase	**171**	201
Decrease	**(171)**	(201)

28. Capital management
The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

On 23 December 2021 the Group made an initial public offering that was fully subscribed. Part of the funds raised during the listing were used to repay the term loan and CLBILs to recapitalise the Group's balance sheet. Following the repayment of the term loan in the prior year, there are no financial covenants upon the Group as at 31 December 2022.

29. Capital and reserves

	2022 $'000	2021 $'000
Share capital		
Allotted, called up and fully paid		
50,933,289 Ordinary shares of £0.005 each	**342**	342
Shares classified in shareholders' funds	**342**	342

The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.

On 22 November 2021, a sub-division of shares converted the previously issued 98,000 shares (£1 nominal value per share) into 19,600,000 shares (£0.005 nominal value per share).

On 23 December 2021, the Company made an Initial Public Offering, issuing a total of 31,333,289 new shares.

Of this share issue, 22,871,905 shares were issued for cash, with a share premium of 146.5p per share. This listing raised share capital of $153,000 and share premium of $44,923,000.

A further 5,034,898 shares were issued from loan notes issued to unrelated third parties.

The remaining 3,426,486 shares were issued to convert outstanding Directors' balances and shareholder equity loan notes into Ordinary Shares. These conversions raised share capital of $57,000 and share premium of $12,352,000.

Share premium
The share premium represents the value subscribed for share capital in excess of nominal value.

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

Merger reserve
The merger reserve comprises of the consideration paid by the Company when it acquired 100% of the share capital of China Tool Projects UK Limited on 6 April 2017, the former Group company. The transaction is not considered to be a business combination as the new top company formed is not considered a business under the definition in IFRS 3. Therefore, this transaction does not fall under the scope of IFRS 3 and book value accounting has been applied.

As a result, the consideration paid by the Company, being a combination of cash and the issue of Loan Notes, is now held in a Merger Reserve.

Retained earnings
Retained earnings represents all other net gains and losses not recognised elsewhere.

30. Share-based payments

The Company has a share option plan for certain Directors and employees of the Group. In accordance with the terms of the plan, these Directors and employees may be granted options to purchase ordinary shares.

Subject to the vesting conditions of the scheme, participants will be issued options to purchase a fixed number of Ordinary Shares of CT Automotive Group PLC. The options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from their vesting (potentially vesting in 3 equal tranches in 2024, 2025 and 2026) to 2032.

Options are exercisable at a price of £0.0005 per share. The options will vest in 3 equal tranches (subject to non-market performance based vesting conditions) in 2024, 2025 and 2026. If the options remain unexercised 10 years after the grant date, the options will expire. Options are forfeited if the Director or employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Number of options	Weighted average Exercise price ($)
Outstanding at beginning of year	–	–
Granted during the year	**3,022,852**	**0.000625**
Outstanding at the end of the year	**3,022,852**	**0.000625**
Exercisable at the end of the year	–	–

As David Wilkinson has left the Group in April 2023, 1,018,665 options which were granted to him during 2022 were forfeited in 2023.

The inputs into the Black-Scholes model are as follows:

	2022
Weighted average share price	**$1.57**
Weighted average exercise price	**$0.000625**
Expected volatility	**21.50%**
Expected life	**4 years**
Risk-free rate	**1.25%**
Expected dividend yield	**0.00$**

Expected volatility was determined by reference to reviewing volatility of similar companies who trade on the AIM.

The Group does not currently expect the non-market based performance vesting conditions to be met and therefore The Group recognisd total expenses of $nil related to equity-settled share-based payment transactions in the year.

31. Related parties

Transactions with key Management personnel

The Directors of the Company control the following shareholdings in the Company:

	2022	2021
Simon Phillips	**38.30%**	38.30%
Scott McKenzie	**4.30%**	4.30%
David Wilkinson	**2.63%**	2.63%
	45.23%	45.23%

See Note 9 for details of key Management personnel remuneration.

Other related party transactions

	2022 $'000	2021 $'000
Sales to Automotive Kinetic Systems Limited	–	142
Purchases from Automotive Kinetic Systems Limited	–	–
Sales to iAQUA Limited	–	8

During the prior year, the Company made a loan of THB 7,246,000 ($201,000) to Marin Engineering Ltd, an associate of the Group at the time of the transaction. The balance was accruing interest at 4% and was due to be repaid on 19th January 2030. Interest was accrued on this and other loan balances of $32,000. No interest was received in the year. On 30 September 2021, all outstanding loan balances due from Marin Engineering were written off by the Company. On 30 November 2021, all of the Company's shareholdings in Marin Engineering Limited were transferred to a third party for $nil consideration.

Except for the loan balance write off due from Marin Engineering Limited, the Company has not made any allowance for bad or doubtful debts in respect of related party receivables nor has any guarantee been given or received during FY22 or FY21 regarding related party transactions.

The Group transacted with Automotive Kinetic Systems Limited and iAQUA Limited, companies wholly owned by Simon Phillips, who was previously the ultimate controlling party of the Group. On 16 December 2021, Simon Phillips agreed that part of the amount outstanding under the shareholder loan notes would be set off against the full balances owed to the Group by Automotive Kinetic Systems Limited ($507,000) and iAQUA Limited ($2,679,000). There are no balances outstanding with these entities as at 31 December 2022.

Amounts due to employees and shareholders

Scott McKenzie

The Group had a loan receivable balance from Scott McKenzie of $1,000 as at 31 December 2020. This balance was interest free and had no set repayments. On 23 December 2021, the outstanding payable balance of $50,000 was converted to Ordinary Shares. As at 31 December 2022, there are no balances outstanding to Scott McKenzie.

David Wilkinson

During the prior period, the Group generated a loan payable balance to David Wilkinson of $34,000. This balance was interest free and had no set repayments. On 23 December 2021, the outstanding payable balance of $34,000 was converted to Ordinary Shares. As at 31 December 2022, there are no balances outstanding to David Wilkinson.

Simon Phillips

The Group had a loan payable of $1,442,000 as at 31 December 2020. This balance was interest free and had no set repayments. The Group also had the original shareholder loan notes of $7,426,000 as at 31 December 2020. On 14 September 2021, the shareholder loan notes were reclassified to equity instruments based on changes in their terms such that they met the IAS 32 definition of equity. At the date of this conversion, $1,946,000 of other balances due to Simon Phillips were also reclassified to equity, in line with IAS 32. Interest was charged to the Company on loan notes up to the date of the conversion to an equity instrument.

Interest of $nil was charged in the year ended 31 December 2022 (FY21: $528,000). On 16 December 2021, as noted above, Simon Phillips agreed to set off the full balances owed to the Group by Automotive Kinetic Systems Limited and iAQUA Limited. The resulting balance of the shareholder loan notes was $6,205,931.

On 23 December 2021, the outstanding balance payable for Directors' loans of $403,619 and the net shareholder loan balance of $6,205,931 were converted into Ordinary shares. As at 31 December 2022, there are no balances outstanding to Simon Phillips.

32. Ultimate controlling party

In the opinion of the Directors of CT Automotive Group PLC, there is no single controlling party of the Group.

33. Post balance sheet events

On 27 April 2023 the Group announced that it undertook a fundraise and achieved total gross proceeds of $9.6m (before transaction costs of $0.5m).

The fundraising was completed through a combination of subscription and placement of 22,664,259 new ordinary shares at an issue price of 34 pence per share. The issue price represented a discount of approximately 31% to the closing middle market price of 49 pence per ordinary share on 26 April 2023, being the latest practicable date prior to the fundraising announcement.

The new ordinary shares represented approximately 44% of the existing issued share capital of CT Automotive Group plc.

The fundraising completed following the General Meeting on 15 May 2023 and the admission of the new ordinary shares to trading on AIM on 16 May 2023.

The enlarged share capital of the Company following admission increased to 73,597,548 ordinary shares in aggregate.

The net proceeds of the fundraise of approximately $9.1m will predominately be used to strengthen the balance sheet and to provide the Group with flexibility to take advantage of growth opportunities. Additionally, a small portion of the net proceeds will be deployed to realise further efficiency savings including through investment in injection moulding production processes and robotics.

34. Alternative performance measures

The Annual Report includes Alternative Performance Measures (APMs) which are considered by Management to better allow the readers of the accounts to understand the underlying performance of the Group. A number of these APMs are used by Management to measure the KPIs of the Group as outlined within the Business Review on pages 8 to 19. The Board also monitors these APMs to assess financial performance throughout the year.

The APMs used in the Annual Report include:

- Adjusted EBITDA – calculated as EBITDA adjusted for non-recurring items
- Adjusted EBITDA margin – calculated as adjusted EBITDA divided by revenue in the year
- Adjusted operating profit – calculated as Operating profit/(loss) adjusted for non-recurring items
- Adjusted operating profit margin – calculated as adjusted operating profit divided by revenue in the year

EBITDA is calculated based using Operating profit/(loss) before interest, taxes, depreciation and amortisation.

Detail of each of the non-recurring items is disclosed in Note 7.

Adjusted EBITDA and adjusted EBITDA margin

	2022 $'000	2021 $'000
Adjusted EBITDA from continuing operations	**(7,129)**	3,254
Non-recurring items		
– AIM listing fees	**(31)**	(1,810)
– Turkish foreign exchange losses	**–**	(1,113)
– Impairment of associate	**–**	(1,627)
– Impairment of goodwill	**(1,158)**	–
– Impact of implementing IAS 29	**(665)**	–
– Backdated Housing fund contribution	**(453)**	–
– Start-up costs in Mexico	**(1,738)**	–
– Irrecoverable excess freight costs	**(238)**	(1,021)
EBITDA	**(11,412)**	(2,317)
Adjusted EBITDA margin	**(6.2%)**	6.6%

34. Alternative performance measures continued

Adjusted operating (loss)/profit and adjusted operating profit margin from continuing operations

	2022 $'000	2021 $'000
Adjusted operating profit	**(12,551)**	(1,818)
Non-recurring items		
– AIM listing fees	**(31)**	(1,810)
– Turkish foreign exchange losses	**–**	(1,113)
– Impairment of associate	**–**	(1,627)
– Impairment of goodwill	**(1,158)**	–
– Impact of implementing IAS 29	**(665)**	–
– Backdated Housing fund contribution	**(453)**	–
– Start-up costs in Mexico	**(1,738)**	–
– Irrecoverable excess freight costs	**(238)**	(1,021)
Operating loss	**(16,834)**	(7,389)
Adjusted operating profit margin	**(10.1%)**	2.4%

Company balance sheet
for the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Assets			
Non-current assets			
Investments	3	**36,193**	36,142
Deferred tax asset	4	**–**	1,754
		36,193	37,896
Current assets			
Trade and other receivables	5	**23,641**	21,698
Cash and cash equivalents		**11**	8,056
		23,652	29,754
Current liabilities			
Trade and other payables	6	**(16,549)**	(10,110)
Borrowings		**–**	(2,503)
Derivative financial liabilities	8	**(671)**	(15)
Current tax payable		**–**	–
		(17,220)	(12,628)
Non-current liabilities			
Derivative financial liabilities	8	**(95)**	–
		(95)	–
Net assets		**42,530**	55,022
Capital and reserves			
Share capital	9	**342**	342
Share premium		**54,717**	54,717
Retained earnings		**(12,529)**	(37)
Total equity		**42,530**	55,022

The Company generated a loss of $12,492,000 in the year ended 31 December 2022 (2021: profit of $5,483,000).

These financial statements were approved by the Directors on 15 June 2023 and were signed on its behalf by:

Simon Phillips
Director

Company number 10451211

The notes on pages 108 to 112 form part of these financial statements.

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

	Share capital $'000	Share premium $'000	Retained earnings $'000	Other reserve $'000	Total equity $'000
Balance at 1 January 2021	132	–	(5,520)	–	(5,388)
Total comprehensive income for the year					
Profit for the year	–	–	5,483	–	5,483
Transactions with owners					
Reclassification of shareholder loan notes	–	–	–	9,900	9,900
Conversion of shareholder convertible loan notes and other liabilities into ordinary shares	57	12,352	–	(9,900)	2,509
Fresh issue of shares upon AIM listing	153	44,923	–	–	45,076
Equity issue costs	–	(2,558)	–	–	(2,558)
Balance at 31 December 2021	342	54,717	(37)	–	55,022
Total comprehensive income for the year					
Loss for the year	–	–	(12,492)	–	(12,492)
Balance at 31 December 2022	**342**	**54,717**	**(12,529)**	**–**	**42,530**

The notes on pages 108 to 112 form part of these financial statements.

Notes to the Company financial statements

1. Accounting policies

The following accounting policies have been applied consistently and in line with the accounting policies adopted and disclosed within the Group financial statements in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of profit or loss.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

Going concern

The Company is primarily reliant upon the Group's cashflows given that CT Automotive Group Plc acts as the financier to other Group entities whose cashflows are repatriated to the parent through the Group transfer pricing policy.

The Directors have assessed the Group's business activities and the factors likely to affect future performance in light of the current and anticipated trading conditions. In making their assessment the Directors have reviewed the Group latest budget, current trading, available debt facilities, proceeds from the recent fundraising and considered reasonably possible downside sensitivities in performance and mitigating actions.

The Directors are confident that, after taking into account existing cash and debt facilities available to the Group and the net proceeds of fundraising, the Group has adequate resources in place to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements being to June 2024. In making their assessment the Directors have considered the key factors listed below:

Fundraising

On 27 April 2023 the Group announced that it undertook a fundraise and achieved total gross proceeds of $9.6m (before transaction costs of $0.5m). The net proceeds of the fundraise of approximately $9.1m will predominately be used to strengthen the balance sheet and to provide the Group with flexibility to take advantage of growth opportunities. Additionally, a small portion of the net proceeds will be deployed to realise further efficiency savings including through investment in injection moulding production processes and robotics.

HSBC facilities

The Group uses HSBC post-despatch trade loans and invoice financing facilities as an additional working capital lever. These facilities have been committed for 12 months since the IPO, however starting from January 2023 the facilities are provided on a rolling 3-months basis, and these are expected to be renewed going forward in light of the current trading and the post year end fundraise.

As at 31 December 2022 the amounts drawn on the Group's trade loans and invoice finance facilities were $16.7m (FY21: $16.5m) against a total facility of c.$22m. The Directors believe that should the HSBC facilities be withdrawn, alternative funding options would be available to the Group.

Scenario modelling

As a result of difficult trading conditions and losses incurred during FY22, the Group has carefully considered its future liquidity position. In stress testing the forecast cash flows of the business, the Directors modelled a base case, several downside scenarios, a combined downside scenario and a set of mitigating actions to the downside scenario. The base case was modelled on a prudent basis, assuming flat revenues and using the production schedules and cost estimates. Positive cash headroom is maintained under the base case scenario.

Taking into account the trading conditions which existed during FY22 and outlook, the Directors have identified certain specific key risks to the base case assumptions and have modelled the scenarios as follows:

- Reduction in revenue risk: the entire market is down by 10% due to global economic recession, reflecting a scenario similar to 2008-2009 downturn;
- Increased cost of sales risk: reflecting the impact of inflation in cost of sales by 5% and 10% and inability to recover from customers;
- Stockholding risk: reflecting a scenario caused by disruption in customer schedules and therefore the need to hold more than normal stock levels required in the distribution centers;
- Availability of HSBC facilities: reflecting a withdrawal of HSBC facilities following a 3 months' notice and failure to replace the facilities with equivalent facilities on similar terms.

1. Accounting policies continued

Going concern continued

Scenario modelling continued

In addition, the Directors have modelled the first three risks above into a combined downside scenario and considered several controllable mitigating actions. The principal mitigating actions have been modelled as managing stock levels and payment terms with customers and suppliers. Such mitigating actions are within Management's control and the business closely monitors appropriate lead indicators to implement these actions in sufficient time to achieve the required cash preservation impact.

Despite the combined impact of the above downside assumptions, the stress testing model demonstrates that the business is able to maintain a positive cash headroom.

As a result of the above considerations, the Directors consider that the Group has adequate resources in place for at least 12 months form the date of the approval of FY22 financial statements and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis, other than derivative financial instruments which are measured at fair value.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'US Dollars', which is also the Company's functional currency. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in statement of profit or loss.

Impairment excluding inventories, and deferred tax assets

Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Non-derivative financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management. The cash and cash equivalents balances are held in Current Accounts and are readily available with no restrictions in place. For banks and financial institutions, only independently rated parties with minimum rating "A" or above are accepted.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1. Accounting policies continued

Judgements and estimates

The key judgements and estimates that are deemed to have a significant effect on the financial statements are as follows:

Key sources of estimation uncertainty:

Deferred tax asset recognition

As at 30 June 2022, the Directors recognised $3.2m of deferred tax assets in relation to deductible temporary differences arising in the UK. As at 31 December 2022, the Directors have re-assessed the recoverability of these assets. Based on management forecasts of the taxable profits in the UK entities, we expect these deferred tax assets to be recovered against future taxable profits in the UK as follows: $67,000 to be recovered in 2023, $935,000 to be recovered in 2024 and $2,198,000 to be recovered in 2025. As the majority of the deferred tax assets are expected to be recovered in 2024 and 2025, and given the losses of the Group in 2022 were greater than originally forecasted, the Directors concluded that sufficient taxable profits arising in the UK to utilise this deferred tax asset would be possible rather than probable. As a result, the Directors have chosen to derecognise deferred tax assets of $3.2m in accordance with the requirements of IAS12.

2. Staff numbers and costs

The aggregate payroll costs of the above were:

	2022 £'000	2021 £'000
Wages and salaries	**1,035**	687
Social security costs	**151**	83
Other pension costs	**21**	16
	1,207	786

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	2022 Number	2021 Number
Management and administrative staff	**7**	7
	7	7

3. Investments

	Shares in Group undertakings $'000
Cost	
Brought forward	36,142
Additions	51
At end of year	36,193
Net book value	
At 31 December 2021	36,142
At 31 December 2022	**36,193**

The Company holds a direct 100% investment in China Tool Projects UK Limited and its subsidiaries. The registered office of China Tool Projects UK Limited is: Rooms 2102-3 China Insurance Group Building 141 Des Voeux Road Central, Hong Kong (registered number: 700491).

During FY22, the Company made a $51,000 investment into CT Automotive Systems DE Mexico SA DE CV, a wholly owned subsidiary.

4. Deferred tax assets

Recognised deferred tax assets

	2022 $'000	2021 $'000
Available losses	–	1,754
Tax assets	–	1,754

Movement in deferred tax during the year

	At 1 January 2022 $'000	Recognised in income $'000	At 31 December 2022 $'000
Available losses	1,754	(1,754)	–

	At 1 January 2021 $'000	Recognised in income $'000	At 31 December 2021 $'000
Available losses	189	1,565	1,754

As at 30 June 2022, the Directors recognised $3.2m of deferred tax assets in relation to deductible temporary differences arising in the UK. As at 31 December 2022, the Directors have re-assessed the recoverability of these assets. Based on management forecasts of the taxable profits in the UK entities, we expect these deferred tax assets to be recovered against future taxable profits in the UK as follows: $67,000 to be recovered in 2023, $935,000 to be recovered in 2024 and $2,198,000 to be recovered in 2025. As the majority of the deferred tax assets are expected to be recovered in 2024 and 2025, and given the losses of the Group in 2022 were greater than originally forecasted, the Directors concluded that sufficient taxable profits arising in the UK to utilise this deferred tax asset would be possible rather than probable. As a result, the Directors have chosen to derecognise deferred tax assets of $3.2m in accordance with the requirements of IAS12.

5. Receivables

	2022 $'000	2021 $'000
Amounts owed from Group undertakings	23,241	21,128
Taxation and social security	–	272
Other receivables	178	–
Prepayments	222	298
	23,641	21,698

Amounts owed from Group undertakings attract no interest on these balances and are repayable on demand.

6. Trade and other payables

	2022 $'000	2021 $'000
Trade payables	–	493
Amounts owed to Group undertakings	16,238	8,828
Taxation and social security	40	20
Other payables	5	–
Accruals	266	769
	16,549	10,110

Amounts owed to Group undertakings attract no interest on these balances and are repayable on demand.

7. Borrowings

	2022 $'000	2021 $'000
Current		
Unsecured loans	–	2,503
	–	2,503

Unsecured loans accrue interest at 10%. These were initially drawn down as a 6 month loan in January 2021. An agreement was reached with the lender to extend repayment to January 2022 and the loans were repaid during the year.

8. Derivatives

The Company has entered into foreign currency forward contracts which are recognised at fair value through profit or loss.

	2022 $'000
Current	
GBP/EUR forward contracts	266
GBP/USD forward contracts	405
	671
Non-current	
GBP/EUR forward contracts	51
GBP/USD forward contracts	44
	95
Total	766

Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than their functional currency. Where this risk is considered to be significant, Group treasury enters into forward foreign exchange contracts for the purposes of foreign exchange risk management.

As at 31 December 2022, the Group has a number of open forward contracts with Investec, which are used to manage exchange rate movements between GBP, USD and EUR. Of the open contracts, 18 are due to mature in FY23, a further 2 contracts will mature in 2024.

9. Capital and reserves

	2022 $'000	2021 $'000
Share capital		
Allotted, called up and fully paid		
50,933,289 Ordinary shares of £0.005 each	342	342
Shares classified in shareholders' funds	342	342

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

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