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CT Automotive Group PLC
20 May 2024

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CT Automotive Group PLC

("CT Automotive" or the "Group")

"A return to strength driven by sustainable operational efficiencies."

CT Automotive, a leading designer, developer and supplier of interior components to the global automotive industry, today announces its results for the year ended 31 December 2023 ("FY23").

Simon Phillips, Chief Executive Officer of CT Automotive, commented:

"Our markets re-opened in 2023 after a pro-longed hiatus relating to the Covid pandemic. As a result, our business bounced back strongly and quickly into profitability. We grew the business, raised new capital and reset our financial position. The improved market and successful fundraise allowed our business to flourish in the second half and we used this period to drive new cost efficiencies across the business, enhancing our performance and setting the business up for sustained success with trading in the first part of 2024 in line with expectations."

Financial highlights+

	FY23 $m	FY22 $m
Revenue	**143.0**	124.3
Gross profit	**30.9**	14.9
Underlying EBITDA*	**16.1**	(7.1)
Underlying profit/(loss) before taxation*	**8.3**	(14.5)
Profit/(loss) before taxation	**5.9**	(18.8)
Earnings/(loss) per share	**10.1c**	(42.9)c
Net debt**	**3.8**	12.2

** Adjusted for non-recurring items as explained in Notes 6 and 21 of the consolidated financial statements*

*** Net debt excludes IFRS 16 lease liabilities*

+Note: the above figures are derived from continuing operations excluding UK discontinued operations

FY23 highlights

- With the strong recovery in automotive markets during 2023 our revenues rebounded 15%, driven by production revenue up by 13% and $10.9m (FY22: $7.0m) of tooling projects
- Gross profit margin improved from 12% to 22% benefitting from a return of direct labour and materials spend to pre Covid levels as well as management's successful margin improvement initiatives
- Significantly stronger second half performance following successful $9.6m fundraise in May which unlocked the potential to drive profits, with 70% of underlying PBT generated in H2
- Overall, underlying PBT grew to $8.3m (FY22: $14.5m loss) supported by the improved gross profit margin, internal cost saving programmes to right size the overhead base and a return to pre-pandemic freight costs
- EBITDA to cash conversion rate of 59%
- Significant improvement in net debt to $3.8m (FY22: $12.2m) (excluding IFRS 16 lease liabilities)
- FY23 operational update
    - All production facilities are operating at healthy levels of profitability
    - China benefitted from reopening automotive markets post Covid, normalised direct labour and supply chain, further boosted by margin improvements from production efficiencies and automation
    - Resilient performance from Türkiye whilst managing extreme inflationary pressures

- Mexico plant continued to perform to plan following start-up phase in FY22

Outlook

- In line with our expectations demand volumes have moderated as OEMs align inventory levels with normal market conditions
- This will be partially offset by our new business pipeline, building on wins with Ford, Marelli and Rivian
- Margin improvement initiatives made in FY23 will annualise in FY24 with ongoing cost programmes expected to further benefit profitability in the current year
- We are currently in advanced negotiations to secure a new debt facility
- Overall trading is in line with market expectations for 2024

Enquiries:

CT Automotive Simon Phillips, Chief Executive Officer Anna Brown, Chief Financial Officer	Via Novella
Liberum (Nominated Adviser and Broker) Richard Lindley	Tel: +44 (0)20 3100 2000
Novella Communications (Financial Public Relations) Tim Robertson, Claire de Groot, Safia Colebrook	Tel : +44 (0)20 3151 7008 ctautomotive@novella-comms.com

Notes to editors

CT Automotive is engaged in the design, development and manufacture of bespoke automotive interior finishes (for example, dashboard panels and fascia finishes) and kinematic assemblies (for example, air registers, arm rests, deployable cup holders and storage systems), as well as their associated tooling, for the world's leading automotive original equipment suppliers ("OEMs") and global Tier One manufacturers.

The Group is headquartered in the UK with a low cost manufacturing footprint. Key production facilities are located in Shenzhen and Ganzhou, China complemented by additional manufacturing facilities in Mexico, Türkiye and Czechia.

CT Automotive's operating model enables it to pursue a price leadership strategy, supplying high quality parts to customers at a lower overall landed cost than competitors. This has helped the Group build a high-quality portfolio of OEM customers, both directly and via Tier One suppliers including Forvia and Marelli. End customers include volume manufacturers, such as Nissan, Ford, GM and Volkswagen Audi Group, and premium luxury car brands such as Bentley and Lamborghini. In addition, the Group supplies all our customer base with a range of products for PHEV and BEV platforms and supplies electric car manufacturers, including Rivian and a US based major EV OEM.

The Group currently supplies component part types to over 57 different models for 22 OEMs. Since its formation, the Group has been one of the very few new entrants to the market, which is characterised by high barriers to entry.

Use of alternative performance measures

The commentary uses alternative performance measures, which have been adjusted for certain non-recurring items. An explanation of the items identified as non-recurring and that have been adjusted can be found in Notes 6 and 21 of the consolidated financial statements. Non- recurring items are items which due to their one-off, non-trading and non-underlying nature, have been separately classified by the Directors in order to draw them to the attention of the reader and allow for a greater understanding of the operating performance of the Group.

Chairman's Statement

Overview

It is particularly pleasing to be able to deliver my first statement as Chairman of CT Automotive alongside such a strong set of results, which show a significant increase in revenues and the Company moving strongly and quickly back into profitability.

In 2023, we were supported by an improving more stable market environment, our successful fundraise in May, and good demand for our products helped by our customers catching up from the slower Covid affected period. Moreover, the significant operational improvements we made during 2023 have driven our margin performance, setting us on course for sustained long-term success.

Design-led, low cost manufacturing

85% of global vehicle production is undertaken by 23 manufacturers. Of these, the Group currently supplies components to 22. They include volume producers, such as Nissan and Ford, premium brands, such as Bentley and Lamborghini, and leading EV brands, such as Rivian and a US based major EV OEM. Importantly, we do not prioritise BEV or PHEV over ICE models. Instead, we have an agnostic position focusing on delivering quality components to all segments of the automotive market.

Our objective is simply to expand our relationships with our existing client base and attract new customers. In 2023 we achieved this aim adding seven new program wins.

Key to our success is our design-led, low-cost manufacturing offer, combined with the strength of our strategically placed distribution and logistics centres, enabling us to deliver rapidly to our clients.

Strategically, the opening of our Mexico facility in 2022 has established a platform to grow our business with our North American customers. With a trained workforce and stable operating processes now in place, this facility is primed for revenue growth in future years.

The vehicle interior environment and the interior as an extension of the technology story is rapidly becoming a key product differentiator. Manufacturers are allocating an increasing share of their build cost to deliver increased levels of perceived quality, and to provide customer delight features. The Group's product portfolio and embedded development skills are well matched to these market trends.

Board Changes

During 2023, the Company has made further progress towards QCA best practice and improved governance by appointing an independent Chairman and making several other notable changes to the Board. Simon Phillips moved from being Executive Chairman to become our Chief Executive Officer. Scott McKenzie, previously Chief Executive Officer, stepped down from the Board to a new key role as Chief Operating Officer, Sales and Product Development. I moved from Non-Executive Director to become Non-Executive Chairman and Anna Brown joined as CFO.

In addition, we appointed Francesca Ecsery as Senior Independent Non-Executive, Nick Timberlake as a Non-Executive Director and Geraint Davies as an Independent Non-Executive Director and Chair of the Audit and Risk Committee.

Financial Performance

In FY23 the Group delivered an excellent financial performance, reflecting not only a much improved trading environment, with China reopening and supply chains and container rates normalising, but also, as the year progressed, the effect of management's self-help initiatives bearing fruit.

We generated total revenues of $143.0 million up by 15% compared to the prior year. This was made up of $132.0 million of production revenue, up 13% on FY22, and $10.9m of tooling revenue.

The group delivered significant gross margin improvement from 12% to 22%, resulting from the aforementioned volume improvements as well as production efficiency measures and automation. This, alongside significant overhead and indirect cost reduction saw underlying PBT recover strongly to $8.3 million compared to a loss of $14.5 million in the prior year.

Cash generation from an improved EBITDA (with a cash conversion rate of 59%) combined with the gross proceeds of $9.6 million from the successful fundraise helped reduce net debt to $3.8 million versus $12.2 million at the end of FY22 (excluding IFRS 16 lease liabilities).

CEO Statement

Introduction

CT Automotive has successfully navigated the challenges presented by the pandemic and its aftermath, and has emerged as a much stronger business, reinforcing our position as a design led low-cost supplier to the global automotive market. During 2023, we won seven key tenders which supported our performance and provided the Group with good revenue visibility going out to 2030. These achievements were made possible by the efforts of our entire team, and I am deeply grateful to all our staff, knowing that it is their skills and dedication that lie at the heart of our past and future success.

Fundamentally, the results for this financial year show the business is in good health and well-placed to grow market share.

New capital

Strong backing from our shareholder base in May last year brought in $9.6million, providing the capital to achieve the positive outcomes for the year. This came at a critical time for the business with the Zero Covid period in China having halted production for 20% of the prior year, causing severe disruption and a significant increase in associated costs of our business. The injection of new capital re-energised the entire Group, enabling us not only to reduce debt but as importantly, to invest in our production process as well as our new business pipeline. This coincided with the start of the global OEM's re-engagement with suppliers, seeking to ramp up plans not only for production that had been lost in FY22 but also for future auto models. As a result of all the measures we took to put the business on a sound footing, the Group was ready and able to bounce back strongly during FY23.

Production program wins

Our highly experienced sales teams, under Scott McKenzie, are spread strategically across the globe to be close to both existing and potential clients. This ensured they were well placed to secure a competitive share of the new business pipeline emerging in the middle part of 2023, from which the Group will benefit in the medium to longer term.

At the time of reporting our Interim Results in September, our new business team had secured five new production program wins. In the last three months of 2023 the team secured a further two wins. Combined, these will generate a total annualised production turnover of c.$20.0 million, and tooling business awards of c.$11.0 million.

Pursuing efficiencies across the Group

Improvement in gross margin is a key ongoing focus. In 2023, our gross margin grew from 12% to 22%, an excellent achievement due to the hard work of all employees across the Group. This expansion came from measures taken to reduce unit labour costs as volumes recovered, as well as from a significant improvement in raw material costs. Whilst undoubtedly, margins benefitted naturally from volume improvement in a more normal market environment, a significant proportion of the recovery came from internal actions to improve production efficiencies, the full impact of which is still coming through in 2024.

With 70% of our production volumes coming from China, this facility is our main focus as any improvement there is a major driver of future profitability. Successful cost saving measures initiated in China are then replicated in Türkiye and Mexico.

There are four main areas of focus:

- *Supply chain rationalisation* - primarily through the negotiation of better rates for key raw materials.
- *Restructuring manufacturing footprint* - benefit from the closure of Chinatool Automotive Systems Limited ("CAS"), our unprofitable UK facility in Newton Aycliffe, which generated a loss of $2.8 million in FY22. In addition, ongoing consolidation of some production lines in China from Shenzhen to Ganzhou, taking advantage of lower labour costs.
- *Optimised production processes* - re-evaluating production lines specifically assessing labour level requirements for each production line across the business.
- *Automation initiatives* - embraced by the Group and led by China. This is a key area of competitive advantage and therefore growth. Inserting robotics into production and assembly lines to replace individuals is being carefully tested and implemented whilst retaining optionality to revert to manual practices. The processes are very similar in all sites and the scope to significantly extend the use of robotics has material future benefits for the Group.

Türkiye

The economic environment is starting to improve in Türkiye. Our manufacturing site in Gebze performed resiliently during 2023, despite the impact of hyperinflation and currency movements. The business has successfully implemented a cost escalation system, agreed with all key clients, that is applied monthly passing on inflationary and currency cost increases. Given the economic backdrop, the team in Türkiye has performed well, continuing to attract new customers and sustaining a commercial margin.

Mexico

Our manufacturing site in Puebla, Mexico was set up in 2022 (at a cost of $3.3m), to provide manufacturing services to the key US market. To date, the site has performed to plan and is demonstrating the potential to be a significant future driver of profitability. Currently operating at 50% capacity, it is expected to reach 100% in 2025 and will need investment to expand its operations to meet visible demand for 2026 and beyond. Working in close harmony with the central China team, the general manager, a Mexican national who was previously working for us in China for 12 years, has ensured the Puebla plant is a close replica of the operational and systems structure used in our sites in China. The shared knowledge and approach has been core to the success of this exciting operation.

Quality control

To be successful in the automotive industry requires a dedication to detail, consistency and quality. To produce a single new car involves the contribution of many suppliers working in harmony. Any drop in quality from CT Automotive would be costly both financially and in reputation. We are therefore very focused on delivering products of the highest quality every time. Our procedures for delivering on this objective are rigorous, focusing on quality checks (QC) throughout the production process. Reflecting our dedication in this area, CT Automotive China and Türkiye plants were recertified under IATF 16949:2016 standard in FY21, while Mexico is expected to receive their certification later in 2024. We are proud of our track record in delivering quality and we believe the high levels of repeat custom achieved by the Group reflects this.

Sustainability

We are wholly committed to sustainability and corporate social responsibility, and ensuring that we continue to monitor the environmental impact of our operations, both externally and internally. Last year we engaged EcoVadis to undertake a full sustainability report of the Group's operations, and as a result in 2023 introduced a new environmental policy across all locations. We believe the new policy has set a valuable benchmark of CT Automotive's performance against key sustainability and CSR measures. Customers are continually raising the bar in their requirements for high standards of sustainability reporting and we continue to adapt and grow in this field to ensure that we not only comply with these requirements but go above and beyond.

Our People

The excellent financial performance of the business in 2023 is the direct result of the hard work of all our people. We employ c.2,200 people across the business and on behalf of the Board, I would like to take this opportunity to thank them all for their endeavours and to recognise their contribution to the results we have achieved. Furthermore, we appreciate they represent the driver of our future success.

Current trading and outlook

Trading in 2024 has been positive and in line with market expectations, with good customer demand and good visibility over both booked production and tooling revenues extending into the year end and beyond.

We entered 2024 in a much-improved financial position. We have reduced our net debt to $3.8 million (FY22: $12.2 million) and the Group is currently in the advanced stages of agreeing a new longer term debt facility with a new lender to replace the existing working capital facilities.

In 2023, our production demand surpassed consumer demand due to the urgent need for OEMs to replenish depleted inventories resulting from the disruptions in the supply chain caused by the pandemic. This year, demand volumes have, in line with our expectations, moderated as OEMs align inventory levels to a more balanced scenario, where production demand is more closely paired with consumer demand. This will be partially offset by our new business pipeline, building on high-profile wins with Ford, Marelli and Rivian.

In addition, margin improvement initiatives made in FY23 will annualise in FY24 with ongoing cost programmes expected to further benefit profitability in current year.

Looking further forward, 2025 holds significant promise underlined by secured business wins, with a series of new product launches driving a stepped growth pattern. I think CT Automotive will continue to build market share and I look forward to reporting on our progress.

Financial review

Revenue and margins

During FY23 the Group generated total revenue of $143.0m, up by 15% compared to prior year (FY22: $124.3m on a continuing basis, excluding FY22 discontinued revenue of $4.0m). FY23 growth was supported by strong demand, clearing the backlog in global automotive production volumes and easing of supply chain issues and new wins. Growth came from both production revenue which increased by 13% from $117.3m to $132.0m and an increase in tooling revenue from $7.0m to $10.9m.

Gross profit increased to $30.9m (FY22: $14.9m) and gross margins improved to 22% (FY22: 12%) on the back of recovered trading conditions and the Group's ongoing efficiency initiatives in China and Türkiye which started to deliver savings. These initiatives include optimisation of production lines, restructuring of tooling operations and manufacturing footprint, supplier and logistics rationalisation as well as automation initiatives.

Non-recurring items

During FY23 the Group incurred non-recurring items representing a net cost of $2.4m (FY22: $4.3m). These items primarily related to $0.9m of costs incurred on previously completed tooling projects, the impact of hyperinflation in Türkiye of $0.7m, the write off of historic working capital balances with a net impact of $0.5m and $0.3m of customer payments for Covid-related business disruption.

For further details, see Notes 6 and 21 of the consolidated financial statements.

EBITDA and operating result

FY23 underlying EBITDA was $16.1m (FY22: $7.1m loss) while reported EBITDA was $13.7m (FY22: $11.4m loss). This improvement mainly came from an increase in gross profit from $14.9m to $30.9m, a reduction in distribution expenses to $3.2m (FY22: $5.1m) and in administrative expenses to $20.0m (FY22: $27.3m). A reduction in distribution expenses by $1.9m was due to container rates settling to pre-Covid levels: FY22 average container rates between China and the US/UK were $17.4k while the average rates for FY23 reduced to $6.6k per container.

An improvement in administrative expenses mainly came from headcount reductions and leases and foreign exchange gains. During FY23 the Group benefitted from $0.9m of foreign exchange gains (FY22: $3.8m loss) due to favourable exchange rate movements primarily against the US$ and from actively reducing intercompany loan balances, which contributed to FY22 foreign exchange losses.

Depreciation and amortisation charges remained broadly the same at $5.2m (FY22: $5.4m) in FY23. Therefore, the resulting underlying operating profit was $10.8m (FY22: $12.6m loss) and reported operating profit was $8.5m (FY22: $16.8m loss).

Taxation

The Group has recognised a tax credit of $0.6m (FY22: $3.1m tax charge). This is primarily driven by the recognition of a deferred tax asset in the UK and Chinese entities, resulting in a deferred tax credit of $1.7m (FY22: $2.4m charge). This was partially offset by a tax charge of $1.1m (FY22: $0.6m) 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 CAS, which was impacted by severe labour shortages and inflationary increases in energy costs and wages. FY23 loss attributable to the discontinued operations was $0.2m (FY22: $2.8m loss) and related to CAS administrative expenses incurred in during the first six month of FY23.

Profit from continuing operations and EPS

FY23 underlying profit before tax was $8.3m (FY22: $14.5m loss), while reported profit before tax was $5.9m (FY22: $18.8m loss), taking into account non-recurring items of $2.4m (FY22: $4.3m). Profit after tax from continuing operations was $6.6m (FY22: $21.9m loss), benefitting from tax credit mentioned above. This resulted in basic EPS from continuing operations of 10.1c (FY22: 42.9c loss).

Capital structure, working capital and interest

Since December 2022 year end, the Group saw its net asset value increase to $17.0m (FY22: $2.6m) supported by the fundraise proceeds in May 2023 and net profits generated during the year.

Non-current assets reduced to $18.1m (FY22: $19.9m), mainly reflecting a $5.2m (FY22: $5.4m) depreciation charge in relation to PPE, right of use assets and intangible assets, partially offset by the $1.6m deferred tax asset (FY22: nil).

During FY23, the Group saw a $7.0m increase in its current assets. This was primarily driven by an increase in trade debtors as the customer payment terms reverted back to normal, a VAT receivable balance in Mexico, the proceeds of the fundraise and cash generated by the Group from its operating activities. Trade and other payables reduced by $2.5m during FY23 as supplier payments have returned to normal and a portion of proceeds from the fundraise has been used to pay suppliers in China and the UK.

The Group has continued to prudently manage its working capital by utilising available debt facilities, cash generated from the operations and from the proceeds of the fundraise. Cash and cash equivalents as at 31 December 2023 were $9.4m (FY22: $4.8m). The year end cash balance was boosted by the timing of December payroll payments in China of $1.7m which took place in early January 2024. Net debt as at 31 December 2023 was $3.8m (FY22: $12.2m) and included bank overdrafts, amounts drawn on the Group's trade loans and invoice finance facilities with HSBC. After applying IFRS 16 accounting for right-of-use assets on current and non-current lease liabilities, net debt as at 31 December 2023 was $12.8m (FY22: $24.1m).

The Group uses HSBC post-dispatch trade loans and invoice financing facilities as an additional working capital lever. As at 31 December 2023 the amounts drawn on the Group's trade loans and invoice finance facilities were $13.2m (FY22: $16.7m) against total available facilities of c.$21m. Net finance costs increased to $2.5m (FY22: $2.0m) reflecting higher interest rates.

During May 2023 the Group completed a fundraise with total gross proceeds of $9.6m. The net proceeds of the fundraise of $9.1m have predominately been used to strengthen the balance sheet and to provide the Group with the flexibility to take advantage of growth opportunities. Additionally, a small portion of the net proceeds has been 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's latest budget, current trading, available current banking debt facilities and considered the likely impact of reasonably possible downside sensitivities in performance and the likely impact of potential mitigating actions.

The Directors are confident that, after taking into account existing cash and available debt facilities, 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. In making their assessment the Directors have stress tested the forecast cash flows of the business.

For the purposes of stress testing, the Directors modelled a base case, several downside scenarios, a combined downside scenario and a set of mitigating actions to the combined downside scenario. The base case was modelled on a prudent basis, assuming revenues based on the production schedules and cost estimates. Positive cash headroom is maintained under the base case scenario. Taking into account the economic outlook, expected interest rates and geopolitical events, 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 automotive market suffers a downturn of 10% in revenue reflecting a scenario similar to the 2008-2009 downturn;
- Increased cost of sales risk: reflecting the impact of inflation in cost of sales raising by 5% and the inability to recover the increase in costs from customers;

- Stockholding risk: reflecting a scenario caused by the disruption in customer schedules due to prolonged conflicts in the Red Sea or other plausible disruptions resulting in the need to hold more than normal stock levels required in the distribution centres.

In addition, the Directors have modelled a combined downside scenario and considered several controllable mitigating actions. The principal mitigation action modelled is the agreement of extended supplier payment terms. Additional mitigating actions which have not been modelled but are available for Management to deploy, if required, are reduced customer payment terms and a further reduction of overheads. 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.

In any of the scenarios noted above the combined impact of the above downside assumptions, the stress testing model, incorporating the above principal mitigation, demonstrates that the business is able to maintain a positive cash balance throughout the entire going concern review period considered.

The Group currently has trade loans and invoice finance facilities which are renewed at set times (typically quarterly, six monthly or annually) and which have been recently renewed as part of this renewal cycle. The Group will be reviewing our current banking debt facility providers going forward and will be considering all viable options with regard to our potential lenders to ensure that we have the best commercial arrangements in place. Following a full externally run tender process we are currently in advanced negotiations to secure new banking debt facilities. Signed heads of terms are in place and customary due diligence is well progressed. Our current trade loan and invoice finance facilities remain in place until such time as the new banking debt facility is completed.

As a result of the above considerations, the Directors consider that the Group has adequate resources in place for at least 12 months from the date of the approval of FY23 financial statements and have therefore adopted the going concern basis of accounting in preparing the financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Continuing operations:			
Revenue	4	142,974	124,269
Cost of sales		(112,118)	(109,407)
Gross profit		30,856	14,862
Distribution expenses		(3,150)	(5,059)
Other operating income	5	807	650
Administrative expenses		(20,041)	(27,287)
EBITDA (before non-recurring items)		16,090	(7,129)
Depreciation	7	(4,950)	(4,820)
Amortisation	7	(294)	(602)
Non-recurring items	6	(2,374)	(4,283)
Operating profit / (loss)	7	8,472	(16,834)
Finance income		-	10
Finance expenses		(2,535)	(1,997)
Profit / (loss) before tax		5,937	(18,821)
Taxation credit / (charge)	8	616	(3,054)
Profit / (loss) for the year from continuing operations		6,553	(21,875)
Discontinued operations			
Loss for the year from discontinued operations	9	(238)	(2,789)
Profit / (loss) for the year attributable to equity shareholders		6,315	(24,664)
Profit attributable to:			
Owners of the Company		6,313	(24,664)
Non-controlling interests		2	-
		6,315	(24,664)
Other comprehensive income / (loss)			
Items that are / may be reclassified subsequently to profit or loss:			

Foreign currency translation differences - foreign operations		(1,426)	(927)
Other comprehensive loss for the year, net of income tax		(1,426)	(927)
Total comprehensive income / (loss) for the year		4,889	(25,591)
Total earnings / (loss) per share			
From continuing operations:			
Basic earnings / (loss) per share	10	10.1c	(42.9)c
Diluted earnings / (loss) per share	10	9.7c	-
From continuing and discontinued operations:			
Basic earnings / (loss) per share	10	9.7c	(48.4)c
Diluted earnings / (loss) per share	10	9.4c	-

Consolidated Balance Sheet
As at 31 December 2023

	Notes	2023 $'000	2022 $'000
Assets			
Non-current assets			
Goodwill	11	1,259	1,259
Intangible assets	12	314	528
Property, plant and equipment	13	7,089	7,302
Right of use assets	14	7,895	10,769
Deferred tax assets	15	1,571	-
		18,128	19,858
Current assets			
Inventories	16	25,997	27,342
Tax receivable		261	227
Trade and other receivables	17	30,578	26,880
Cash and cash equivalents	18	9,440	4,829
		66,276	59,278
Current liabilities			
Trade and other payables	19	(43,390)	(45,924)
Other interest-bearing loans and borrowings	20	(13,198)	(17,058)
Derivative financial liabilities		(52)	(671)
Corporate tax payable		(1,847)	(771)
Current lease liabilities	14	(3,492)	(3,022)
		(61,979)	(67,446)
Non-current liabilities			
Derivative financial liabilities		-	(95)
Deferred tax liabilities	15	-	(118)
Non-current lease liabilities	14	(5,458)	(8,900)
		(5,458)	(9,113)
Net assets		16,967	2,577
Equity attributable to owners of the Company			
Share capital		484	342
Share premium		63,696	54,717
LTIP reserve		4	-
Translation reserve		(1,397)	(347)
Accumulated Deficit		(10,070)	(16,323)
Merger reserve		(35,812)	(35,812)
		16,905	2,577
Non-controlling interest		62	0
Total equity		16,967	2,577

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital $'000	Share premium $'000	LTIP reserve $'000	Translation reserve $'000	Accumulated Deficit $'000	Non-Controlling interest $'000	Merger reserve $'000	Total equity $'000

At 1 January 2022 as previously published	342	54,717	-	580	7,430	-	(35,812)	27,257
Hyperinflationary monetary adjustment relating to 2021	-	-	-	-	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/loss for the year	-	-	-	(927)	(24,664)	-	-	(25,591)
At 31 December 2022 and at 1 January 2023	342	54,717	-	(347)	(16,323)	-	(35,812)	2,577
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	6,313	2	-	6,315
Recognition of LTIP reserve	-	-	4	-	-	-		4
Foreign currency translation	-	-	-	(1,049)	-	-	-	(1,049)
Total comprehensive income/ (loss) for the year	-	-	4	(1,049)	6,313	2	-	5,270
Transactions with equity:								
Share issue	142	9,488	-	-	-	-	-	9,630
Issuance Cost		(510)						(510)
Share issue in CT-Mexico					(60)	60		0
	142	8,978	-	-	(60)	60	-	9,120
At 31 December 2023	484	63,695	4	(1,396)	(10,070)	62	(35,812)	16,967

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 $'000	2022 $'000
Cash flows from operating activities		
Profit / (loss) from continuing operations	6,555	(21,875)
Loss from discontinued operations	(240)	(2,789)
Profit / (Loss) for the year after tax	6,315	(24,664)
Adjustments for:		
Depreciation	4,950	5,345
Amortisation	294	602
Impairment of goodwill	-	1,158
Finance income	-	(10)
Finance expense	2,535	2,090
Net fair value (profits)/losses recognised in profit or loss	(714)	750
Share based payment charge	4	-
Impairment of lease assets	-	429
Loss on disposal of fixed assets	1,136	825
Gain on renegotiation of lease	-	(168)
Taxation (credit)/charge	(616)	3,103
Hyperinflation impact on operating profit	683	665
	14,587	(9,875)
(Increase) / decrease in trade and other receivables	(4,620)	14,786
Decrease in inventories	641	1,104
Decrease in trade and other payables	(2,530)	(618)
Tax (paid)/refund	(41)	145
Net cash generated from operating activities	[illegible]	[illegible]

Net cash generated from operating activities	8,037	5,542
Cash flows from investing activities		
Purchase of intangible assets	(96)	(633)
Purchase of property, plant and equipment	(3,114)	(2,864)
Interest received	-	10
Net cash used in investing activities	(3,210)	(3,487)
Cash flows from financing activities		
(Repayment) of loan facilities	-	(2,500)
Gross proceeds from Share issue	9,630	-
Payment of professional fees related to share issue	(509)	-
Repayment of lease liabilities	(3,005)	(3,607)
Interest paid	(2,535)	(2,090)
(Repayment) / drawdown of trade loans	(578)	4,131
Repayment of invoice finance	(2,924)	(3,880)
Net cash generated/ (used in) from financing activities	79	(7,946)
Net increase/(decrease) in cash and cash equivalents	4,906	(5,891)
Cash and cash equivalents at beginning of year	4,471	9,807
Effect of exchange rate fluctuations on cash held	63	555
Cash and cash equivalents at end of year (see Note 18)	9,440	4,471

Notes to the consolidated financial statements

1. Accounting Policies

Introduction

CT Automotive Group Plc (the "Company") is a public Company limited by shares incorporated and domiciled in England and Wales under the Companies Act 2006. 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 as the Group's revenue and working capital facilities are also predominantly denominated and/or received in USD.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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

Judgements or estimates that are deemed to have a significant effect on the financial statements are stated in Note 2.

Measurement convention

The financial statements are prepared on the historical cost basis except for the financial statements of the foreign operations in Turkiye which are subject to hyperinflationary accounting, and derivative financial instruments which are stated at fair value.

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 current banking debt facilities and considered the likely impact of reasonably possible downside sensitivities in performance and the likely impact of potential mitigating actions.

The Directors are confident that, after taking into account existing cash and available debt facilities, 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. In making their assessment the Directors have stress tested the forecast cash flows of the business.

For the purposes of stress testing, the Directors modelled a base case, several downside scenarios, a combined downside scenario and a set of mitigating actions to the combined downside scenario. The base case was modelled on a prudent basis, assuming revenues based on the production schedules and cost estimates. Positive cash headroom is maintained under the base case scenario. Taking into account the economic outlook, expected interest rates and geopolitical events, 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 automotive market suffers a downturn of 10% in revenue reflecting a scenario similar to the 2008-2009 downturn;

- Increased cost of sales risk: reflecting the impact of inflation in cost of sales raising by 5% and the inability to recover the increase in costs from customers;
- Stockholding risk: reflecting a scenario caused by the disruption in customer schedules due to prolonged conflicts in the Red Sea or other plausible disruptions resulting in the need to hold more than normal stock levels required in the distribution centres.

In addition, the Directors have modelled a combined downside scenario and considered several controllable mitigating actions. The principal mitigation action modelled is the agreement of extended supplier payment terms. Additional mitigating actions which have not been modelled but are available for Management to deploy, if required, are reduced customer payment terms and a further reduction of overheads. 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.

In any of the scenarios noted above the combined impact of the above downside assumptions, the stress testing model, incorporating the above principal mitigation, demonstrates that the business is able to maintain a positive cash balance throughout the entire going concern review period considered.

The Group currently has trade loans and invoice finance facilities which are renewed at set times (typically quarterly, six monthly or annually) and which have been recently renewed as part of this renewal cycle. The Group will be reviewing our current banking debt facility providers going forward and will be considering all viable options with regard to our potential lenders to ensure that we have the best commercial arrangements in place. Following a full externally run tender process we are currently in advanced negotiations to secure new banking debt facilities. Signed heads of terms are in place and customary due diligence is well progressed. Our current trade loan and invoice finance facilities remain in place until such time as the new banking debt facility is completed.

As a result of the above considerations, the Directors consider that the Group has adequate resources in place for at least 12 months from the date of the approval of FY23 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.

Non-controlling interest

Non-controlling interest represents the equity in subsidiaries that is not attributable to all shareholders of the Group.

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.

Discontinued operations

When the Group has sold or discontinued 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 into 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 into the Group's reporting 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.

Effective from 1 January 2022, the Group has applied IAS 29, Financial Reporting in Hyperinflationary Economies, for its subsidiary in Türkiye, 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 foreign 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 2023 and 31 December 2022 increased by 64.77% and 64.27% respectively. Monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period.

Amounts presented in the consolidated financial statements at 1 January 2022 were not restated. Hyperinflationary accounting needs to be applied as if Türkiye has always been a hyperinflationary economy. Therefore as per CT Automotive Group's policy choice, the difference was 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 revenue 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 to be 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 reported gross as other income.

Expenses

Distribution expenses:

Distribution expenses incurred directly in respect of bringing products to market. These will include marketing and commissioning costs to distributors and are recorded at the point the expense is incurred.

Admin expenses:

Admin expenses represent expenses incurred as fixed costs of business operations of the Group, including rent, utilities, payroll. These expenses are incurred at the point they are incurred.

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. Finance expense also includes the IAS29, Hyperinflationary impact on the profit and loss of the Turkish subsidiary.

Non-recurring items

Non-recurring items are items, which, due to their one-off, non-trading and non-underlying nature, have been separately classified by the Directors in order to draw them to the attention of the reader and allow for greater understanding of the operating performance of the Group. Note 6 provides further details on the nature of the non-underlying and non-recurring items.

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 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 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.

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 - 2-15 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 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 group 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.

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 20 for full details of classes of interest-bearing borrowings.

Effective interest rate

The 'effective interest' is calculated using the rate that exactly discounts estimated 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.

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 Original Equipment Manufacturer (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 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 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 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.

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 dilutive, and the Group has calculated dilutive EPS in note 10.

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 3 for the accounting policy and related disclosures for segment reporting.

New standards, interpretations and amendments

There have been a number of amendments to existing standards which are effective from 1 January 2023, but they do not have material effect on the Group financial statements.

New/Revised International Financial Reporting Standards		**Effective Date: Annual periods beginning on or after:**	**UKEB adopted**
IAS 1	Amendments to IAS 1: Disclosure of Accounting Policies	1 January 2023	Yes
IAS 8	Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023	Yes
IAS 12	Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	Yes
IFRS 17	IFRS 17: Insurance Contracts	1 January 2023	Yes

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 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024	Yes
IAS 7 & IFRS 7	Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements	1 January 2024	Yes
IFRS 16	Amendment to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024	Yes

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 35% depending on the specifics of the lease, particularly based on which country the underlying asset is based in.

Deferred tax asset recognition and recoverability
As at 31 December 2022, the Directors assessed the recoverability of the deferred tax assets and concluded that sufficient taxable profits arising in the UK to utilise any deferred tax asset(s) would be possible rather than probable. As a result, the Directors opted not to recognise any deferred tax asset(s).

A deferred tax asset has been recognised as at 31 December 2023 at a value of $1.6m. Of this deferred tax asset, $458k arises on interGroup transactions related to provision of unrealised profits in tooling revenue. The remaining deferred tax asset has been recognised in relation to brought forward tax losses, whereby there are estimated probable future taxable profits that the Group anticipates utilising these losses against which the Group anticipates utilising these losses.

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 $1,194,000 at 31 December 2023 (2022: $1,601,000).

Non-Controlling Interests:

The Company owned 100% of CI Automotive Systems DE, Mexico subsidiary as at 31 December 2022. On 23 November 2023, 10% of the shares in the subsidiary were sold to Simon Phillips, CEO and Scott McKenzie, COO resulting in a non-controlling interest in the Group's consolidated financial statements. The Group has exercised judgement in evaluating the control it exercises over the Mexican subsidiary after the change in ownership. Based on their evaluation, the Group has concluded that the profits of the Mexican entity will be split between the owners of the Group and non-controlling interests based on the percentage ownership of the subsidiary. On the date of the transfer of ownership, the entity held a net liability of $598,604 of which 10% is attributable to the non-controlling interests at $59,860. The issuance of new equity to the non-controlling interest resulted in a profit of $54,000. The non-controlling interests are recorded separately in the Statement of Profit or Loss, the Statement of Balance Sheet and the Statement of Changes in Equity.

Goodwill

The carrying amount of goodwill at 31 December 2023 was $1,259,000 (2022: $1,259,000) 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 11.

Hyperinflation

The Group exercises significant judgement in determining the impact of the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries in such countries 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 Türkiye has been, and continues to be accounted for as an entity operating in a hyperinflationary economy. The results, cash flows and financial position 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 reporting period was 54.5% (2022: 47.8%).

In applying IAS 29 to the financial reporting of the subsidiary incorporated in Türkiye, it is crucial to note that a deliberate judgement has been exercised in the treatment of indexation agreements that impact consolidated profit or loss. The impact is included as a finance expense in 2023 for $146,000 (2022: $665,000 included in non-recurring expenses). These specific agreements have been intentionally ignored in the calculations, aligning with the guidelines set forth in IAS 29, and maintains continuity with the prior year detailed calculations and commentary.

IAS 29 does note that non-monetary (balance sheet) items that are linked to indexation agreements have the rates stipulated within the agreements applied, rather than a general price index, although the same allowance/ exception is not provided for items of profit or loss.

Change in methodology of calculating tooling overheads

During FY23 the Group has improved its processes in relation to the review and estimation of tooling costs, whereby Work in Progress (WIP) is tracked on an individual project level. The improvement in methodology arises from the recent organisational restructuring, enhanced timecard systems and a review of overheads on a project by project basis associated with tooling.

Historically, tooling costs were measured at direct material costs plus timecard-based toolroom costs. Production overheads were absorbed into tooling WIP without specific project allocation. An organisational restructuring in FY23 introduced timecards across all tooling departments, enabling precise cost allocation to individual projects. The rationale behind the change is to enhance the accuracy of tooling costings, ensuring improved project profitability analysis and timely cost release aligned with project completion.

A key judgement has been made that the change in inputs to the tooling WIP valuation model is not a change in accounting policy but rather a change in accounting estimate. It refines the identification and allocation of overheads to tooling projects.

policy but rather a change in accounting estimate. It refines the identification and allocation of overheads to tooling projects, enhancing accuracy without fundamentally altering the approach.

EPS

With respect to the fundraise that took place in May 2023, a judgement has been made over whether there is a bonus element that requires retrospective adjustment, or not.

The process for determining the price of the share issue was established via a book building exercise carried out by the Company's brokers where existing and potential shareholders were invited to bid for the value they would be willing to subscribe to in the new share issue. In the interest of raising the maximum amount of capital possible, CT Automotive took the decision to offer 22.7 million new shares at 34p per share to ensure that the fundraise would achieve between $9-10 million.

Given the maximum price that could be obtained for the shares to raise sufficient capital was determined to be 34p, a judgement was made that the issue price for the new shares was at fair value, although this was lower than the quoted market price, and so the share issue did not contain a bonus element and no retrospective adjustment was required.

3. 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. The inter-segment sales in 2023 were $nil (FY22): $nil.

2023	**Tooling $'000**	**Production $'000**	**Head Office $'000**	**Total $'000**
Revenue				
Total revenue from external customers	10,928	132,046	-	142,974
Revenue from other operating segments				
Depreciation and amortisation	-	(5,244)	-	(5,244)
Finance expense	-	(2,485)	(50)	(2,535)
Segment Profit/(Loss)	3,885	9,145	(7,093)	5,937
Group Profit before tax and discontinued operations				5,937

2023	**Tooling $'000**	**Production $'000**	**Head Office $'000**	**Total $'000**
Additions to non-current assets	-	3,114	-	3,114
Reporting segment assets	4,239	81,902	263	86,404
Reportable segment liabilities	(2,770)	(62,748)	(919)	(66,437)

2022	**Tooling $'000**	**Production $'000**	**Head Office $'000**	**Total $'000**

Revenue				
Total revenue from external customers	6,980	117,289	-	124,269
Revenue from other operating segments				
Depreciation and amortisation	-	(5,243)	-	(5,243)
Finance expense	-	(1,939)	(58)	(1,997)
Segment Profit/(Loss)	1,601	866	(21,288)	(18,821)
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)

	External revenue by location of customers		**Non-current assets by location of assets**	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
US	22,261	27,640	401	253
UK	23,417	16,603	2,143	2,395
Czechia	25,768	21,399	353	651
China	17,586	18,415	10,466	12,578
Türkiye	12,923	12,806	1,102	1,450
Mexico	13,641	4,766	2,036	2,390
Hong Kong	12,429	-	-	-
Spain	2,742	4,692	-	-
Brazil	3,365	3,567	-	-
Japan	3,555	3,162	-	-
Thailand	1,680	2,378	-	-
Slovakia	27	1,051	-	-
Italy	1,638	986	-	-
South Africa	1,018	960	-	-
Germany	229	727	-	-
Other	695	5,117	1,627	141
	142,974	124,269	18,128	19,858

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, above 10% of Group revenue:

In 2023 the Group had 3 major customers representing $60.7m (43%), $19m (13%) and $17.6m (12%) of Group revenue.

In 2022 the Group had 3 major customers representing $50.4m (39%), $23.9m (18%) and $20.1m (16%) of Group revenue.

4. Revenue

	2023 $'000	**2022 $'000**
Disaggregation of revenue		
An analysis of revenue by type is given below:		
Sale of parts	132,046	117,289
Sale of tooling (including design and development)	10,928	6,980
	142,974	124,269

An analysis of revenue by geographical market is given within Note 3.

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 2023	-	4,118
Revenue recognised that was included in contract liabilities at the beginning of the year	-	(3,104)
Increases due to cash received, excluding amounts recognised as revenue during the year	-	4,755
Movements due to foreign exchange	-	-
Balance as at 31 December 2023	-	5,769

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.

31 December 2023	2024 $'000	2025 $'000	Total $'000
Tooling projects	10,465	1,876	12,341

31 December 2022	2023 $'000	2024 $'000	Total $'000
Tooling projects	10,047	-	10,047

All consideration from contracts with customers is 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.

5. Other operating income

	2023 $'000	2022 $'000
Government grants	646	546
Other income	161	104
	807	650

The government grant income relates to government support received in China relating to utilities and training subsidies and promotion of foreign trade. Specific performance obligations are dictated by the grant agreements and must be adhered to receive the government grants.

6. Non-recurring items

	2023 $'000	2022 $'000
AIM listing fees	-	31
Impairment of goodwill	-	1,158
Impact of Hyperinflation	683	665
China housing fund contribution	-	453
Start-up costs in Mexico	-	1,738
Irrecoverable excess freight costs	-	238
One off working capital write offs (net)	494	-
Redundancy Costs	71	-
Costs from historic tooling projects	849	
Covid related business disruption charges	277	-
	2,374	4,283

Non-recurring items are items, which, due to their one-off, non-trading and non-underlying nature, have been separately classified by the Directors in order to draw them to the attention of the reader and allow for greater understanding of the operating performance of the Group. Each item has been identified and explained below:

- Effective from 1 January 2022, the Group has applied IAS 29, Financial Reporting in Hyperinflationary Economies for its subsidiary in Türkiye. The impact of applying this standard in respect of 2023 results was a charge of $683,000 and is considered as non-trading.
- The Group has carried out an exercise to improve reporting and governance. This has resulted in a review of historic balances on the payables and receivables ledgers that has resulted in a $584,000 income. Additionally, there was a review of inventory balances that resulted in the identification of $1,078,000 of stock that was unable to generate a realisable value. The net impact resulted in a write off for $494,000 and is considered as a one-off item.
- One-off redundancy costs of $71,000 were incurred during the first half of 2023 in relation to optimising our manufacturing footprint in China and Türkiye.
- One-off historic costs of $849,000 were written off in the reporting period in relation to previously completed tooling projects.
- The Group made non-recurring customer payments of $277,000 as a compensation for Covid-related business disruption.

Additional items included in non-recurring costs in the prior year:

- The AIM listing completed in December 2021 incurred one-off transaction costs and advisory fees. Costs of $nil (2022: $31,000) have been recognised within administrative expenses in relation to this.
- 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 expectation 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 $nil (2022: $238,000) recognised within distribution expenses.
- 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 backdated charge has not reoccurred.
- 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-underlying in nature.
- Goodwill of $1,158,000 relating to IMS/Chinatool JV, LLC was fully impaired during the year ended 31 December 2022.

7. Expenses and Auditors' remuneration

	2023 $'000	2022 $'000
Operating profit/(loss) is stated after charging:		
Amortisation:		
- *Continuing operations*	294	602
Depreciation:		
- *Continuing operations*	1,898	1,608
- *Discontinued operations*	-	165
Foreign exchange (gain) / loss	(880)	3,804
Depreciation of right-of-use assets:		

- *Continuing operations*	3,052	3,212
- *Discontinued operations*	-	360
Cost of inventories	91,241	86,148

	2023 $'000	2022 $'000
Auditors' remuneration		
Audit of Group financial statements	305	355
Audit of financial statements of Chinese subsidiaries of the Company	158	139
Audit of financial statements of Hong Kong subsidiaries of the Company	59	59

8. Taxation

Recognised in profit or loss	2023 $'000	2022 $'000
Current tax expense		
Current year	1,073	621
Adjustments for prior periods	-	23
Current tax expense	1,073	644
Deferred tax credit		
Origination and reversal of temporary differences	(1,689)	2,438
Adjustments for prior periods	-	(88)
Effect of changes in tax rates	-	60
Deferred tax (credit) / charge	(1,689)	2,410
Total tax (credit) / charge	(616)	3,054

	2023 $'000	2022 $'000
Reconciliation of effective tax rate		
Profit/(Loss) for the year	6,553	(21,875)
Total tax (credit)/charge	(616)	3,054
Profit/(Loss) excluding taxation	5,937	(18,821)
Tax using the UK corporation tax rate of 25% (2022 - 19%)	1,484	(3,576)
Effect of tax rates in foreign jurisdictions	(768)	1,810
Non-taxable income	-	13
Non-deductible expenses	-	209
Adjustments for prior periods	-	1,328
Tax rate changes	357	(590)
(Recognised)/Unrecognised deferred tax assets	(1,689)	3,845
Other differences	-	15
Total tax (credit) / charge	(616)	3,054

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 comparative balance sheet date and as a result deferred tax balances at both reporting dates presented have been measured at 25%.

Included within tax payable is an IFRIC 23 uncertain tax payable totalling $781,000 (2022: $778,000), which is a result of uncertainty in the tax legislation in a certain jurisdiction.

Tax attributable to discontinued operations of $2,000 is included in the total tax credit for 2023.

9. 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:

	2023 $'000	2022 $'000
Revenue	-	3,958
Cost of sales	-	(5,240)
Other income	-	21
Distribution expenses	-	(110)
Administrative expenses	(238)	(1,276)
Net finance income / expense	-	(93)
Loss before tax	(238)	(2,740)
Attributable tax expense	(2)	(49)
Net loss attributable to discontinued operations	(240)	(2,789)

There were no significant cash flows during the year in relation to discontinued operations.

Assets and liabilities of Chinatool Automotive Systems Limited have not been classified as held for sale at 31 December 2023 or 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:

	2023 $'000	2022 $'000
Assets		
Property, plant and equipment	-	68
Right of use assets	-	98
Inventories	-	219
Trade and other receivables	23	171
Cash	4	34
Total assets	27	590
Liabilities		
Trade and other payables	(676)	(810)
Overdraft	-	(153)
Lease liability	(191)	(494)
Current tax liability	-	(46)
Deferred tax liability	(90)	(37)
Total liabilities	(956)	(1,540)
Net liabilities	(929)	(950)

10. Earnings per share

From continuing and discontinued operations:

	2023 Number	2022 Number
Weighted average number of equity shares	65,191,848	50,933,289
	$	**$**
Earnings, being profit / (loss) after tax	6,315,000	(24,664,000)
	Cents	**Cents**
Earnings / (loss) per share	9.7	(48.4)
Diluted Earnings per share	9.4	-

In 2023 there were share options outstanding that could have a dilutive effect on earnings per share in the future. In 2022 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 prior period because the Group has reported a loss.

From continuing operations:

	2023 Number	2022 Number
Weighted average number of equity shares	65,191,848	50,933,289
	$	**$**
Earnings, being profit / (loss) after tax before discontinued operations	6,553,000	(21,875,000)
	Cents	**Cents**
Earnings / (loss) per share	10.1	(42.9)
Diluted Earnings per share	9.7	-

From discontinued operations:

	2023 Cents	2022 Cents
Basic and diluted loss per share	(0.4)	(5.5)

11. Goodwill

	$'000
Cost	
Balance at 1 January 2023 & 31 December 2022	2,417
Additions	-
Balance at 31 December 2023	2,417
Impairment	
Balance at 1 January 2022	-
Impairment charge	1,158
Balance at 31 December 2022	1,158
Impairment charge	-
Balance at 31 December 2023	1,158
Net book value	
31 December 2023	1,259
31 December 2022	1,259

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

	Goodwill	
	2023 $'000	**2022 $'000**
Chinatool UK Limited	1,259	1,259

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.

Using the stated assumptions, there is significant headroom between the recoverable amount and the fair value 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 expects to move manufacturing and distribution of existing North American projects to Mexico and is 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.

12. Intangible assets

	Software $'000
Cost	
Balance at 1 January 2022	2,060
Additions	633
Effect of movements in foreign exchange	(244)
Balance at 31 December 2022	2,449
Additions	96
Disposals	(648)
IAS 29 adjustment	32
Effect of movements in foreign exchange	(46)
Balance at 31 December 2023	1,883
Amortisation and impairment	
Balance at 1 January 2022	1,540
Amortisation for the year	602
Effect of movements in foreign exchange	(221)
Balance at 31 December 2022	1,921
Amortisation for the year	294
Disposals	(630)
IAS 29 adjustment	28
Effect of movements in foreign exchange	(44)
Balance at 31 December 2023	1,569
Net book value	
At 31 December 2023	314
At 31 December 2022	528

Amortisation charge

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

	2023 $'000	2022 $'000
Administrative expenses	294	602

13. Property, plant and equipment

Plant and	Fixtures and	Motor

	equipment $'000	fittings $'000	vehicles $'000	Total $'000
Cost				
Balance at 1 January 2022	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
Effect of hyperinflation	1,176	291	-	1,467
Additions	2,315	799	-	3,114
Disposals	(1,658)	(713)	-	(2,371)
Effect of movements in foreign exchange	(784)	(493)	-	(1,277)
Balance at 31 December 2023	14,394	4,159	23	18,576
Depreciation				
Balance at 1 January 2022	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
Effect of hyperinflation	948	263	-	1,211
Depreciation charge for the year	1,498	400	-	1,898
Disposals	(429)	(711)	-	(1,140)
Effect of movements in foreign exchange	(515)	(308)	-	(823)
Balance at 31 December 2023	8,210	3,254	23	11,487
Net book value				
At 31 December 2023	6,184	905	-	7,089
At 31 December 2022	6,637	665	-	7,302

14. 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 2022	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
Effect of hyperinflation	86	-	86
Additions	1,639	55	1,694
Depreciation	(2,859)	(193)	(3,052)
Disposal	(1,368)	(17)	(1,385)
Foreign exchange movement	(127)	(90)	(217)
At 31 December 2023	7,844	51	7,895

The range of incremental borrowing rates used during the year for right of use asset additions is 3.25%-18.4% (2022: 3.25%-35%).

Lease liabilities

	Land and buildings $'000	Plant and machinery $'000	Total $'000
At 1 January 2022	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
Effect of hyperinflation	-	-	-
Additions	1,645	55	1,700
Interest expense	571	15	586
Foreign exchange movement	(135)	(34)	(169)
Repayments	(3,343)	(249)	(3,592)
Lease Modifications	(1,469)	(28)	(1,497)
At 31 December 2023	8,880	70	8,950

The maturity profile of the lease liabilities is as follows:	2023 $'000	2022 $'000
Under 1 year	3,492	3,022
1-2 years	1,861	2,373
2-5 years	2,662	5,327
More than 5 years	935	1,200
	8,950	11,922

15. 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) 2023 $'000	Liabilities/ (assets) 2022 $'000
Property, plant and equipment	(458)	118
Losses	(1,113)	-
Tax (assets) / liabilities	(1,571)	118
Net tax (assets) / liabilities	(1,571)	118

Movement in deferred tax during the year

	1 January 2023 $'000	Recognised in income $'000	31 December 2023 $'000
Property, plant and equipment	118	(576)	(458)
Losses	-	(1,113)	(1,113)

Movement in deferred tax during the prior 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	-

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 forecasted performance in line with its going concern analysis. More details on the forecast assumption made at this judgement are in Note 2.

As at 31 December 2023, the Directors have assessed the recoverability of the deferred tax assets and concluded that sufficient taxable profits arising in the UK and elsewhere to utilise any deferred tax asset(s) would be probable. As a result, the Directors opted to recognise deferred tax asset(s).

A deferred tax asset has been recognised as at 31 December 2023 at a value of $1,565k. These deferred tax assets arise on interGroup transactions, provision for unrealised profits in China and estimated probable future taxable profits that are expected to arise within the Group whereby they can be offset against future tax charges.

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

	2023 $'000	2022 $'000
Tax losses carried forward against profits of future years	3,332	3,200

As at 31 December 2023, the Directors have assessed the unrecognized deferred tax assets related to tax losses carried forward against future profits is $3.3m, of which the Company will utilize $634,000 in FY2024 and $647,000 in FY2025 and the remaining amount will be carried forward to subsequent years. Given the profit achieved in FY2023, the Directors projected a similar revenue growth in FY2024 and FY2025 resulting in profits in the subsequent years.

Of the unused tax losses, $3,332,000 can be carried forward indefinitely.

16. Inventories

	2023 $'000	2022 $'000
Raw materials and consumables	6,117	6,605
Work in progress	7,084	7,735
Finished goods	12,796	13,002
	25,997	27,342

Inventories recognised as an expense during the year is disclosed in Note 7.

The provision for inventories recognised and reported in the Statement of Profit or loss during the year ended 31 December 2023 was $1,194,000 (2022: $333,000).

Trade loans are secured against inventories of $9,005,000 (2022: $9,583,000).

17. Trade and other receivables

	2023 $'000	2022 $'000
Trade receivables	16,943	16,167
VAT receivable	1,813	633
Other receivables	1,807	1,832
	20,563	18,632
Prepayments and accrued income	10,015	8,248
Total trade and other receivables	30,578	26,880

Included within trade and other receivables is $Nil (2022: $Nil) expected to be recovered in more than 12 months. The Group makes an impairment provision for all debts that are considered unlikely to be collected. At 31 December 2023, trade and other receivables were shown net of an allowance for impairment of $340,000 (FY22: $0).

Included within prepayments and accrued income are amounts of $Nil (2022: $Nil) relating to discounts on serial production contracts paid in advance.

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

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 historic credit losses are limited, however a small credit loss provision of $340,000 has been made at year end (2022 - $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.

As at 31 December 2023 trade receivables of $5,603,000 were past due net of impairment of $340,000 (2022 - $5,897,000 past due but not impaired). They relate to customers with no default history. The ageing analysis of these receivables is as follows:

	2023 $'000	2022 $'000
Not past due	11,340	10,270
Past due 1-90 days	4,480	4,260
Past due more than 90 days	1,123	1,637
	16,943	16,167

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 $4,193,000 (2022: $7,117,000).

18. Cash and cash equivalents

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

	2023 $'000	2022 $'000
Cash and cash equivalents	9,440	4,829
Unsecured bank overdraft	-	(358)
Cash and cash equivalents	9,440	4,471

The cash and cash equivalents balances are held in Current Accounts and are readily available with no restrictions in place. 67.0% of the Group's cash and cash equivalents are held in foreign subsidiaries (2022: 73.6%). The Parent Company has the ability to recall these balances through management charges and dividend repatriation.

19. Trade and other payables

	2023	2022
	$'000	$'000
Current		
Trade payables	20,187	21,793
Non-trade payables and accrued expenses	9,684	10,266
Other taxation and social security	1,997	2,449
Contract liabilities	5,769	4,118
Other payables	5,753	7,298
Total	43,390	45,924

Included within trade and other payables is $Nil (2022 - $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. Employee social security and taxes are valued at fair value.

20. 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.

	2023	2022
	$'000	$'000
Current liabilities		
Unsecured bank overdraft	-	358
Current portion of secured bank loans (Trade Loans)	9,005	9,583
Invoice finance	4,193	7,117
	13,198	17,058
Total	13,198	17,058

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:

	2023	2022
	$'000	$'000
USD	7,779	8,982
GBP	-	358
EUR	5,277	7,718
RMB	142	-
	13,198	17,058

	Currency	Nominal interest rate	Contracted maturity	Carrying amount 31 December 2023 $'000	Carrying amount 31 December 2022 $'000
Unsecured bank overdraft	GBP	2.5%	2024	-	358
Trade loans	EUR/USD	4.04%	2024	9,005	9,583
Invoice finance	EUR/USD	3.75%	2024	4,193	7,117
				13,198	17,058

Terms and debt repayments

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

Trade loans are issued on a 70 day repayment basis and interest payable at the end of the loan period at the rate of 3.75% per annum over either the Bank of England Rate or the Currency Rate.

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

2023	**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	9,583	(660)	82	-	529	(529)	9,005
Invoice finance	7,117	(2,974)	50	-	925	(925)	4,193
Lease liabilities	11,922	(3,005)	(1,667)	1,700	586	(586)	8,950
Balance at 31 December 2023	28,622	(6,639)	(1,535)	1,700	2,040	(2,040)	22,148

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

21. 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 6 to 17. 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 6.

Adjusted EBITDA and Adjusted EBITDA margin	**2023 $'000**	**2022 $'000**
Adjusted EBITDA from continuing operations	16,090	(7,129)
Adjusted EBITDA margin	11.25%	(6.20%)
Non-underlying & non-recurring items		
- AIM listing fees	-	(31)
- Impairment of goodwill	-	(1,158)
- Impact of Hyperinflation	(683)	(665)
- Backdated Housing fund contribution	-	(453)
- Start-up costs in Mexico	-	(1,738)
- Irrecoverable excess freight costs	-	(238)
- One-off working capital write offs	(494)	-

- Redundancy Costs	(71)	-
- Costs from historic tooling projects	(849)	-
- COVID related business disruption charges	(277)	
EBITDA	13,716	(11,412)
EBITDA margin	9.59%	(9.18%)

Adjusted operating profit / (loss) before tax and Adjusted operating profit / (loss) before tax margin	**2023 $'000**	**2022 $'000**
Adjusted operating profit / (loss)	10,846	(12,551)
Adjusted operating Profit / (loss) margin	7.59%	(10.1%)
Non-underlying items		
- AIM listing fees	-	31
- Impairment of goodwill	-	1,158
- Impact of hyperinflation	(683)	665
- Backdated Housing fund contribution	-	453
- Start-up costs in Mexico	-	1,738
- Irrecoverable excess freight costs	-	238
- One-off working capital write offs	(494)	-
- Redundancy Costs	(71)	-
- Costs from historic tooling projects	(849)	-
- COVID related business disruption charges	(277)	
Operating profit / (loss)	8,472	(16,834)
Operating profit / (loss) margin	5.93%	(13.5%)

22. Events after the reporting period

There are no events after the reporting period affecting these financial statements.

END

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