

Westek Technology Limited

Company registration number: 02026198

Annual report and financial statements

For the year ended 31 December 2018



Westek Technology Limited
Contents

	Page
Officers and professional advisers	3
Directors' report	4
Independent auditor's report	7
Income statement	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11

Westek Technology Limited

Officers and professional advisers

Directors

D Stroud

C MacPherson

Company secretary

C MacPherson

Registered office

Cody Technology Park

Old Ively Road

Farnborough

Hampshire

United Kingdom

GU14 0LX

Principal Bankers

Clydesdale Bank

Gloucester Business & Private Banking Centre

5 Northgate Street

Gloucester

United Kingdom

GL1 2AH

Principal legal advisers

CMS Cameron McKenna Nabarro Olswang LLP

Cannon Place

78 Cannon Street

London

United Kingdom

EC4N 6AF

Auditor

Deloitte LLP

Abbey House

Abbey Street

Reading

United Kingdom

RG1 3BD

Westek Technology Limited

Directors' report

For the year ended 31 December 2018

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditor's report for the year ended 31 December 2018.

Westek Technology Limited ("the Company") is a private limited company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The Company's registered and principal address is Cody Technology Park, Old Ivelly Road, Farnborough, Hampshire, GU14 0LX.

The Company is a direct subsidiary of TP Group plc, a company listed on the Alternative Investment Market, a sub-market of the London Stock Exchange.

The Directors that have elected to prepare the financial statements in accordance with the special provisions applicable to companies subject to the small companies' regime, which includes an exemption from preparing a strategic report.

The financial statements for the year ended 31 December 2018 are set out on pages 8 to 18. A profit for the year of £487,000 (2017: £159,000) has been transferred to reserves.

Principal activity

The principal activity of the Company consists of the design and manufacture of rugged rack mounted computer and storage systems.

Review of business

On 2 November 2018 the entire share capital of the Company was acquired by TP Group plc.

2018 was a substantial growth year for Westek with a number of new large customers as well as existing programs moving into the delivery phase. We also secured many new contracts and expanded into new territories. Our channel partners also increased demand in Europe and Asia. As a result, Westek doubled its output capacity in order to meet demand. We enter 2019 with an excellent order book and a number of further large opportunities to continue our growth.

Future developments

We enter 2019 with an excellent order book and a number of further large opportunities to continue our growth.

Dividends

A dividend of £787,000 was approved by the Board of Directors and paid on 2 November 2018 (2017: £nil).

Charitable and political contributions

No charitable or political contributions were made during the financial year (2017: £nil).

Going concern

A review of going concern is included within the accounting policies described in note 2 to the Financial Statements.

Risks and uncertainties

The business predominantly undertakes large contracts for customers and the main operating risks relate to contract delivery and performance, including cost. Internal procedures are designed to ensure that risks are properly managed on a contract-by-contract basis so that contracts are successfully delivered to customers on time, on budget and to the highest quality specifications.

Contracts are occasionally undertaken in foreign currencies (principally euro and US dollar) leading to an exposure to exchange rate movements for both sales and purchase transactions. Where these cannot be offset, forward exchange contracts are utilised to minimise the risk.

The Company is not reliant on any external banking facilities and funds its working capital through its own cash resources and funds advanced from the wider TP Group Plc.

Westek Technology Limited
Directors' report (continued)
For the year ended 31 December 2018

Directors

The following were directors of the Company during the financial year and up to the date of this report, except as noted:

D Stroud	- appointed 2 November 2018
C MacPherson	- appointed 2 November 2018
H S Hunter	- resigned 2 November 2018
N Wilson	- resigned 2 November 2018

The Company has arranged qualifying third party indemnity for all of its directors.

Events since the reporting date

There are no events since the reporting date.

Employees

The success of the Company depends on maintaining a highly qualified and well-motivated workforce. Every effort is made to achieve a common awareness of the financial and economic factors affecting the performance of the Company. Regular communication with all employees is essential and achieved by informal meetings, email updates and internal briefings.

The Company's Equality Policy encourages recruitment, training, career development and promotion on the basis of professional capability and is committed to retaining and retraining as necessary employees who become disabled during the course of their employment.

Branches outside the UK

The Company has no branches outside the UK as defined in section 1046 (3) of the Companies Act 2006.

Directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "Reduced Disclosure Framework".

Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that financial period. In preparing these financial statements, the directors are required to:

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

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

Westek Technology Limited
Directors' report (continued)
For the year ended 31 December 2018

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all reasonable steps that they ought to have taken as a director to make themselves aware of any relevant audit information to establish that the Company's auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

MHA Monahans resigned as auditor on the date of acquisition and Deloitte LLP appointed on the same date.

The Directors have undertaken a competitive tender process for the 31 December 2019 year end audit. The Directors' have resolved to appoint RSM UK Audit LLP as auditors following the completion and issuance of these financial statements. Deloitte LLP has indicated their willingness to remain in office until RSM UK Audit LLP are appointed.

Approved by the board and signed on its behalf by:



D Stroud
Director

Date: 31/05/2019

Registered office:
Cody Technology Park
Old Ively Road
Farnborough
Hampshire,
United Kingdom,
GU14 0LX

Independent auditor's report for Westek Technology Limited

For the financial year ended 31 December 2018

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Westek Technology Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we

have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report for Westek Technology Limited (continued)

For the financial year ended 31 December 2018

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in the requirement to prepare a strategic report; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in the requirement to prepare a strategic report.
-

We have nothing to report in respect of these matters.

Independent auditor's report for Westek Technology Limited
For the financial year ended 31 December 2018

Use of our report

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



Simon Olsen FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
31 May 2019

Westek Technology Limited
Income statement
For the year ended 31 December 2018

		2018	2017
		£'000	£'000
	Notes		
Revenue		4,070	3,523
Cost of sales		(2,454)	(1,962)
		<u>1,616</u>	<u>1,561</u>
Gross profit			
Administrative expenses		(978)	(1,344)
		<u>638</u>	<u>217</u>
Operating profit			
Finance costs		(8)	(30)
		<u>630</u>	<u>187</u>
Profit before taxation			
Tax charge on profit	4	(143)	(28)
		<u>487</u>	<u>159</u>
Profit for the financial year			

The above results are wholly attributable to continuing activities.

There is no other income or loss for the current or previous financial year, other than shown above. Accordingly, no Statement of comprehensive income has been presented.

The notes on pages 13 to 20 form part of these financial statements.


Westek Technology Limited
Statement of financial position
At 31 December 2018

		2018	2018	2017	2017
		£'000	£'000	£'000	£'000
	Note				
Non-current assets					
Tangible fixed assets	5		82		69
Total non-current assets			82		69
Current assets					
Stocks	6	613		915	
Trade and other receivables	7	544		1,302	
Cash and bank balances		171		1	
Total Current assets		1,328		2,218	
Current liabilities					
Trade and other payables	8	(605)		(1,330)	
Corporation tax		(137)		(28)	
Obligations under hire purchase and lease contracts	10	(22)		(16)	
Total current liabilities		(764)		(1,374)	
Net current assets			564		844
Total assets less current liabilities			646		913
Non-current liabilities					
Trade and other payables	9		(113)		(42)
Obligations under hire purchase and lease contracts	10		-		(38)
Total non-current liabilities			(113)		(80)
Net Assets			533		833
Equity					
Share capital	11		1		1
Share premium			100		100
Capital redemption reserve			150		150
Profit and loss account			282		582
Total equity			533		833

The notes on pages 13 to 20 form part of these financial statements. The Directors that have elected to prepare the financial statements in accordance with the special provisions applicable to companies subject to the small companies' regime.

The financial statements of Westek Technology Limited (registered number: 02026198) were approved by the board of directors on 31 May and signed on its behalf by:

D Stroud
 Director



Westek Technology Limited
Statement of changes in equity
For the year ended 31 December 2018

	Share capital	Share premium	Capital redemption reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	1	100	150	423	674
Profit for the financial year	-	-	-	159	159
Balance at 31 December 2017	1	100	150	582	833
Profit for the financial year	-	-	-	487	487
Dividend paid	-	-	-	(787)	(787)
Balance at 31 December 2018	1	100	150	282	533

The notes on pages 13 to 20 form part of these financial statements.

A dividend of £787,000 was approved by the Board of Directors and paid on 2 November 2018 (2017: £nil). This represents a dividend per share of £787.

Westek Technology Limited
Notes to the financial statements
For the year ended 31 December 2018

1) Basis of accounting and general information

Westek Technology Limited ("the Company") provides rugged, high performance computer servers and ancillary equipment for military and industrial customers. The Company currently provides its services mainly in the United Kingdom with a smaller proportion of its revenue generated in the United States of America and other European countries.

The Company is a private company and is incorporated and domiciled in the United Kingdom. The address of the registered office is Cody Technology Park, Old Ively Road, Farnborough, Hampshire, United Kingdom, GU14 0LX.

2) Summary of significant accounting policies

2.1) Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies' regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless other stated. The financial statements have been prepared on the historical cost basis.

The company's functional currency is the Pound Sterling (£).

Going concern

The directors have reviewed the potential impact of Brexit. Although the final outcome is unclear the business has considered the impact of labour mobility, regulatory issues, taxation and foreign exchange. Due to the nature of the Company's activities and operating model, management believes that the going concern of the business will not be materially impacted by Brexit, irrespective of the form it takes.

The directors have reviewed liquidity projections for the Company covering a forecast period of at least twelve months from the date of signature of these financial statements. The forecasts are based on the cash flows expected from secured long-term contracts and forecast future demand. Whilst recognising the inherent uncertainty of any future forecast, the directors are satisfied that the Company has adequate resources to continue in operational existence for at least twelve months from the date of signature of these financial statements. Confirmation has been obtained from the parent company that it will continue to provide financial support to enable the company to meet its financial. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

2.2) Significant management judgements in applying accounting policies

The directors do not believe there to be any material judgements made in the process of applying the Group's accounting policies which are likely to lead to a material change to the amounts recognised in the consolidated financial statements in the next twelve months.

2.3) Key sources of estimation uncertainty

The key source of estimation uncertainty at the end of the reporting period that has a risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year is the stock provision. In arriving at a stock provision of £403k (2017: £84k), the Directors are required to estimate the future usage of stock held at 31 December 2018 given past experience and the information available to them.

2.4) Consolidation

The Company has taken advantage of the exemption under s401 to the Companies Act 2006 from the requirement to produce consolidated financial statements since the Company is a wholly owned subsidiary undertaking of TP Group plc., a Company registered in England and Wales, and incorporated in the United Kingdom, which itself prepares consolidated financial statements. The financial statements therefore present information as an individual undertaking and not as a group.

Westek Technology Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

2) Summary of significant accounting policies (continued)

2.5) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for rugged rack mounted computer and storage systems, net of returns, discounts and rebates allowed by the company and value added taxes.

Sale of goods and services

Revenue from the sale of goods is recognised when the goods are physically delivered to the customer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customer in advance of services provided the amounts are recorded as deferred income and included as part of creditors due within one year.

2.6) Cost of sales

Cost of sales represents the actual costs of materials, direct labour and overheads incurred with reference to the stage of completion of the contract at the reporting date.

2.7) Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

Current tax

Current taxation is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the Income statement because items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Westek Technology Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

2) Summary of significant accounting policies (continued)

2.8) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Depreciation is provided on all Tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Short Leasehold	4% on a straight line basis
Plant and machinery	50% on a straight line basis
Fixtures and fittings	15% on a straight line basis
Motor vehicles	25% on a straight line basis

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any changes is accounted for prospectively.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

An item or Tangible fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item or Tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount and is recognised in Income statement.

2.9) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

2.10) Financial instruments

The company has elected to apply the provisions of section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' of IFRS 102 to all of its financial instruments.

Financial instruments are recognized in the company's Statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Westek Technology Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

2) Summary of significant accounting policies (continued)

2.10) Financial instruments (continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank overdrafts and commercial finance loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.11) Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2.12) Leasing

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at their value of the lease asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Income statement on a straight-line basis over the period of the lease.

2.13) Retirement benefit costs

The Company operates a defined contribution stakeholder pension scheme for employees. Payments to the defined contribution retirement benefit plans are recognised as an expense when the employees have rendered service entitling them to contributions.

Westek Technology Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

2) Summary of significant accounting policies (continued)

2.14) Foreign currency translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognised in the Income statement in the period in which they arise.

2.15) Research and development

Expenditure on research and development is written off in the year in which it is incurred.

2.16) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3) Employees

The average number of persons (including directors) employed by the Company during the year was 26 (2017: 26).

4) Taxation

Charge to the Income statement:

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax at 19% (2017: 19.25%)	143	28
	<hr/>	<hr/>

Westek Technology Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

5) Tangible fixed assets

	Short leasehold	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2017	6	29	61	36	132
Additions	-	3	1	71	75
Disposals	-	-	-	(23)	(23)
At 31 December 2017	6	32	62	84	184
Additions	-	29	14	-	43
Disposals	-	(11)	(2)	-	(13)
At 31 December 2018	6	50	74	84	214
Depreciation:					
At 1 January 2017	6	28	53	35	122
Charge for the year	-	1	3	12	16
Eliminated on disposal	-	-	-	(23)	(23)
At 31 December 2017	6	29	56	24	115
Charge for the year	-	4	6	20	30
Eliminated on disposal	-	(11)	(2)	-	(13)
At 31 December 2018	6	22	60	44	132
Net book value:					
At 31 December 2018	-	28	14	40	82
At 31 December 2017	-	3	6	60	69

The Company's obligations under finance leases are secured by the lessors' title to the leased assets, which have carrying value of £42,000 at 31 December 2018 (2017: £60,000).

6) Stocks

	2018 £'000	2017 £'000
Stocks	613	915

During the year a provision of £403,000 was created against aged stock balances. The replacement cost of un-provided stock is not materially different to the carrying value.

Westek Technology Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

7) Trade and other receivables		
	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	512	629
Amounts owed by group undertakings	-	660
Other debtors	8	7
Prepayments	24	6
	<u>544</u>	<u>1,302</u>
8) Trade and other payables: amounts falling due within one year		
	2018	2017
	£'000	£'000
Bank loans and overdrafts	-	321
Trade creditors	358	470
Social security and other taxes	17	92
Accruals and deferred income	230	447
	<u>605</u>	<u>1,330</u>
9) Trade and other payables: amounts falling due after more than one year		
	2018	2017
	£'000	£'000
Bank loans	-	3
Deferred income	113	39
	<u>113</u>	<u>42</u>
10) Secured debts		
	2018	2017
	£'000	£'000
Bank overdrafts	-	281
Bank loans	-	43
Hire purchase contracts	22	54
	<u>22</u>	<u>378</u>

Westek Technology Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

11) Called up share capital

	2018	2017
	£'000	£'000
Issued and fully paid:		
1,000 Ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

12) Operating lease commitments

As at 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£'000	£'000
Not later than one year	36	36
Later than one year but not later than five years	144	144
Later than five years	62	98
	<u>242</u>	<u>278</u>

13) Related party transactions

The company has applied the exemption within Section 33.1A of FRS 102 not to disclose transactions with either its parent company or fellow wholly owned member of TP Group plc.

14) Controlling parties

The immediate and ultimate parent Company and controlling entity is TP Group plc, a Company incorporated in the United Kingdom and registered in England and Wales. It was the parent undertaking of both the smallest and the largest group for which group financial statements are prepared for the year ended 31 December 2018. Copies of the group financial statements are available from Cody Technology Park, Old Ivelly Road, Farnborough, Hampshire, GU14 0LX.