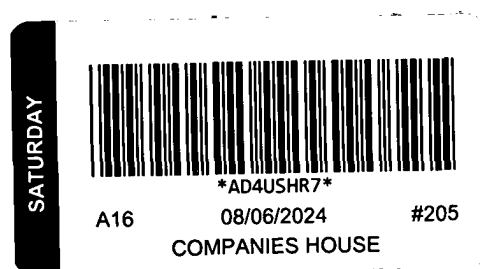


Company Number: 10451211



Defined by
INNOVATION

CT Automotive Group plc
Annual Report and
Financial Statements 2023

WELCOME

A return to strength driven by sustainable operational efficiencies

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 environment allowed our business to flourish 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.

Our Purpose

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

Our Mission

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

Further investor information

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

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

Financial Highlights

Revenue

\$143.0m*

2022: \$124.3m

Gross profit

\$30.9m*

2022: \$14.9m

Underlying EBITDA

\$16.1m*

2022: \$(7.1)m

Net Debt

\$3.8m*

2022: \$12.2m

* Continuing operations excluding UK discontinued operations.

- ⊕ 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).

Operational highlights

- ⊕ 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.

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Our production approach is market-agnostic, focusing on the specific needs and requirements of our customers

CT Automotive offers two principal services:

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

We are the all-round interior trim supplier

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

Serial Production is the manufacture of parts for supply to OEM assembly lines for inclusion in car interiors, either directly to the OEM or through a Tier 1 supplier.

Air registers

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

Wrapped assemblies

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

Decorative finishes

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

Mechanical assemblies

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

Light guides

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

HVAC

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

Our global footprint

The Group has an international manufacturing footprint, with the majority of production across four sites in China, and additional sites in Türkiye, Mexico and Czechia.

Our operating model combines western design and engineering expertise with lower cost manufacturing capabilities, to provide an integrated design through to production service.

Czechia

Japan

Türkiye

Mexico

China

Manufacturing sites

7

Sales offices

6

Innovation and design centres

2

Distribution hubs

7

Expertise in design-led customer solutions

Growth strategy

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

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

Our focus in the current year is to align our proposition with our customers' needs, working collaboratively to provide design-led solutions and deliver quality components to all segments of the automotive market. We continue to focus on driving efficiencies across the business.

Increasing penetration of existing OEM and Tier Ones

The Group has strong, established relationships with a number of Tier 1 suppliers such as Forvia and Marelli as well as with OEMs such as Nissan, Ford, GM and Volkswagen Audi Group. Maintaining strong strategic relationships with all customers across the board is critical to ensure ongoing nomination on future vehicle platforms with each customer and also to increase content and value of components per vehicle. The vehicle interior environment is rapidly becoming a key product differentiator, with manufacturers across the board allocating an increasing share of their build cost to deliver improved levels of quality and customer delight features. Modern consumers now expect more from their vehicles, prompting OEMs to introduce captivating and distinctive features to elevate their interiors and differentiate themselves from competitors. These trends align favourably with the Group's strategic position, with its expertise and experience, and with its reputation for working collaboratively to deliver new design-led client solutions. For example, the Group has been able to diversify its product range into new areas such as electronic actuators that are being used in air vents. Such innovations and interior enhancements tend to be more expensive, yielding improved profit margins and a higher component value per car set.

Development of new customer relationships

The majority of global vehicle production is undertaken by 23 manufacturers which collectively account for approximately 85% of total annual vehicle production. Of these 23 manufacturers, the Group currently supplies component parts to over 57 different models for 22 OEMs. Through CT Automotive's proven track record of delivering quality components to all segments of the automotive market and with seven new production programme wins added in 2023, the Group is confident of its ability to expand and develop new customer relationships.

Robotics and cost savings

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

Business model differentiators

Opportunities

The trend towards higher-quality interiors presents favourable opportunities for CT Automotive, and projects involving higher-quality cabins and any resulting increases in component value per car, yield better margins.

Pipeline visibility

Visibility on revenues is bolstered by the long-term nature of contracts with customers and embedded relationship status.

Niche market with high barriers to entry

There are very few suppliers globally that possess the necessary capabilities to succeed. An onerous onboarding process and customers' risk aversion mean that this is a niche market with high barriers to entry.

Embedded relationships

CT Automotive currently has an embedded supplier status with Nissan, Ford and Volkswagen Audi Group and aims to establish similar relationships with other leading OEMs.

Diversified manufacturing base

CT Automotive has diversified its manufacturing base and boasts extensive manufacturing operations in China and Türkiye. The recently established manufacturing facility in Mexico has enhanced our capability to service the North American market.

Balance sheet strength

The Group is in a strong position post its \$9.6 million fundraise and has quickly bounced back to being cash generative in 2023.

Cost savings initiatives

Investment in robotics and consistent focus on broader manufacturing efficiencies, backed by rigorous KPI monitoring on cost metrics, put the Group in a strong position to deliver gross margin improvement and invest in growth.

Experienced management team

A collective experience of over 70 years in the automotive industry and a wealth of invaluable knowledge and expertise, and with deep experience in publicly listed companies.

Supported by our values

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

People & culture

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

Trust

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

Collaboration

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

Operational excellence

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

Sustainability

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

Agility

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

Innovative business model

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

1	2	3	4
Established	What we do	Clients	Value creation
⊕ Experienced management team ⊕ Niche market/high barriers to entry ⊕ Embedded relationships	⊕ Design & Innovation ⊕ Development ⊕ Manufacture ⊕ Engineering ⊕ Distribution	⊕ OEMs - Value brands - Premium brands - Electric vehicles ⊕ Tier 1 suppliers	⊕ Shareholder/ Stakeholder value - Customers - Investors & Lenders - Suppliers - Employees - Communities

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).



RAYMOND BENCH
Non-Executive Chairman

S172 Statement

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

CEO's review

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 identical 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 \$3.3ml), 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.



SIMON PHILLIPS
Chief Executive Officer

CT Automotive serial production revenue by OEM

OEM	% of Revenue
Nissan	47%
Skoda	15%
Ford	14%
Major EV OEM	5%
Other	4%
Seat	3%
GM	3%
VW	3%
Mazda	2%
Renault	2%
Bentley	1%
Lamborghini	1%

Estimated market for the interior components categories supplied by CT Automotive

\$7.2bn

Existing customers' share of the automotive market

66%

Revenue of Marelli/Nissan across c.23 platforms

\$62m

Market adaptability and customer alignment

Our primary objective is to provide our clients with high-quality, versatile products that are customised to their precise specifications.

Our organisation is a leading supplier of automotive interior trims to original equipment manufacturers (OEMs) and Tier 1 suppliers in key global markets, including China, Europe, and the USA. Our OEM and Tier 1 partners are renowned for their sophisticated market analysis skills, which enable them to identify and forecast product demands across regional and global markets. Our primary objective is to provide our clients with high-quality, versatile products that are customised to their precise specifications.

To achieve this, our production approach is market-agnostic, focusing instead on the specific needs and requirements of our customers. By adopting this strategy, we can remain flexible in our approach to respond to diverse market conditions and customer preferences, thereby supporting our partners in delivering products that are perfectly suited to market demands and customer trends. Our steadfast commitment to this model has resulted in our continued success and strategic positioning as an embedded supplier within the industry.

Our analysis of market trends in 2023 showed that, as 2024 approached, the spread of vehicle drive trains remained widespread. Despite the BEV (Battery Electric Vehicle) market's continued growth, it made only moderate year-on-year progress compared to the previous year's growth.

This was in part due to suppressed global consumer spending which drove slow deployment of EV investment programmes. Meanwhile the ICE (Internal Combustion Engine) market remained robust, and similarly PHEV (Plug-in Hybrid Electric Vehicle) share continued to be robust.

The broad return to a mixed offering of vehicles, including gas-powered vehicles alongside hybrids and fully electric options, well positions CT Automotive for continued growth across all segments. This trend is expected to continue into 2024. While some level of growth is anticipated in the EV market, the rate of that growth is not projected to reach the levels seen in 2021 and 2022.

2023 underpinned our diversity of clients and regions with CT Automotive working on major engineering, design, and development programs for rising BEV companies, such as Rivian. We also continued to grow our relationships with our legacy global brand customers in engineering, design, and development of next generation products for all segments, be it BEV, PHEV or indeed ICE.

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 32 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 during the first six months of FY23.

Profit from continued 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 rising 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.

Financial KPIs

Revenue \$m

\$143m*

2023	143*
2022	124.3*
2021	127.8*

Underlying EBITDA \$m

\$16.1m*

2023	16.1*
2022 (7.1)*	
2021 3.3*	

Underlying Profit/(Loss) before tax \$m

\$8.3m*

2023	8.3*
2022 (14.5)*	
2021 (6.8)*	

Profit/(Loss) before tax \$m

\$5.9m*

2023	5.9*
2022 (18.8)*	
2021 (12.4)*	

Net debt \$m

\$3.8m*

2023	3.8*
2022	12.2*
2021	9.1*

* Continuing operations excluding UK discounted operations.

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.



ANNA BROWN
Chief Financial Officer

Reducing our environmental impact

Related Sustainable Development Goals (SDGs):

The Group is committed to managing the environmental impact of its activities in order to protect the environment and conserve natural resources, reduce pollution, work towards cleaner production processes and disclosing information in line with Streamlined Energy and Carbon Reporting (SECR) and Sustainability Accounting Standards Board (SASB).

As part of the Group's commitment to sustainability, we are actively managing our environmental objectives through our recently-established Environment Management System ISO 14001. In line with our targets, this system has been introduced at all of our operational sites, with our newest facility in Mexico expected to fully adopt the system by mid-2024. The system includes the Group activities together with our employees, contractors, suppliers, customers and communities to ensure high standards of environmental protection.

Hebei Guyuan County Wind Power Project,
Hebei Province, China

CO₂ emissions (in tonnes)

	CTA China - Shenzhen & Ganzhou	CTA Turkey- Gebze	CTA Mexico- Puebla	CTA UK- DC	CTA Czech- Kolin
2023 (18,974)	14,812	2,719	578	20	10
Scope 1 (Direct emission)	6,060	1,340	287	-	-
Scope 2 (Indirect emission)	8,752	1,429	291	20	10
Scope 3 (Indirect emission)					
Vehicle (Employee commuting)	63	13	-	-	-
Employee business travel			42		
Shipping (Calculated for two largest shipment services)			667		
2022 (Scope 2)	7,827	1,232	41	157	-
2021 (Scope 2)	7,695	1,017	-	208	-
2020 (Scope 2)	8,470	1,184	-	187	-

Excluding CTA US-DC.

Looking ahead to 2024

CT Automotive is committed to increasing our investment in carbon offsetting projects by

20%

which will focus primarily on offset projects of renewable energy sources not only in China but across all our manufacturing locations.

Ownership of our Environmental Policy rests with the CT Automotive Board, which is responsible for providing the strategic vision and direction on all environmental-related matters. The Board is committed to supporting all our operational facilities in ensuring that this policy is effectively implemented across the Group.

CTA China, Shenzhen, Audit meeting

Waste Management

CT Automotive is increasing its focus on reducing the generation of waste across its operational locations. In 2023, we implemented more rigorous waste management processes at our sites and set a clear target to reduce waste production by 5% for 2024.

Water Management

CT Automotive recognises that water scarcity is a key issue that the Group needs to address. As such, we have made significant efforts to reduce and conserve water across our manufacturing sites in 2023. This will remain a priority for the Group in 2024, and the target is to reduce usage by 5% in 2024.

Energy management

The Group remains committed to reducing its energy consumption, and is focused on continually improving the energy efficiencies of our operations. In 2023, the Group made the following improvements towards its energy management targets:

- ⊕ The installation of low-energy equipment (including LED lighting, smart lighting systems, air compressors, air conditioning, and sewage treatment plant motor automation) across all of its operational sites;
- ⊕ Improved the ventilation at its sites in order to reduce dependency on air conditioning systems;
- ⊕ Short-term goal (until 2026): increasing investment in carbon offsets by investing in renewable energy projects; and
- ⊕ Long-term goal: assessing feasibility of investing in solar energy sources.

	CT China-Shenzhen	CTA China-Ganzhou	CTA Türkiye-Gebze	CTA Mexico-Puebla	CTA UK-DC	CTA Czech-Kolin	Group
Total waste generated (Tonnes)	240	74	158	24	99	37	632
Hazardous waste (Tonnes)	5	59	46	1	-	-	111
Percentage of hazardous waste (Tonnes)	2%	80%	29%	2%	0%	0%	17%
Recycled waste percentage	98%	20%	71%	98%	100%	100%	83%

Excluding CTA US-DC.

	CT China-Shenzhen	CTA China-Ganzhou	CTA Türkiye-Gebze	CTA Mexico-Puebla	CTA UK-DC	CTA Czech-Kolin	Group
2023 (Kilolitres)	12,389	85,012	3,581	48	55	58	101,143
Target 2024 (Kilolitres)	11,700	80,000	3,408	45	52	54	95,251

Excluding CTA US-DC.

	CT China-Shenzhen	CTA China-Ganzhou	CTA Türkiye-Gebze	CTA Mexico-Puebla	CTA UK-DC	CTA Czech-Kolin	Group
2023 (kWh)	5,201,969	10,564,080	3,676,552	967,269	83,611	49,722	20,543,203
2022 (kWh)	5,075,664	8,978,010	2,892,025	137,087	104,220	-	17,187,006
2021 (kWh)	5,049,096	8,967,060	2,711,436	-	106,259	-	16,833,851

Excluding CTA US-DC.

CTA China, Ganzhou, Audit meeting

Caring for our people

Related Sustainable Development Goals (SDGs):

We believe that our people are critical to CT Automotive's success, and recognise that our success hinges on the attitudes and behaviours of our employees. We strive to create a working environment and a culture that encourages them to deliver outstanding performance for our customers while operating with uncompromising ethics.

As a result, the Board is committed to supporting their performance, wellbeing, personal development and rights in the work place, and to ensure that they are rewarded for what they do.

Employee voice

We care about what our employees think about the organisation and are always keen to learn how and where it needs to improve. In 2023, the Group conducted a workplace survey in collaboration with Workday Peakon, with employees across all our operation sites taking part. Employees were asked to rate and provide feedback on the organisation's performance: engagement; diversity and inclusion; health and wellbeing; and transformation and change. The survey identified communication and pay as the key improvement areas.

The Board is pleased to report that employee participation continues to increase, and results are used to drive continuous improvements.

CTA India, Christmas celebration

CTA Mexico, Work anniversary celebration

CTA Türkiye, Team lunch

CTA China, Shenzhen,
Work anniversary celebration

CTA India, Pune Cricket tournament

The Board places great importance on visiting the Group's operational sites throughout the year to engage directly with local management and employees. This enables the Directors to understand the priorities for local teams, as well as to celebrate special moments with CT Automotive's people. In 2023, the Group has held events to celebrate the work anniversaries of over 1,000 employees, giving special recognition to over 50 employees for their efforts at work, held an annual employee lunch or dinner at each site, as well as organised team sports event with over 300 employees participating.

As part of our commitment to the UN SDGs, the Board has chosen to focus our resources and attention on three primary goals:

- ⊕ Diversified & inclusive workplace with equality at all stages (junior, supervisor, managerial and executive level).
- ⊕ Decent work & economic growth.
- ⊕ Come safe, work safe & go safe.

As a signatory of UNGC, the Company's practice is to uphold and support the protection of internationally proclaimed human rights.

In support of this, the Company has committed to:

- ⊕ Perform due diligence of its suppliers through the supply chain system (with the target of auditing a minimum of 15% of our suppliers across the regions in which we operate).
- ⊕ Set up a committee to monitor human rights within the workplace.
- ⊕ Integrate training and accountability for respecting human rights across the business.
- ⊕ Operate legally and ethically in each country wherever we do business.
- ⊕ Work closely with all our suppliers to ensure they operate in accordance with human rights laws.

The Company does not, and never has permitted the use of child labour or forced labour in its business.

CTA Türkiye, Board visit

2023 performance

Diversity

CT Automotive supports diversity and equality, employing a workforce that spans various ages, gender, disabilities, ethnicities and religions. The Group is pleased to report that the number of women represented in its workforce continues to increase across its operational sites, with women representing 48.3% of the total workforce. The Board is also proud to say that the overall average gender pay gap for the Group in 2023 was 0.24%, a significant improvement following our review of staff remuneration in 2022.

		CTA China-Shenzhen	CTA China-Ganzhou
Junior level	Native	99%	100%
	Non-native	1%	0%
Supervisor or Managerial level	Native	80%	100%
	Non-native	20%	0%
Department head	Native	30%	50%
	Non-native	70%	50%

		CTA China-Shenzhen	CTA China-Ganzhou	CTA Türkiye-Gebze	CTA Puebla-Mexico	CTA Czech Republic	CTA India-Pune	CTA UK-HO	CTA UK-DC	CTA Group
Junior level	Male	57%	48%	35%	46%	20%	43%	43%	85%	47%
	Female	43% ☺	52% ☺	65% ☺	54% ☺	80%	57% ☺	57%	15% ☺	53%
Supervisor or Managerial level	Male	72%	75%	64%	57%	0%	91%	43%	75%	60%
	Female	28% ☺	25% ☺	36% ☺	43%	100%	9% ☺	57%	25%	40%
Department head	Male	91%	93%	75%	57%	100%	100%	75%	100%	86%
	Female	9% ☺	7% ☺	25% ☺	43% ☺	0%	0%	25%	0%	14%

Caring for our people continued

Training and Development

The success of our business depends on our ability to deliver innovative solutions to our customers. At CT Automotive, we are committed to supporting our employees by providing them with a stimulating workplace and career development.

From recruiting the right talent to preparing our employees for the future ahead, CT Automotive has programmes in place to support our people in their career ambitions, as well as ensuring the team have sufficient and practical resources allocated to them to perform their roles to the highest standard.

In 2023, the Group focused on increasing efficiency and productivity at its operational sites by providing regular internal and external training programmes, which included sessions such as auditors training for IATF & ISO standards, VDA 6.5 and 6 sigma.

Internal Training		External Training	
Training hours	Employees covered	Training hours	Employees covered
23,227	4,887	280	53

The Group also supports its employees in their ambition to pursue further education to further advance their careers. In 2023, CT Automotive supported two employees in this way by sponsoring their postgraduate education programmes.

The Company is also pleased to report that 42 employees were recognised for their hard work over the year with promotions to more senior roles.

Workplace rights

CT Automotive has strict policies in place to provide its employees with a safe workplace. All Group sites have Worker Union Groups, registered in compliance with local regulations, which meet at regular intervals with site management to discuss any issues in the workplace.

The Group is committed to work without violating human rights within the workplace, protect employees from wrongdoing and take serious actions against any violations. This commitment is also reflected by our site human resources policies which are in line with local and federal regulations.

Equality - Inclusion & non-discrimination

The Company has a zero tolerance policy towards discrimination in the workplace. This policy is supported with regular training provided to employees across all locations.

CTA Türkiye, Gebze football tournament

CTA China, Shenzhen, Mountain trekking

CTA Mexico, Puebla, Christmas celebration

CTA China, Shenzhen, Union meeting

CTA India, Cricket world cup match

Health and Safety

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

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

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

- ⊕ A medical examination of employees before onboarding at certain manufacturing facilities, and a routine annual inspection for factory employees working in critical operations (such as moulding and chemical handling).
- ⊕ Workplace monitoring by external agencies authorised by local administration, particularly in operational sites where activities include elements of high heat, noise, vibration and chemicals that can significantly affect the health of our employees.

In 2023, the Group began the roll out of its health and safety policies and achieved ISO 45001:2018 in Occupational Health & Safety Management System for our manufacturing facilities in Türkiye. We are also progressing with achieving ISO 45001 certification for our China and Mexico manufacturing facilities in 2024.

In addition, over the year we have:

- ⊕ Conducted more than 400 safety walk rounds identifying over 2,000 safety observations.
- ⊕ Provided health and safety briefings at our sites for over 3,300 employees & visitors.
- ⊕ Provided 184 safety seminars for our employees in critical operations.
- ⊕ Completed over 900 internal inspections of critical equipment, with more than 150 external inspections.
- ⊕ Conducted over 6,650 routine medical examinations of current and new employees.

	CTA China- Shenzhen	CTA China- Ganzhou	CTA Türkiye- Gebze	CTA Mexico- Puebla	CTA UK- DC	CTA Czech- Kolin	CTA Group
First-aid or minor injuries	3 ☺	3 ☺	7 ☺	9 ☺	0	0	22
Major injuries	0	0	0	0	0	0	0
Fatalities	0	0	0	0	0	0	0
Occupational disease	0	0	0	0	0	0	0

Excluding CTA US-DC.

Community

CT Automotive is committed to giving back to the communities it serves. In 2023, we were able to engage with the local communities where our operational facilities are located through a variety of events:

- ⊕ The Company donated medical supplies as well as food and clothes to victims of the devastating earthquake in Türkiye in February 2023. We continue to support the local communities who have been impacted by the disaster, as well as our employees and their families who have been affected.
- ⊕ In Ganzhou-China, senior and local management spent the day with the residents of a local care home, learning about local customs as well as donating much-needed medical equipment.
- ⊕ In Türkiye, the team visited Children House, an orphanage caring for more than 100 children, based in the Cayirova province. The team spent time entertaining the children, and the Group made a donation of warm clothing ahead of the winter.
- ⊕ CT Automotive has also made an investment in the Hebei Guyuan County Wind Power Project in the Hebei Province in China. The project aims to provide renewable energy to the North China Power Grid, which is predominantly generated by coal-powered plants in the region.

Suppliers

CT Automotive has a range of initiatives to ensure that our suppliers match our expectations in regards to sustainability. These include:

- ⊕ Auditing a minimum of 15% of our suppliers and contractors every year in each operating region – the first was carried out in 2023.
- ⊕ Ensuring all suppliers or contractors have signed non-disclosure agreements to protect CT Automotive's data and information.
- ⊕ Monitoring our suppliers to avoid any child or forced labour issues in their supply chain.
- ⊕ Zero tolerance policy to corruption, fraud and anti-competitive behaviour.

CTA China, Shenzhen, Badminton tournament

Disclosure on global and local standards and accreditation

EcoVadis ESG Performance Monitoring and Reporting

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

Since 2022, the Group has engaged EcoVadis as an independent third party to monitor its annual performance on ESG. This assessment focuses on 21 sustainability criteria that are grouped into four themes: environment, labour and human rights, ethics, and sustainable procurement. These criteria are based on international sustainability standards such as the ten principles of the UN Global Compact, the International Labour Organization (ILO) conventions, the Global Reporting Initiative (GRI) standards, the ISO 26000 standard, the Ceres Roadmap, and the UN Guiding Principles on Business and Human Rights, known as the Ruggie Framework.

As a result of our strong commitment and rigorous policies in place, CT Automotive achieved its highest EcoVadis score in 2023. The Group achieved a score of 55 (in the 62nd percentile), up from a score of 29 in 2022. This included a score of 70 on the Environment metric, an increase of 30 points from our previous assessment.

Eco Vadis section	Score before 2023 assessment	Targeted score for 2023 assessment	Score achieved in 2023 assessment
Overall Score	29	45-48	55 
Environment	40	50	70 
Labour & Human rights	30	50	40 
Ethics	10	40	60 
Sustainable procurement	30	45	60 

Sustainability Accounting Standards Board (SASB)

Topic	Metric	Category	Unit of Measure	Code	Remarks					
					CTA China - Shenzhen	CTA China - Ganzhou	CTA Turkey- Gebze	CTA Mexico- Puebla	CTA Czech- Kolin	CTA UK- DC
Energy Management	Total energy consumed	Quantitative	Gigajoules (GJ)	TR-AP-130a.1	17,167	34,858	10,144	3,482	179	301
	Percentage grid		Percentage (%)		100%	100%	100%	100%	100%	100%
	Percentage renewable		Percentage (%)		0%	0%	0%	0%	0%	0%
Waste Management	Total amount of waste generated at facilities	Quantitative	Metric tonnes	TR-AP-150a.1	240	74	158	24	37	99
	Percentage of hazardous waste		Percentage (%)		2%	80%	29%	3%	0%	0%
	Percentage of waste recycled		Percentage (%)		98%	20%	71%	70%	100%	78%
Product Safety	Total units recalled	Quantitative	Numbers	TR-AP-250a.1	361	27	17	15	0	0
Materials sourcing	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	N/A	TR-AP-440a.1	Reporting to be included from 2024 onwards.					
Competitive behaviour	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behaviour	Quantitative	US Dollars	TR-AP-520a.1	\$0	\$0	\$0	\$0	\$0	\$0

Excluding CTA US-DC.

An analysis of our key risks and mitigation measures

In pursuit of our strategic objectives aimed at enhancing stakeholder value, the Group operates in a dynamic business environment that is inherently accompanied by various risks and uncertainties. The Board of Directors assumes the responsibility for risk management practices to ensure that the Group maintains an optimal risk profile conducive to the achievement of its goals.

These risks, if not effectively managed, could potentially impede the implementation of our strategy, impact our business operations, financial performance, shareholder value, returns and reputation. Moreover, shifts in economic conditions or market dynamics may exacerbate existing risks or introduce new ones.

The Board have identified and categorised the principal risks facing the Group into strategic and external, operational, financial and compliance categories for clarity and reference.

Risk heatmap

PROBABILITY	Critical					
	High					
	Medium					
	Low					
	Very Low					
		Negligible	Low	Medium	High	Critical
IMPACT						
# Strategic and External						1. Geopolitical environment – manufacturing concentration in China 2. Geopolitical environment – logistics 3. Cyclical nature of the automotive industry 4. Loss of major customer/customer concentration 5. Security of supply 6. Regulatory, legal and tax environment of global operations
# Operational						7. Product quality 8. Retention of staff 9. Cyber security and managing technology change 10. Health and safety
# Financial Performance						11. Management of growth and financial performance 12. Availability of finance and working capital 13. Control environment, fraud and depletion of Group funds 14. Fluctuation in input prices 15. Changes in labour costs 16. Foreign exchange
# Compliance						17. ESG and compliance with environmental regulations

Risk	Description and impact	Key controls/mitigations	Assessment
Strategic & External			
1 Geopolitical environment - manufacturing concentration in China	The geopolitical environment, particularly the concentration of manufacturing operations in China, poses a risk for the Group. China is a critical hub for production, providing cost advantages and a manufacturing ecosystem. However, it also exposes the Group to heightened geopolitical tensions and trade disputes. In 2018, the USA introduced a significant duty tariff for automotive components where the majority of the cost was of a Chinese origin.	Given the very long product development times for CT Automotive's components and the significant tooling costs associated with its specific product range, our customers would require a long-term strategy to repoint their supply chain into a different region, assuming political tensions resulted in unfavourable trading conditions and tariffs. An example of this was working with our customers to establish CT Mexico facilities for the North American customers after the introduction of the 2018 tariff. This was completed over a three-year timeline to ensure adequate setup and minimum supply chain disruption. The Group has a diversified manufacturing footprint with established production facilities in Türkiye and the recently opened plant in Mexico. The Group and Executive team has demonstrated historically that they are able to react quickly to changing environments. Plans are in place to further ramp up production in Mexico, thereby reducing the reliance on production facilities in China. As part of strategic planning, the Board regularly reviews opportunities to further diversify our footprint.	Decrease
2 Geopolitical environment - logistics	Ongoing conflicts in the Middle East and Eastern Europe have continued to disrupt and alter shipping routes and methodologies. This poses a risk of additional costs and time for product deliveries.	Supply chain routes from China to Europe have various options to overcome potential risks related to the Red Sea shipping channels disruption. These options have varying cost implications that customers are prepared to pay for to mitigate supply chain risks. We have strengthened our processes and systems to ensure freight cost controls are closely monitored and accurately measured, with any deviation from the standard being recovered from the customers.	No change
3 Cyclical nature of the automotive industry	The Group supplies the automotive industry, which is cyclical and sensitive to factors such as consumer confidence, disposable income levels, availability of credit, commodities and resources, pandemics, epidemics, other health crises, fuel prices, and general economic conditions. Given the variety of economic parameters influencing global automotive demand, the volume of automotive production has historically been, and will continue to be, characterised by a level of cyclicity, making it difficult for the Group to accurately predict demand levels for its products. A deterioration in economic outlook, including economic growth, inflation, interest rates, and consumer confidence, could have a significant impact on the Group's financial performance.	As part of three-year business planning, the Group models several different upside and downside scenarios, considering key economic parameters and the likely impact of those on financial performance. With sufficient visibility, the Group can scale operations accordingly. While growth may be disrupted in the short term, volumes typically bounce back within one to two years. Most costs relating to goods sold that may vary with economic changes are largely passed through to customers, such as material prices and transportation. Other variables, such as direct labour and overheads, are mitigated through a constant drive to become more lean, more efficient, or explore best-cost regions. In both Mexico and Türkiye there are escalator agreements in place to negate the effects of inflation and currency movements on the selling price.	Increase

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Description and impact	Key controls/mitigations	Assessment
4 Loss of major customer/ customer concentration	The risk of losing a major customer or facing customer concentration issues is a critical concern. The impact of losing a major customer goes beyond the immediate revenue loss. It can trigger a domino effect, impacting profitability, cash flow, and overall financial stability. Customer concentration also amplifies the Group's exposure to the specific challenges or changes faced by that customer — be it financial difficulties, shifts in business strategy, or changes in leadership. To understand this risk, imagine a scenario where the Group's largest customer decides to shift its sourcing strategy, reduce orders, or faces financial troubles. The sudden drop in demand could lead to excess inventory, production inefficiencies, and strained cash flow.	While there are significant revenues generated with certain customers, these are mitigated by diversifying across multiple platforms in multiple geographies with differing lifetimes. In addition, due to the Group being a sole supplier of unique parts, there is a co-dependent relationship with customers as they cannot easily put in place an alternative source for the products we supply. That said, the Group continues to strive to diversify its customer base and reduce the level of perceived reliance on any one customer or customer group. The Group have also obtained some contracts with customers that span a longer timeframe — some of which currently extend out eight years.	Increase
5 Security of supply	The Group and its customers rely on complex supply and delivery chains with short lead times and frequent deliveries, which make the logistics process in the automotive industry vulnerable to disruptions. Disruption in our supply chain due to adverse macroeconomic conditions, geopolitical events, and/or loss of resilience in our key supplier network, may result in the Group being unable to secure raw materials and services required to meet customer schedules on time and at acceptable prices. This could result in customer dissatisfaction, reputational impact, loss of market share, loss of revenue and erosion of expected profit margins.	We maintain open dialogue with key customers, aiming to understand and plan around their expected demand. We also monitor industry data to give us the best possible visibility over when the shortage is expected to ease. Within distribution centres, approximately 2-4 weeks of supply is maintained to mitigate supply disruption. In addition, 4-6 weeks stock is in transit. Dual sourcing is in place with primary and secondary suppliers where appropriate. Regular cadence with our freight forwarders ensures we are sourcing the most reliable freight solution for our customers. A replenishment model incorporating customer forward looking demand has been implemented to further strengthen the resilience of the distribution centers and ensure correct stocking levels are in place. Weekly stock out review meeting is in place to drive cadence of predictive planning to ensure fast reaction and feedback to manufacturing plants on any concerns.	Decrease

Risk	Description and impact	Key controls/mitigations	Assessment
6 Regulatory, legal and tax environment of global operations	The regulatory, legal and tax environment of global operations introduces a complex and multifaceted risk landscape for the Group. Operating in multiple jurisdictions means navigating diverse regulatory frameworks, legal systems and taxation structures, each with its own nuances and potential challenges. One of the primary risks associated with this environment is the potential for regulatory changes that can adversely impact the Group's operations. These changes may include alterations to trade policies, shifts in environmental regulations, modifications to labour laws or adjustments to product safety standards. Any such changes can have far-reaching consequences, affecting compliance costs, operational processes and overall business strategy. Legal risks arise from the need to navigate diverse legal systems, contractual obligations and potential disputes. The Group may face challenges related to contract enforcement or legal actions initiated by regulatory bodies or competitors. Tax risks are inherent in the global nature of operations, as tax regulations and rates vary significantly from one jurisdiction to another. The Group must contend with the complexities of transfer pricing, cross-border transactions and evolving tax laws, aiming to optimise its tax position while ensuring compliance with applicable regulations.	The Group employs experienced local management and engages with reputable global and local advisers to ensure compliance with cross-border and local laws and regulations.	Increase
Operational			
7 Product Quality	The Group's business success and reputation depend on its ability to maintain high-quality products and processes. As a designer, developer and supplier of interior components to the global automotive industry, a determining factor for the Group's customers in purchasing our products is the quality of its products and manufacturing processes. A decrease in the actual or perceived quality of its products and processes could damage the Group's image and reputation, as well as those of the products.	The Group employs a substantial quality team, led by the Quality Director, tasked with managing and improving our manufacturing processes to minimise the risk of quality issues. High-risk parts are often subjected to 100% inspection before delivery. Members of the executive team regularly monitor quality costs and issues to identify any new quality issues and take remedial action. This exercise is supplemented by a review of the quality costs and accruals by the finance team.	No change

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Description and impact	Key controls/mitigations	Assessment
8 Retention of staff	The Group's success depends on attracting and retaining executive directors, senior management, key employees and other skilled and unskilled personnel. The loss of directors, executives, key employees and other skilled personnel could have a material adverse effect on the Group's market position. The Group also relies on Western-trained specialist engineers to manage its overseas operations, which, should these people leave or become materially more expensive, could undermine the continued productivity of the Group's overseas operations. The manufacture of many of the Group's products requires significant technical skills and expertise. The success of its operations and growth strategy will therefore also depend on attracting and retaining skilled and qualified personnel, maintaining its high-quality standards and implementing the Group's standardised process and quality management globally.	The Group has put in place attractive reward mechanisms and provides extensive opportunities for professional development and training, both of which are regularly reviewed against peers and other employers in the local markets. Resource requirements are assessed against annual budgets and recruitment processes are designed to ensure talent attraction and retention to deliver the Group's strategic objectives. Investment in learning and development across the Group will also help to reduce the risk associated with employee retention.	No change
9 Cyber security and managing technology change	In the interconnected landscape of the modern manufacturing industry, the risk associated with cybersecurity and managing technology change is of paramount concern. Our reliance on digital systems, automation and data-driven processes makes us susceptible to cyber threats that can compromise the integrity of our operations, sensitive information and overall business continuity. The evolving nature of cyber threats, including malware, phishing attacks and ransomware, poses a constant challenge. A breach in cybersecurity could result in unauthorised access to confidential data, disruption of production processes and potential financial losses. Moreover, as we navigate technological advancements and adopt new systems, the risk of vulnerabilities arising during the implementation and integration phases becomes a critical consideration.	ISO 27001 has been implemented in the UK and Türkiye. All major systems are cloud based with encryption and secure access. Mandatory annual training is issued to all employees, with continuing exercises and bite-size bulletins issued to employees to ensure knowledge is maintained (for example through training phishing emails). The Group has recently increased its in-house IT team to better support the technology needs at various geographic locations. For any significant technology projects or upgrades the Group engages external specialist firms. The Group is currently carrying out a full analysis of our cyber risks and will update our controls and mitigating actions accordingly.	Increase
10 Health and Safety	The risk associated with health and safety is a fundamental concern for our manufacturing Group, given the nature of our operations and the well-being of our workforce. Ensuring a safe and healthy work environment is not only a legal and ethical imperative but also a crucial factor in maintaining operational continuity, employee morale and overall organisational reputation. Health and safety risks encompass a wide range of factors, including workplace accidents, exposure to hazardous materials, ergonomic issues and the potential spread of infectious diseases. Failure to adequately address these risks can result in employee injuries, increased absenteeism, legal liabilities and damage to our corporate image.	All plants undertake regular external reviews to ensure compliance, while customers also undertake their own audits. Training is provided to new operatives during their induction processes.	Increase

Risk	Description and impact	Key controls/mitigations	Assessment
Financial performance			
11 Management of growth and financial performance	Our financial performance may be adversely impacted by uncertain and volatile macroeconomic conditions. These conditions, if not identified and managed appropriately may impact the Group's financial performance and ability to meet market expectations.	As part of three-year business planning, the Group models several different upside and downside scenarios taking into account key economic parameters and the likely impact of those on the financial performance. The executive team monitors plant-level operational and financial indicators on a weekly basis. Since joining the new CFO has been providing the Board with an enhanced financial reporting suite. During FY23 and subsequently, the finance team has been bolstered with several senior hires to improve the quality and speed of financial reporting and forecasting.	Increase
12 Availability of finance and working capital	Failure to secure and manage adequate financing could lead to inability to maintain the Group's working capital requirements, fund future growth and operate financially.	Short-term working capital is closely monitored by the executive team which reviews cash flow forecasts on a weekly basis. Net debt metrics are actively managed by the Group treasury team. In May 2023, the Group successfully completed a \$9.6m fundraise to strengthen the balance sheet and aid post-Covid recovery. 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.	Decrease
13 Control environment, fraud and depletion of Group funds	The Group operates globally and is a complex business; the potential for fraud arises as a result. There is a risk of failure to adequately prevent and deter fraudulent activity and/or financial reporting, leading to the loss or misappropriation of business assets.	The Group has developed key policies related to anti-money laundering, anti-bribery and fraud. The Group has set up an Ethics Committee to help embed a culture of appropriate behaviours, led by the executives. Purchases are reviewed against expected values, and exceptional purchases require management approval. Additionally, the setup of new vendors/customers or any changes to existing setups requires approval. The newly established global purchasing function allows for a non-biased view of local manufacturing sites' purchasing functions. It involves constant monitoring for changes in suppliers and costs. Additionally, it includes a review of the best possible prices and the creation of benchmarks for local purchasing functions.	Decrease

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Description and impact	Key controls/mitigations	Assessment
14 Fluctuation in input prices	The Group procures externally bought out parts and raw materials which are linked to commodity markets and thus subject to price fluctuation. The primary externally procured inputs used in the Group's products include polymers, textiles, adhesives and paints, metal parts and surface decorative finishes such as chrome. The prices have fluctuated significantly in recent years. In addition, the Group consumes utilities in its manufacturing processes, which are also subject to market volatility.	The Group operates open book pricing with its customers which means, subject to negotiation, rises in input prices can be passed on. Input prices are monitored so increases can be reflected in Quotation Analysis Forms (QAFs) and the increases passed on. These reviews are carried out regularly, particularly during the recent inflationary spike.	No change
15 Changes in labour costs	An increase in labour and employee benefit costs in certain leading-cost countries in which the Group operates such as China, India, Türkiye, Mexico and Czechia may adversely affect the Group's operating costs and compromise its competitiveness. A shortage in the labour pool or other general inflationary pressures or changes will also increase the Group's labour costs.	Changes in labour costs are dictated by the market. The Group continuously monitors labour costs and deploys a strategy of selecting and operating within leading labour cost economies.	No change
16 Foreign exchange	The Group trades with customers and suppliers internationally and therefore earns revenues and incurs costs in foreign currencies. As a result, the Group is exposed to exchange rate risk, primarily in Chinese Yuan and US Dollars.	During FY23 the Group has engaged with external advisers and carried out a review of the Group's foreign exchange arrangements. This has identified key foreign exchange exposures arising from the intercompany and external trades. As a result, the Group has developed a hedging policy and implemented processes aimed at actively reducing both intercompany and external foreign exchange fluctuations.	Decrease
Compliance			
17 ESG and compliance with environmental regulations	The Group's manufacturing operations require using, managing, storing and safely disposing of hazardous substances, wastes and other regulated materials. As such, the Group is responsible for making sure that these materials are appropriately managed and failure to comply with these regulations could lead to fines and other penalties, as well as negative publicity which could damage the Group's reputation.	The Group uses local management and reputable professional advisers to ensure compliance with local laws and regulations. Procedures on handling and disposal of hazardous waste are clearly documented and robustly implemented. Key hires within the ESG department have been undertaken to increase capacity and skill base.	Decrease

Committed to transparency, accountability and ownership

RAYMOND BENCH
Non-Executive Chairman

I am pleased to present the Board's Annual Report on Corporate Governance, which describes the activities of the Board and its Committees during FY23 and in the period since the end of the year, and how we have ensured governance remains central to delivering on our strategy and the successful operation of our business. Throughout the last year, the Board has been committed to improving its governance processes and procedures, including changing the structure of the Board and improving its focus on environmental, social and governance impact on the Group's activities, as well as further developing our strategic thinking. The Board is committed to continuing these efforts in FY24 and I look forward to demonstrating our progress in our Annual Reports each year going forward.

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

In FY23, the Board's structure was revised, and I was appointed as Chairman. Simon Phillips, the previous Executive Chairman, was appointed as the Group's Chief Executive Officer (CEO) and Scott McKenzie, former CEO, was appointed as Chief Operating Officer for Sales and Product Development. During the year, the Board also welcomed Anna Brown as the Chief Financial Officer (CFO), and Nick Timberlake and Geraint Davies as Non-Executive Directors. The Board considered these changes to be necessary to allow the Board to focus on developing the Group's strategic objectives and putting in place a Senior Leadership Team that was well equipped to support their delivery.

As an AIM quoted Group, our governance framework is underpinned by the AIM Rules, and in addition CT Automotive has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (the "QCA Code") as the benchmark for measuring our adherence to good governance. The table below details the Group's compliance with the QCA Code principles, along with the extent of any non-compliance.

Governance Structure

The Board is supported by two Committees:

MAIN BOARD

Full report on pages 40 and 41

AUDIT AND RISK COMMITTEE

Full report on pages 45 to 50

REMUNERATION COMMITTEE

Full report on pages 51 to 54

SENIOR LEADERSHIP TEAM

Full report on page 44

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

Key areas of focus

The Board's key areas of focus are:

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

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

QCA Code Compliance

The Board considers that the Group remains compliant with the Principles set out in the QCA Code as explained in the table below and which are stated on the Group's website under the Corporate Governance Principles section: <https://ct-automotive.net/investors/#corporate-governance-principles>

QCA Principle	CT approach
1 Establish a strategy and business model which promote long-term value for shareholders.	The Board meets annually to review and approve the strategy for the Group. The strategic plan and business model are reviewed by the Senior Leadership Team on an ongoing basis with relevant operational and management updates being reported to demonstrate delivery and progress. Decisions of the Board are made in line with the strategic plan and business model for the Group. Further details of the Group's strategy can be found in the Strategic Report on page 4. The Board intend to continue driving long-term growth strategies as demonstrated by the Group since inception. The Board has, throughout FY23, dedicated specific time to developing a strategy that will promote long-term value for shareholders, which has included holding specific discussions at its global locations to ensure the whole Group is aligned to its shared purpose. The Board has, throughout the year, spent time developing a business model which includes annual forecasts built around long-term profitability, with variances against forecast monitored and discussed at each Board meeting.
2 Seek to understand and meet shareholder needs and expectations.	The Chairman, CEO and CFO communicate regularly with shareholders, investors and analysts, including at the half yearly results roadshow and AGM. The Group's website contains information on the Group's business, corporate information and specific disclosures required under AIM Rules for Companies and the QCA Code. Following the announcement of the Group's full year and half year results the Group makes presentations to institutional shareholders, private client brokers and investment analysts. Periodic meetings are held with existing and prospective institutional and other investors. Formal feedback from shareholder meetings is provided by the Group's broker and discussion of this feedback is an item on the Board's agenda. The Board is supported by dedicated Investor Relations and Financial PR advisors that are equipped to liaise with shareholders on any concerns or queries. Their details are available on the Group's website.
3 Take into account wider stakeholder and social responsibilities and their implications for long-term success.	The Board values the opinions of key stakeholders in the business and is seeking to ensure that the views of its employees, suppliers, customers and partners are known and where relevant to the success of our business, are acted upon. The Group recognises its responsibility to promote its success for the benefit of its stakeholders and understands that the business has a responsibility towards its shareholders, employees, partners, customers, suppliers and to the local community. This is achieved by the regular communication with shareholders at investor roadshows and at the AGM. Further information on how the Group interacts with the local community can be found on the website and as part of the Sustainability Report found on pages 18 to 25, which contains information on the Group's business, corporate information and specific disclosures under the AIM Rules for Companies and the QCA Code. The Board is also conscious that the tone and culture that it sets will impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives whilst, in particular, meeting the demands of a sophisticated customer base. The Board seeks to maintain and improve its relationships with these groups and regularly obtains, and acts on, feedback as to how best it can maintain and improve its interactions.

QCA Principle	CT approach
4 Embed effective risk management, considering both opportunities and threats, throughout the organisation.	The Board is responsible for overseeing Management's activities in identifying, evaluating and managing the risks facing the Group and records them on the Group Risk Register. The Board, supported by the Audit and Risk Committee, is responsible for the Group's system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the execution of the Group's strategic objectives and business model. The Board monitors financial controls through the setting and approval of an annual budget and the review of Management accounts. The Board undertakes horizon scanning exercises as part of the strategic planning to identify any future risks and how these can be mitigated. The Board reviews the effectiveness of the risk management systems on a regular basis. This is achieved primarily by a comprehensive review of risks which cover both financial and non-financial issues potentially affecting the Group and from discussions with the external auditor. The Board has established an effective system of internal financial controls to manage any risks facing the Group, including reviewing the policies and procedures in place across the Group and establishing a system of internal audit and control. Further information on these controls can be found within the Audit and Risk Committee Report on page 45. Further details of the Group's approach to risk management, details of the specific risks and the mitigations put in place can be found in the Principal risks and uncertainties section of the Strategic Report on page 26.
5 Maintain the Board as a well-functioning, balanced team led by the chair.	The Board keeps under review its current balance and composition in order to ensure that it has a sufficiently wide range of skills and experience to enable it to pursue its strategic goals and address anticipated issues in the foreseeable future. The Board is supported by the Audit and Risk and Remuneration Committees. The purpose of the Board is to ensure that the business is managed for the long-term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the communities in which the Group operates. The full Board is responsible and accountable to the shareholders for the management and success of the Group and to provide effective controls to assess and manage risks in the Group. There is a formal schedule of matters specifically reserved for the Board that includes matters relating to strategy and management; structure and capital; financial reporting and controls; internal controls; contracts; communications; Board membership and other appointments; delegation of authorities and corporate governance. The Board reviews these policies and procedures on at least an annual basis to ensure they remain fit for purpose. The Group has four Non-Executive Directors, three of whom are considered to be independent by the Board. The Board reviewed its structure and make-up in FY23 and implemented changes to ensure it was appropriately aligned with the delivery of the Group's strategic ambitions. This included appointing a Non-Executive Chairman and the appointment of two Non-Executive Directors. The Board meets on a minimum of six occasions with Board meetings spread across each year which tie in as far as possible with the Group's financial reporting and trading calendars. The Board, in addition, holds away-days at its global sites to discuss its long-term strategic plan. The Board has an Audit and Risk Committee and a Remuneration Committee, each with delegated duties and responsibilities. Further details of the role of the Board and the Committees and how they operate can be found in the Committee reports that follow this section.

CHAIRMAN'S INTRODUCTION TO GOVERNANCE CONTINUED

QCA Principle	CT approach
6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	The skills and experience of the Board are set out in their biographical details included within this Corporate Governance Report and the Group's website, and are considered by the Board as representing an appropriate range of capabilities needed to deliver the strategy of the Group for the benefit of its shareholders over the medium to long term. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Directors receive relevant industry-specific information regularly throughout the year to ensure their knowledge of the sector remains up-to-date. The Board is chaired by an Independent Non-Executive Chairman, who is supported in their role by a Senior Independent Director and the Company Secretary, which is an external professional Company Secretarial firm. The Board had recognised that in previous years, timely reporting of actual performance against goals, budgets and forecasts in the second half of the financial year had been an area of concern. Therefore, throughout FY23, close scrutiny of this has been paid by the Board, and has been supported by the appointment of a CFO with specific experience and expertise in this area. Procedural and process enhancements had been agreed by the Board throughout the year, and improvements have been made.
7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	The Board regularly consider the effectiveness of its contributions, any learning and development needs and the level of scrutiny of the Directors and of the Senior Leadership Team. The Board is committed to undertaking annual assessments on the Board's performance, including that of the Chairman's performance and of the Committees. The Board refreshed its Board Performance Review activity in early 2024, and further details of this activity are set out on page 42. The Directors also undertake a review of their individual contribution and development needs with the Chairman on an annual basis. This process offers Directors an opportunity to discuss their contribution in terms of their skills and experience as well as identifying improvements or development to enhance the capabilities of the Board as a whole. The Board oversees the succession planning of the Directors and of the Senior Leadership Team to ensure that it has sufficient plans in place.
8 Promote a corporate culture that is based on ethical values and behaviours.	The Board and Executive Directors will continue to 'lead by example' in our culture and values. This aligns with our Standard of Business Conduct which is shared with all new starters. The Board recognises that its decisions will impact the corporate culture of the Group as a whole and that this will affect the performance of the business. The Board is also very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives. The Group's ethical approach to business is reflected in the way the Group has been able to develop long-term and fruitful relationships with its customers. The Group's culture is reviewed on a regular basis by the Board. In addition, the Group has established internal policies and procedures, including a Code of Conduct and Ethics which sets out the Group's culture and values, and how it interacts with its customers and other key stakeholders. The policies and procedures are reviewed at least annually by the Board.

QCA Principle	CT approach
9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	The Board includes four Non-Executive Directors. The responsibilities of the Board are detailed on page 35. The Board is also supported by a Remuneration Committee and an Audit and Risk Committee, which in turn are supported by external professional advisors with specific expertise. The Terms of Reference for each of the Committees are reviewed and approved annually by the Board, and the responsibilities of each Committee are set out in the Audit and Risk Committee report on page 45 and the Remuneration Committee report on page 51. The Board reviews the governance structures of the Group and ensures that it is appropriate and proportionate to the Group's size and complexity. The Board is specifically responsible for overseeing the Group's strategic objectives and other matters that are reserved for the Board, details of which can be found on page 35. In FY23 the Board implemented some changes to its structure and make-up to ensure it was best equipped to meet its strategic objectives. The role of the Non-Executive Directors includes questioning and challenging the Executive Directors and assisting where possible in developing strategic proposals, reviewing and commenting on the integrity of the Group's financial reporting systems and the information they provide; recommending appropriate standards of corporate governance; reviewing internal control systems; ensuring that risk management systems are robust; and reviewing corporate performance and ensuring that performance is reported to shareholders. Compliance with the QCA Code and corporate governance requirements generally are reviewed on an ongoing basis by the Board as well as part of the annual Board Performance Review process.
10 Communicate how the Company is governed and performing, by maintaining a dialogue with shareholders and other relevant stakeholders.	The Board ensures that all stakeholders across the business are actively engaged through the relevant areas of responsibility. This includes making sure that the business as a whole upholds its values and monitors behaviour for acceptability through policies and procedures and by the Executive Directors leading by example in setting the culture of the Group. The Board recognises that meaningful engagement with its shareholders is integral to the continued success of the Group and the Group has actively engaged with shareholders through meetings, presentations and roadshows. The Board considers that the Annual Report and the Interim Report published at the half-year play an important part in presenting all shareholders with an assessment of the Group's position and prospects. All RNS press releases are published on the Group's website. The Annual General Meeting is an opportunity for shareholders to meet and discuss the Group's business with the Directors. A report from each of the Committees of the Board is included in this report which explains the role of each Committee, the activity it has undertaken throughout the year, its delegated responsibility and how it interacts with the Board.

BOARD OF DIRECTORS

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

Committee key

	Chair
A	Audit and Risk Committee
R	Remuneration Committee
	Member

Board diversity

Female
Male

RAYMOND (RAY) JOHN BENCH

Independent Non-Executive Chairman (51)
Location: UK
Appointment: December 2021

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

Ray has significant experience of business and departmental management, including having been part of Shanghai Motor UK Technical Centre's UK senior leadership team. Ray's experience also includes leadership roles at Ricardo, Rover Group and Land Rover. Ray was appointed as the Non-Executive Chairman in July 2023.

A R

SIMON BRIAN PHILLIPS

Chief Executive Officer (54)
Location: Thailand
Appointment: September 2021

Simon co-founded CT Automotive in 2000, having identified an opportunity to disrupt the automotive tooling market. He led the business as Chief Executive Officer until 2014, developing the business model from its original tooling focus into the global serial production operation it is today. Following the appointment of Scott McKenzie as Chief Executive Officer, Simon became the Executive Chairman and focused on driving the continued growth of CT Automotive and identifying new strategic opportunities. Simon was re-appointed as Chief Executive Officer in July 2023 following the appointment of Raymond Bench as Chairman of the Board.

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

ANNA BROWN

Chief Financial Officer (52)
Location: UK
Appointment: April 2023

Anna is a Certified Chartered Accountant, and brings substantial experience in strategic and operational financial roles in listed companies. Prior to her joining CT Automotive, Anna spent eight years at McCarthy & Stone, latterly as Director of Strategic and Corporate Finance and Group Company Secretary, having previously held various roles including Group Financial Controller, Head of Accounting & Reporting, and IPO Project Director. Anna has also held several senior finance roles at KPMG during her 16-year career with the firm. She also holds a Certificate in Company Directors from the UK Institute of Directors.

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

FRANCESCA EVA IRENE ECSERY

**Senior Independent &
Non-Executive Director (60)**

Location: UK

Appointment: December 2021

Francesca has over 20 years' experience as a director of both public companies and start-ups in the digital, retail, fast-moving consumer goods and leisure industries. She is a Harvard MBA, fluent in five languages and has special expertise in multi-platform consumer marketing, branding and sustainable commercial strategies. Francesca is also a Non-Executive Director of Société Air France SA, Henderson High Income Investment Trust plc, Haffner Energy SA and the Association of Investment Companies. She previously served on the boards of Marshall Motors plc, F&C Investment Trust plc, Good Energy Group plc and Vista Communications. Her previous executive experience includes McKinsey, PepsiCo, Thorn EMI, Thomas Cook and STA Travel.

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NICK TIMBERLAKE

Non-Executive Director (56)

Location: UK

Appointment: July 2023

Nick is a director of India Capital Growth Fund and abrdn Equity Income Trust plc. He has over 30 years' experience in the asset management industry, including as a portfolio manager with HSBC Global Asset Management between 2005 and 2020, initially as Global Head of Emerging Markets Equities and then Head of Equities. Previously, he was a Director of F&C Emerging Markets Limited and has spent over 20 years investing in global emerging markets equities. Nick is a member of the CFA Institute and CFA Society of the UK.

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GERAINT DAVIES

Independent Non-Executive Director (67)

Location: UK

Appointment: September 2023

Geraint is a Chartered Accountant with over 30 years' experience as a Partner in the "Big Four" accounting firms, working principally with global businesses in manufacturing, real estate, mining, distribution and financial services. Prior to his appointment, Geraint held senior leadership roles in EY's practices in the Channel Islands, the UK and most recently in Malta. He has also previously held roles with PwC and Deloitte. Throughout his career, Geraint has had specific responsibility for risk, both at regional and national level, as well as leading on talent development and senior recruitment.

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BOARD RESPONSIBILITIES

Board Responsibilities

	Board	Audit and Risk Committee	Remuneration Committee
Executive			
Simon Phillips	14	N/A	6**
Anna Brown	14	3**	N/A
Scott McKenzie	9*	N/A	N/A
Non-Executive			
Raymond Bench	14	4	6
Francesca Ecsery	14	4	6
Nick Timberlake	5*	2	3
Geraint Davies	2*	1	1
Tracey James	9*	2	3

* Scott McKenzie and Tracey James stepped down as Directors of the Group on 13 July 2023. Anna Brown, Nick Timberlake and Geraint Davies were appointed as Directors of the Group on 28 April 2023, 13 July 2023 and 18 September 2023 respectively.

** Attended by invitation of the Committee.

Board Activities

The Board held regular Board meetings during FY23 at which it considered all matters of a routine nature, structured through clear agenda setting, written reports and presentations from Executive Directors, the Senior Leadership Team and external advisors and consultants.

Board support, meeting management and attendance

The Board and its Committees meet regularly on scheduled dates, and the Board met formally 14 times during FY23. In leading and controlling the Group, the Directors are expected to attend all meetings and their attendance for the financial year is shown above. In addition to the above, the Board and Committees held ad-hoc meetings to deal with non-routine business throughout the year. All Committee and Board meetings held in the period were quorate.

The Company Secretary plays a vital role in ensuring good governance, assisting the Chairman. Procedures are in place for distributing meeting agendas and reports so that they are received in good time, with the appropriate information. Ahead of each Board meeting, the Directors each receive reports which include updates on strategy, finance, including management accounts, operations, commercial activities, business development, risk management, legal and regulatory compliance, people and infrastructure, and investor relations. Throughout the year, the Board invited key members of the Group's Senior Leadership Team to present on specific areas.

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

Strategic resources

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

Board Effectiveness

The Board undertook a Board Performance Review in February 2024, which followed a similar process to the review that took place in 2023. The review was conducted in accordance with Principle 7 of the QCA Governance Code, which states that the Board should 'regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual Directors'. The review, which was supported by the Company Secretary, provided the opportunity for the Directors to express their views on a variety of topics, including the Board's approach to setting strategic objectives, management risk and control, the operating style of the Board, individual Director contribution, how the Board manages its internal and external relationships, and a review of the performance of the Committees of the Board.

The review was undertaken by six participants, being the four Non-Executive Directors and two Executive Directors (CEO and CFO). Following the review, the detailed findings were discussed by the Board and recommendations were agreed. In accordance with the QCA Code, a high-level explanation of the results and recommendations can be found below.

- ⊕ There had been significant improvement in the operating style of the Board since the previous review, which had been assisted by the review of the structure of the Board and the onboarding of new Non-Executive Directors.
- ⊕ The Board had spent more dedicated time on reviewing and implementing a long-term strategy over the last year, which was supported by a robust business plan. This was in contrast to the 2023 review that had noted that the Board had spent significant amount of time dealing with operational challenges faced by the Group.
- ⊕ The Board was now operating successfully as a PLC Board, but it was observed by the Board that there could be improvements to the consistency of information that the Board was presented with at each meeting to ensure it was able to provide effective oversight and scrutiny.
- ⊕ The ESG initiatives that the Board had overseen in FY23 had been hugely beneficial to the Group and attention should continue to be paid to this area at a Board level.
- ⊕ The dialogue between the Directors, both Non-Executive and Executive Directors, had improved significantly over the last year, but there was the opportunity for the Chair to undertake individual reviews of the performance of each Director, and for the Senior Independent Director to do the same for the Chair, to ensure continuing development.
- ⊕ Specific focus from the Board, supported by the Audit and Risk Committee, should be on the risk management framework and horizon scanning for risks that are likely to face the Group to ensure that effective mitigations are in place.
- ⊕ The Board has begun to consider succession planning across the Group, but further work is required in this area and this will be a specific focus for the Board in the coming year.
- ⊕ The review highlighted that the Board's internal communications on the progress of the Group and its strategy are clear and effective, but that more work could be done to develop a stakeholder communications plan to ensure the Group's stakeholders, including its shareholders, are aware of the progress that is being made.

The Board has adopted an action plan to implement the full suite of actions and recommendations that have been developed as a result of the Board Performance Review, and the progress of these will continue to be monitored by the Board throughout the year.

Ethical behaviours

The Board ensures ethical values and behaviours are recognised and respected, promoting a strong culture of supporting our core values. These values are incorporated into our various codes which are made available on the Group Intranet and which the Board regularly reviews at least on an annual basis to ensure they are fit for purpose. These codes include Employee Code of Conduct, Human Resources policies, Anti Bribery and Corruption policies, Modern Slavery policy, Health and Safety policies and Social Media policies.

Board induction, training and development

When appointed, new Directors are provided with a full and tailored induction in order to introduce them to the business and management of the Group. Throughout their tenure, Directors are given access to the Group's operations and personnel, and receive updates on relevant issues as appropriate, taking into account their individual qualifications and experience. This allows the Directors to function effectively with appropriate knowledge of the Group. The Board is satisfied that each Director has sufficient time to devote to discharging their responsibilities as a Director of the Group.

Re-election of Directors

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

Stakeholder engagement

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

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

A list of the Group's significant shareholders can be found on page 44 and in the investor section of the Group's website which is updated following formal notifications of movements to the Group.

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

Internal controls

The Board, with support from the Audit and Risk Committee, is ultimately responsible for the Group's systems of internal control and for reviewing its effectiveness throughout the year. The systems are designed to manage rather than eliminate risk of the failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board monitors financial controls through the setting and approval of an annual budget and the regular review of the monthly management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in the financial statements. There is a clearly defined delegation of authority from the Board to the Executive Team, and there are procedures in place for the authorisation of capital expenditure and other investments.

Internal controls are in place which are intended to provide reasonable assurance of the custodianship of assets, the recognition and measurement of liabilities, the maintenance of proper accounting records and the reliability of financial information used within the business.

The Group has in place a suite of codes and policies to promote good governance principles and ensure strong internal control processes throughout the Group. Further information in relation to the internal controls and internal audit of the Group can be found in the Audit and Risk Committee Report on pages 45 to 50.

LEADERSHIP TEAM AND SUBSTANTIAL SHAREHOLDERS

Senior Leadership Team

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

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

Name	Role	Years of Service	Expertise
Scott McKenzie	Chief Operating Officer for Sales and Product Development	16	Sales and Product Development, New Business, Programme Management
Stuart Lorraine	Chief Operating Officer for Manufacturing Operations and Supply Chain	2	Operations, Procurement, Logistics
Barry Stone	European Operations Director	22	Operations, International, People, Management
Graham Mackey	Asian Operations Director	9	People, Operations, International, Management, Regulatory
Steven Bird	Business Development Director	23	Commercials, International, Operations, Marketing
Taka Yoshike	Business Development Director	7	Commercials, International, Operations, Marketing
Ufuk Esen	Türkiye Plant Manager	13	People, Operations, International, Management, Regulatory
David Salas	Mexico Plant Manager	12	People, Operations, International, Management, Regulatory

Substantial shareholders

In addition to the interests of the Directors' shown in the Remuneration Report, and in accordance with Part 22 of the Companies Act 2006, the Group has been notified that the following shareholders' interests exceed 3% of CT Automotive Group plc's ordinary share capital in issue at 31 December 2023:

Name	No. of ordinary shares	Percentage of enlarged capital
Simon Phillips	19,762,083	26.85%
Otus Capital Management	13,893,951	18.88%
LGT Bank, Vaduz	9,219,752	12.53%
Premier Miton Investors	6,759,098	9.18%
Charles Stanley	5,399,032	7.34%
Stonehage Fleming	5,389,676	7.32%
Pitharn Ongkosit	2,697,267	3.66%
Lombard Odier Investment Managers	2,374,551	3.23%
Scott McKenzie	2,244,758	3.05%

AUDIT AND RISK COMMITTEE REPORT

Committee members:
Geraint Davies (Chair),
Ray Bench, Francesca Ecsery,
Nick Timberlake

Chair's statement

I am pleased to present the Audit and Risk Committee's ('the Committee') Annual Report on its activities for the purposes of our FY23 Annual Report and Accounts. As a Group listed on the AIM segment of the London Stock Exchange, we are guided by the QCA's Audit Committee Guide and, when appropriate to do so, we look to the UK Corporate Governance Code 2018 for best practice.

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

Aims and objectives

The Committee monitors the integrity of the Financial Statements of the Interim and Annual Reports and formal announcements relating to the Group's financial performance, including advising the Board that the Annual Report taken as a whole provides shareholders with the information necessary to assess the Group's performance, business model and strategy. It reviews significant financial reporting issues, key judgements and accounting policies and disclosures in financial reports, reviews the effectiveness of the Group's internal control and internal audit procedures and risk management systems, and considers the Group's internal audit requirements.

Meetings and attendance

The Committee met four times during the period.

Non-Executive Director	Maximum Meetings	Meetings Attended
Tracey James*	2	2
Francesca Ecsery	4	4
Ray Bench	4	4
Nick Timberlake*	2	2
Geraint Davies*	1	1

* Tracey James stepped down as the Chair of the Audit and Risk Committee and as a Director on 13 July 2023. Nick Timberlake and Geraint Davies were appointed as Directors and members of the Audit and Risk Committee on 13 July 2023 and 18 September 2023 respectively. Geraint Davies was also appointed as the Chair of the Audit and Risk Committee upon his appointment as a Director of the Group.

Committee experience

	Leadership	Finance/ Capital Markets	Automotive
Geraint Davies	✓	✓	
Francesca Ecsery	✓	✓	✓
Ray Bench	✓	✓	✓
Nick Timberlake	✓	✓	

It reviews the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and Financial Statements. It monitors the relationship with the Group's independent auditor, including the consideration of audit fees and independence.

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

Membership of the Committee

The Committee was chaired by Tracey James until her resignation as a Director of the Group on 13 July 2023. Geraint Davies was appointed as the Chair of the Committee upon his appointment as a Non-Executive Director on 18 September 2023. One meeting of the Committee was held between 13 July 2023 and 18 September 2023, which was chaired on an interim basis by the Group Chair Ray Bench. Other Members of the Committee during FY23 were Francesca Ecsery, Ray Bench, and, from 13 July 2023, Nick Timberlake.

Geraint Davies is a Chartered Accountant with over 30 years' experience as a Partner in the "Big Four" accounting firms, working principally with global businesses in manufacturing, real estate, mining, distribution and financial services. The Board considers him to have recent and relevant financial experience that benefits his role as Chair of the Audit and Risk Committee. Geraint Davies, Francesca Ecsery and Ray Bench are considered by the Board to be independent members of the Committee, whilst Nick Timberlake is not considered to be independent. The Board considers that the Committee as a whole has the competence relevant to the sector in which the Group operates.

Operation of the Committee

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

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

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

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

Internal audit

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

Risk management and Internal Controls

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

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

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

- ⊕ Control environment
- ⊕ Risk assessment
- ⊕ Control activities
- ⊕ Information and communication
- ⊕ Monitoring

Whistleblowing

The Group has a Whistleblowing Policy and procedures to help with the detection and prevention of fraud. The policy provides all employees access to a confidential forum in which it is possible to raise concerns about potential and perceived improprieties. Provided it is appropriate to do so, the process is managed by the Chief Financial Officer.

Key judgements and estimates

The Committee reviewed the rationale used in arriving at the following significant key judgements and estimates in the preparation of the Financial Statements. The review included consideration of the points below:

Key judgement or estimate	Description and review undertaken
Going concern	The Directors have assessed the Group's business activities and the factors likely to affect future performance in light of the current and anticipated trading conditions. In making their assessment the Directors have reviewed the Group's latest budget, current trading, available 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 rising by 5% and 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.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Key judgement or estimate	Description and review undertaken
Tooling	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. Chinese 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, enhancing accuracy without fundamentally altering the approach.
Non-recurring items	The Group defines non-recurring items as 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. The Committee considered the accounting and disclosures of non-recurring items (see Note 6 and 32 of the Consolidated Financial Statements) in line with the accounting policy set out by the Group. The Committee reviewed with management and discussed the accounting and disclosures with the Group's Auditors. The Committee concluded it was content with the accounting for and disclosure of non-recurring items.
Treatment of deferred taxes	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 \$1,571k, as utilisation of some deferred tax losses became probable. Of the total value, \$223k pertains to a deferred tax asset recognised on the unrealised profit arising on intergroup transactions, \$235k relating to deductible temporary differences arising on assets recognised within overseas Group subsidiary accounts, that are not included within the Group statutory accounts and \$1,113k relates to estimated probable future taxable profits that are expected to arise within the UK whereby they can be offset against future tax charges.
Expected Credit Losses (bad debt provisions)	The ECL review was undertaken on an entity-by-entity basis, and there have been no significant changes in the customer base across those entities. Based on historical trading experience and relationships with those customers, post-year end recoveries (which has indicated no new issues), no customer defaults, maintained customer terms and ongoing discussions with customers for potential future projects, the Group have determined that a sufficient ECL is in place.
Carrying value of inventory	Several provisions have been considered in order to appropriately reflect the carrying value of inventory. An entity-level review has been conducted to identify slow-moving or obsolete stock that required provisioning. During the year the Group identified obsolete stock which were classed as non-recurring and treated as such. Simultaneously, a net realisable value assessment has been conducted within the distributing entities to ascertain the profitability of various projects and identify those requiring provisioning. Lastly, a stand-back assessment has been undertaken to determine the requirement for provisions after the adjustments are made at Group level for unrealised profit and overhead absorption. The Committee has reviewed the report in respect of stock ageing and is satisfied with the judgements made by management.
Application of IAS 29	In applying IAS 29 to the financial reporting of Türkiye, a judgement has been exercised in the treatment of indexation agreements that impact the Profit and Loss statement. These specific price escalation agreements have been ignored for the purposes of calculating hyper inflation financial impacts, aligning with the guidelines set forth in IAS 29. 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 and Loss.

Key judgement or estimate	Description and review undertaken
Fair value of new share issue	In May 2023 CT Automotive successfully completed a fundraise by issuing new shares via a combination of a subscription and a placement. 34p was the highest share price that would enable the share issue to be sufficiently subscribed to by willing market participants, supporting that this was the true fair value of the share issue. It is also worth mentioning that CT Automotive shares are thinly traded and the 49p share price prior to the transaction was not necessarily representative of its true fair value. The price of 34p per share was subscribed by willing and knowledgeable market participants on an arm's length basis, which also supports the conclusion that the value of the subscription was the fair value as at the time of the share issue. Given the maximum price that could be obtained for the shares to raise sufficient capital was determined to be 34p, a judgement was made by the Directors 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 EPS adjustment was required to reflect the dilutive effect of the new shares.
Goodwill	The carrying amount of goodwill at 31 December 2023 was \$1.3m (FY22: \$1.3m) which solely relates to Chinatool UK Limited. Following the impairment testing and sensitivity analysis, Management concluded that the carrying amount of goodwill in relation to Chinatool UK Limited is appropriate. The Group projects a discounted cash flow (DCF) of \$5.4 million for CTUK over the next three years, factoring in the Group's transfer pricing policy, which results in a headroom of \$4.1 million. A three-year horizon is deemed appropriate for cash flow forecasts, balancing visibility and uncertainty. The applied discount rate of 14%, comprising an 11% cost of capital and 3% growth rate, is justified for its alignment with the long-term average cost of borrowing rates. A stress test affirms the robustness of the assessment, with an improbable discount value of 176% required to induce impairment. Under the assumption of a 14% discount factor, a substantial reduction of 76.5% in the PBT would be needed to trigger a goodwill impairment.

Shareholders' attention is drawn to the section titled 'Auditor's responsibilities for the audit of the financial statements' in the report from the independent auditor, on page 59, about specific areas as reported by the independent auditor in providing its opinion on the Financial Statements as a whole.

Financial Reporting Council

In November 2023 the Group was contacted by the Financial Reporting Council (FRC) who raised some specific questions in relation to certain disclosures in the Annual Report and Accounts for the year ended 31 December 2022. The FRC was satisfied with our responses. Below is the summary of points raised by the FRC:

Prior year restatements

The FRC sought clarification of the current and deferred tax consequences of prior-year restatements made in FY22 in relation to tooling sales and unrealised profits resulting from intra-group sales. CT Automotive satisfactorily responded to the FRC enquiries and agreed to reassess its disclosure of unrecognised deferred tax assets in the FY23 Annual Report.

The FRC also requested details of the accounting policy applied to tooling costs. CT Automotive satisfactorily responded to their enquiries.

Discontinued operations

The FRC requested more information about how the definition of a discontinued operation in IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' was met in relation to a UK subsidiary that had ceased trading. CT Automotive satisfactorily responded to their enquiries.

Earnings per share

The FRC requested an explanation as to why the weighted average number of ordinary shares outstanding, used in the earnings per share calculations for 2022 and 2021, was not adjusted to reflect a bonus element in relation to a post year end share issue at a discount, as required under IAS 33, 'Earnings per Share'. We have explained that, based on the particular facts and circumstances of the transaction, the issue price was considered to be fair value, such that no adjustment was necessary. The FRC were satisfied with this response.

It should be noted that the FRC investigation provides no assurance that our 2022 Annual Report and financial statements were correct in all material respects. The FRC's role is not to verify the information provided to it, but to consider compliance with reporting requirements. Their letters were written on the basis that the FRC accepted no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

Independent auditor

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

At the Annual General Meeting held on 13 July 2023, the Board proposed, and shareholders approved the appointment of BDO LLP as the Group's registered independent public accounting firm for the year ended 31 December 2023.

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

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

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

The Committee regularly reviews all fees for non-audit work paid to the independent auditor in line with the Group's Policy on Auditor Independent and Provision of Non-Audit Services. In FY23, the independent external auditor undertook non-audit for the Group work in relation to assisting with the responses to the FRC's enquiries on the Annual Report and Accounts for the year ended 31 December 2022. The non-audit fees were \$10,500 in FY23 (FY22: \$nil). The Committee concluded that the level of non-audit fees, which represent 3.35% (FY22: 0%) of the audit fees for the Group, did not have a negative impact on BDO's independence. The Committee will continue to keep the area of non-audit work under close review, particularly in the context of developing best practice on auditors' independence.

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

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

Approval

This report was approved by the Committee, on behalf of the Board and signed on 17 May 2024 on its behalf by:



GERAINT DAVIES
Chair of the Audit and Risk Committee

REMUNERATION COMMITTEE REPORT

Committee members: Francesca Ecsery (Chair), Raymond Bench, Nick Timberlake and Geraint Davies.

This report is for the year ended 31 December 2023. It sets out the remuneration policy and the detailed remuneration for the Executive and Non-Executive Directors of the Group. As an AIM-quoted Group, the information is disclosed to fulfil the requirements of AIM Rule 19. CT Automotive Group plc is not required to comply with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The information is unaudited except where stated.

Introduction (from Francesca Ecsery)

The Remuneration Committee ('the Committee') was formed in December 2021 at the time of our IPO. I am pleased to present the Committee's Annual Report, focused on FY23.

Terms of Reference

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

With effect from Admission, the Group has operated its share dealing code (the "Share Dealing Code"), which is compliant with Article 19 of UK Market Abuse Regulation and Rule 21 of the AIM Rules for Companies.

Meetings and members

Non-Executive Director	Maximum Formal Meetings	Formal Meetings Attended
Francesca Ecsery	6	6
Raymond Bench	6	6
Tracey James*	3	3
Nick Timberlake*	3	3
Geraint Davies*	1	1

* Tracey James stepped down as a Director on 13 July 2023. Nick Timberlake and Geraint Davies were appointed as Directors and members of the Remuneration Committee on 13 July 2023 and 18 September 2023 respectively.

The Share Dealing Code applies to any person discharging managerial responsibility, including the Directors, and the senior management and any closely associated persons and applicable employees. The Share Dealing Code sets out a notification procedure which is required to be followed prior to any dealing in the Group's securities.

The key roles of the Committee include:

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

Meetings and members

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

The Committee met six times during the period, with the attendance shown above.

At the start of the year the members of the Committee were myself (Chair), Tracey James and Raymond Bench. Tracey James stepped down from the Board and Committee in June 2023. Nick Timberlake and Geraint Davies joined the Board in July 2023 and September 2023 respectively, and were appointed as members of the Remuneration Committee at the same time. Three members of the Committee are independent Non-Executive Directors. Nick Timberlake is not considered independent as a Director nominated for appointment by Otus Capital Management Limited, which owns 18.9% of the issued share capital of the Group.

The Board considers that the Committee to be well structured with sufficient expertise to fulfil its objectives and responsibilities.

Although the Committee members are solely Non-Executive Directors, the CEO, CFO and external advisers may be invited to attend for all or part of any meeting as and when appropriate, however such persons have no voting rights.

Activities during FY23

The main Committee activities during the year included determining salary levels for Executive Directors, setting annual bonus targets for FY23 and monitoring performance against those targets. The Committee determined the salary and employment terms of its new CFO, Anna Brown, appointed to the Board in April 2023. The Committee considered the level and terms of LTIP share award options awarded to its new CFO made in December 2023 and also considered the level and terms of share award options to be made to the CEO and two other senior managers in February 2024 (which were made in respect of FY23). Towards and following the year end, the Committee considered and determined salary levels for 2024, determined the annual bonus structure for 2024 and assessed performance against the FY23 annual bonus targets.

The salary and employment terms of Simon Phillips did not change following his move from Executive Chairman to Chief Executive Officer in July 2023. Scott McKenzie stepped down from the Board and into a new role as joint Chief Operating Officer in July 2023.

In the light of financial, personal and ESG performance during FY23 as outlined earlier in this document, the Committee determined that annual bonuses will be paid to the Executive Directors at 36.50% of annual salary, out of a maximum of 75.00% of annual salary.

Remuneration Policy

Salaries

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

Benefits

The benefits provided to the Directors in FY23 comprised the provision of private medical insurance to two Directors, and the payment of school fees for one Director.

Pension

The Group offers employer's contribution to a defined contribution pension scheme at 3% of salary for the UK-based Executive Director.

Bonus policy

Annual bonuses are based on financial and non-financial targets set by the Remuneration Committee each year. The parameters, performance criteria, weightings and targets are ordinarily set at the start of each financial year. The maximum bonus payable for FY23 was up to 75% of salary. Payments are made in cash following the completion of the yearly audit. Awards are subject to malus and clawback provisions and overriding Committee discretion.

LTIP

The Group operates a performance share plan with share award options normally vesting after three years subject to meeting objective three-year performance conditions set by the Committee. A major award of performance share options was made to the Executive Directors in June 2022. Further awards were made to Executive Directors and other senior managers in December 2023 and February 2024.

Wider management scheme

The Directors recognise the role of our people in contributing to the Group's overall success and the importance of the Group's ability to incentivise and motivate its employees. Therefore, the Directors believe that certain employees should be given the opportunity to participate and take a financial interest in the success of the Group. To reflect this, the Group made share awards at modest levels to senior managers across different locations in October 2023 and February 2024.

Non-Executive Director remuneration

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

Directors' service contracts

Key Element	CEO: Simon Phillips	CFO: Anna Brown
Effective date	16/12/2021	Designate appointment: 01/02/2023 Board appointment: 28/04/2023
Notice period	6 months' notice given by either party	6 months' notice given by either party

The Non-Executive Chairman has a notice period of six months from either party, other Non-Executive Directors have notice periods of three months from either party.

FY23 Annual Report on Remuneration

FY23 and FY22 Summary of Directors' total remuneration

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

		Salary \$000's	Taxable benefits \$000's	Bonus \$000's	Pension \$000's	Total \$000's
Executive Directors						
Simon Phillips*	2023	274	-	100	-	374
	2022	271	-	-	-	271
Anna Brown	2023	166	-	91	5	262
Non-Executive Directors						
Francesca Ecsery*	2023	62	-	-	-	62
	2022	60	-	-	-	60
Raymond Bench*	2023	82	-	-	-	82
	2022	60	-	-	-	60
Geraint Davies	2023	19	-	-	-	19
Nick Timberlake	2023	23	-	-	-	23
Former Directors						
Executive Directors						
Scott McKenzie (Chief Executive Officer)*	2023	134	30	-	-	164
	2022	305	76	-	-	381
David Wilkinson (Chief Financial Officer)*	2023	103	-	-	3	106
	2022	207	3	-	8	218
Non-Executive Directors						
Tracey James	2023	39	-	-	-	39
	2022	66	-	-	-	66

Note: FY23 remuneration has been converted into USD using the exchange rate £1 = \$1.2447, being the average exchange rate during FY23.

* On 13 July 2023, Simon Phillips moved from Executive Chairman to CEO, Scott McKenzie stepped from the Board and into the role of joint COO, Raymond Bench was appointed Non-Executive Chairman and Francesca Ecsery was appointed Senior Independent Non-Executive Director.

Salary

At the start of the year, Simon Phillips was Executive Chairman, Scott McKenzie was CEO and David Wilkinson was CFO. Their salaries were \$274,000, \$274,000 and \$212,000 respectively. Simon Phillips moved from Executive Chairman to CEO, his salary remained the same. Anna Brown was appointed as CFO in April 2023, her annual salary is \$249,000. Scott McKenzie stepped down from the Board to become joint COO in July 2023.

Annual bonus

The maximum potential annual bonus for Executive Directors for FY23 was 75% of salary with 70% of maximum on profit after tax, 20% on personal objectives and 10% on ESG targets. In the light of performance against these objectives, the Committee determined that annual bonuses will be paid to the Executive Directors at 36.50% of annual salary, out of a maximum of 75.00% of annual salary.

Payments to past Directors for loss of office

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

REMUNERATION COMMITTEE REPORT CONTINUED

Long-term incentives

On 21 December 2023, the Group made 151,515 share award options under the CT Automotive Group Long Term Incentive Plan 2022 ("LTIP") to its CFO. The LTIP share award options will vest on the third anniversary of grant subject to meeting earnings per share performance targets for the year ending 31 December 2025. The award value was set at 50% of annual salary.

Name and award date	Interest at 31 December 2022	Granted in year	Exercise price	Vested	Exercised	Lapsed	Interest at 31 December 2023	Performance period ending
Simon Phillips 29/06/2022	509,332	-	£0.005	-	-	-	509,332	31 December 2025
Anna Brown 21/12/2023	-	151,515	£0.005	-	-	-	151,151	31 December 2025

Following the year end, on 1 February 2024, the Group made 134,146 share award options under the CT Automotive Group Long Term Incentive Plan 2022 ("LTIP") to its CEO, Simon Phillips. The value of the share award options was set at 50% of salary. These awards have the same vesting and performance conditions as the FY23 share award options to the CFO. These awards were made in respect of FY23 although they were formally made after the year end.

Non-Executive Director remuneration

The Non-Executive Director fees in FY23 comprised a base fee of \$50,000 with additional fees for being committee chair of \$9,000 and for being the Senior Independent Director at \$6,000.

On his appointment as Chairman in July 2023, Raymond Bench's fee was set at \$100,000.

Interests of the Directors

The table below sets out the interests of the Directors and their families (within the meaning set out in the AIM Rules for Companies) (including any interest known to that Director which could with reasonable diligence be ascertained by him or her) in the issued share capital of the Group as at 31 December 2023.

	No. of ordinary shares at 31 December 2023	Percentage of issued share capital
Simon Phillips	19,702,454	26.77
Anna Brown	29,388	0.04
Ray Bench	3,401	0.005
Francesca Ecsery	2,040	0.003
Nick Timberlake	20,000	0.03
Geraint Davies	4,800	0.007

In November 2023, Geraint Davies purchased 4,800 shares following his appointment to the Board as Non-Executive Director in September 2023, and Anna Brown purchased 29,388 shares in December 2023. Nick Timberlake purchased 20,000 shares prior to his appointment as a Director of the Group.

Remuneration in FY24

Salaries and fees

There will be no salary increases for Executive Directors and no fee increases for Non-Executive Directors in FY24.

Bonus for FY24

At the discretion of the Remuneration Committee, Executives will be entitled to earn maximum bonus of 75% of basic salary. The bonus will be based on adjusted profit before tax and personal objectives.

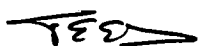
LTIP awards

As noted above, following year end on 1 February 2024, the Group awarded 134,146 share award options under the CT Automotive Group Long Term Incentive Plan 2022 ("LTIP") to its CEO, Simon Phillips.

The Committee intends to make further LTIP awards to Executive Directors and senior employees in respect of FY24 in mid 2024. These will have three-year performance and vesting periods.

Approval

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



FRANCESCA ECSERY

Chair of the Remuneration Committee

DIRECTORS' REPORT

Results and proposed dividends

The Group generated revenue of \$143m in FY23 (FY22: \$124.3m) and a profit before tax of \$5.9m (FY22 loss before tax: \$18.8m). Adjusted EBITDA for the Group was \$16.1m (FY22: (\$7.1m Adjusted EBITDA loss).

Considering forecast cash requirements, the Board is unable to recommend a payment of dividends.

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

Annual General Meeting

The Annual General Meeting (AGM) will be held at 9.00am on 28 June 2024 at 1000 Lakeside North Harbour Western Road, Portsmouth, PO6 3EN. We encourage shareholders to attend the 2024 AGM, details of which can be found in the Notice of Meeting.

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

Directors

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

Executive Directors:

- ⊕ Simon Phillips (Executive Chairman until 13 July 2023, CEO from 13 July 2023)
- ⊕ Anna Brown (CFO from 28 April 2023)
- ⊕ David Wilkinson (CFO until 28 April 2023)
- ⊕ Scott McKenzie (CEO until 13 July 2023)

Non-Executive Directors:

- ⊕ Raymond Bench (Chairman from 13 July 2023)
- ⊕ Francesca Ecsery (Senior Independent Director from 13 July 2023)
- ⊕ Nick Timbertake (appointed 13 July 2023)
- ⊕ Geraint Davies (appointed 18 September 2023)
- ⊕ Tracey James (resigned 13 July 2023)

Further information on the current Directors of the Group can be found on pages 40 to 41.

The Directors' remuneration and their interests in share capital are shown in the Remuneration Committee report on pages 51 to 54. In line with best governance practice, all Directors will be proposed for re-election at the 2024 Annual General Meeting. Further details can be found in the Governance Report on page 43.

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

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

Employees

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

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

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

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

Policy on the payment of creditors

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

Political contributions

The Group made no political donations or incurred any political expenditure during the year (FY22: \$nil).

Events after the reporting period

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

Streamlined Energy and Carbon Reporting (SECR)

The disclosure of Streamlined Energy and Carbon Reporting have been included as part of the Emissions section of the Sustainability report.

Financial instruments

Information in respect of the Group's policies on financial risk management objectives, including policies to manage credit risk, liquidity risk and foreign currency risk, along with the capital structure of the Group, are given in Note 25 to the financial statements.

Auditor

The Group's independent external auditor, BDO LLP, will be proposed by the Board for re-appointment at the AGM for the financial year ended 31 December 2024, with Jo Jones as the senior statutory auditor, replacing James Newman.

Registered office

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

Company registered number: 10451211.

Signed on behalf of the Board on 17 May 2024.



SIMON PHILLIPS
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the Strategic Report, Directors' Report and the financial statements, the Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with UK adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing these financial statements, the Directors are required to:

- ⊕ select suitable accounting policies and then apply them consistently;
- ⊕ make judgements and accounting estimates that are reasonable and prudent;
- ⊕ state whether they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- ⊕ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

Website publication

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

Signed on behalf of the Board on 17 May 2024.



SIMON PHILLIPS
Chief Executive Officer



ANNA BROWN
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CT AUTOMOTIVE GROUP PLC

Opinion on the financial statements

In our opinion:

- ⊕ the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- ⊕ the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- ⊕ the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ⊕ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements of CT Automotive Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included the procedures stated below.

We have performed the following procedures:

- ⊕ Assessing the inputs and underlying assumptions of the going concern model, including those within the cash flow forecasts, prepared by the directors. This included obtaining and reviewing post year-end actual results, confirming the banking agreements in place and assessing the directors ability to forecast accurately by comparing prior forecasts from the directors with current year actuals.
- ⊕ Checking the mathematical integrity and appropriateness of the model which is used to forecast.
- ⊕ In respect of the downside scenarios prepared by directors, being a reduction in revenue, increase in cost of sales and an increase in distributor stock impacting the working capital, we have performed the following.
 - reviewing the appropriateness of the Directors' reverse stress testing including challenging them on the different scenarios considered.
 - evaluating the Directors' ability to undertake mitigating actions should the group experience the downward scenarios.
- ⊕ We have reviewed the adequacy of the going concern disclosures in the financial statements which include detail of the group's current banking facilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CT AUTOMOTIVE GROUP PLC CONTINUED

Overview	2023	2022
Coverage		
Group profit before tax	94%	90%
Group revenue	100%	83%
Group total assets	97%	83%
Key audit matters		
Production revenue	Yes	Yes
Tooling revenue	Yes	Yes
Going concern*	No	Yes
Materiality		
Group financial statements as a whole	USD 1,000,000	USD 941,000
Based on	0.7% of revenue	5% of loss before tax

* Going concern is no longer considered to be a key audit matter given the profitability of the group and fund raise during the year.

An overview of the scope of our audit

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

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

All other non-significant components had no material balances which required specific audit procedures and a desktop review was performed.

Our involvement with component auditors

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

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

Key audit matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
Production revenue As detailed in the accounting policies in note 1 and further disclosure in note 5.	Revenue is a key performance measure for the group and a driver of profitability. We have assessed there to be a significant risk in relation to the existence of revenue through the posting of unusual combination or fraudulent journals and through inappropriate recognition of revenue around the year end (cut-off). Our procedures included: For a sample of production revenue throughout the year we agreed the revenue recognised by performing a three-way match to sales invoices, proof of delivery and corresponding receipts from customers. For sales made during December 2023 and January 2024, we tested a sample of revenue recognised during this period by reviewing the International Chamber of Commerce terms in the underlying contract and agreeing to the proof of delivery to determine that the revenue was recognised in the correct period. We also reviewed a sample of manual journals, if any, to production revenue, and agreed these to supporting documentation to determine the validity thereof. We performed a reconciliation of revenue recognised during the year to cash receipts from customers. We investigated reconciling items which included deferred income, accrued income and tooling receipts. Key observation: Based on our procedures performed we did not identify any matters to suggest that the existence of revenue was not appropriate.
Tooling revenue As detailed in the accounting policies in note 1 and further disclosure in note 5.	The recognition of tooling revenue is based on management's manual review of tooling projects completed and release of revenue into the profit and loss on a bi-annual basis. Given the manual nature in which revenue is recognised and the potential for management override, this poses the risk that management may recognise revenue in an inappropriate period. We therefore assessed there to be significant risk in relation to the existence of revenue through inappropriate recognition of revenue around the year end (cut-off). Our procedures included: For a sample of the tooling revenue throughout the year, we reviewed the revenue recognition by performing a three-way match, agreeing to: i) Contracts/Purchase Orders of the sampled projects; ii) Cash receipts which reconciles to the Contract/Purchase Order; and iii) Customer approval of the tooling to evidence that the performance obligation has been satisfied during the year. Due to the interlinking of revenue and contract liabilities, we also test these to verify completeness of revenue. For a sample of contract liabilities at the balance sheet date, we have checked that the project is not complete at the year end with reference to the contract or customer approval. We also reviewed the pre and post year end bank statements and selected a sample of receipts from customers and verified whether these have been appropriately accounted for within contract liabilities as at the balance sheet date. We have also assessed the recoverability of tooling work in progress carried within inventory by performing procedures on management's loss-making contracts schedule, following the completion of data integrity checks on the schedule, to determine if a provision is required. For a sample of contracts on the schedule we agreed the details to the contract, agreed a sample of expenditure incurred to supporting documentation and for management estimates of future costs we considered this against historic costs and actual costs incurred subsequent to year end. Key observation: Based on our procedures performed we did not identify any matters to suggest that the existence of revenue was not appropriate.

Our application of materiality

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CT AUTOMOTIVE GROUP PLC CONTINUED

Group financial statements

	2023 (USD)	2022 (USD)
Materiality	1,000,000	941,000
Basis for determining materiality	0.7% of revenue	5% of loss before tax
Rationale for the benchmark applied	We considered revenue to be a significant determinant of the Group's financial performance for the users of the financial statements.	We considered the losses before tax to be the most significant determinant of the Group's financial performance for the users of the financial statements.
Performance materiality	700,000	658,700
Basis for determining performance materiality	70% of Group materiality based on our assessment of the control environment and the expected value of known and likely misstatements.	

Parent company financial statements

	2023 (USD)	2022 (USD)
Materiality	750,000	748,000
Basis for determining materiality	1.25% of gross assets capped at 75% of group materiality	1.25% of Gross assets
Rationale for the benchmark applied	Given parent is non-trading and nature of the entity being holding, capped at 75% of group materiality.	Given parent is non trading and nature of the entity being holding.
Performance materiality	525,000	588,000
Basis for determining performance materiality	70% of Parent Company materiality based on our assessment of the control environment and the expected value of known and likely misstatements.	

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 15% and 75% (2022: 10% and 90%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from USD 160,000 to USD 750,000 (2022: USD 94,000 to USD 560,000). In the audit of each component, we further applied performance materiality levels of 70% (2022: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of USD 20,000 (2022: USD 18,820). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements 2023 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- ⊕ Our understanding of the Group and the industry in which it operates;
- ⊕ Discussion with management and those charged with governance;
- ⊕ Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be Companies Act 2006, the applicable accounting frameworks and tax regulations within the United Kingdom, China and Hong Kong.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, GDPR and tax legislation.

Our procedures in respect of the above included:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CT AUTOMOTIVE GROUP PLC CONTINUED

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- ⊕ Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- ⊕ Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- ⊕ Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- ⊕ Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- ⊕ Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the fraud risk areas to be management override of controls and the risk of fraud in revenue recognition.

Our procedures in respect of the above included:

- ⊕ Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- ⊕ Involvement of forensic specialists in the audit to attend the audit team's risk assessment discussions;
- ⊕ In response to the risk of fraud in revenue recognition, the procedures set out in the key audit matters section above.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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

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

Use of our report

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

James Newman

JAMES NEWMAN

Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK

17 May 2024

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 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	9	(2,535)	(1,997)
Profit/(loss) before tax		5,937	(18,821)
Taxation credit/(charge)	10	616	(3,054)
Profit/(loss) for the year from continuing operations		6,553	(21,875)
Discontinued operations			
Loss for the year from discontinued operations	11	(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	12	10.1c	(42.9)c
Diluted earnings/(loss) per share	12	9.7c	(42.9)c
From continuing and discontinued operations:			
Basic earnings/(loss) per share	12	9.7c	(48.4)c
Diluted earnings/(loss) per share	12	9.4c	(48.4)c

The notes on pages 67 to 100 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023

	Notes	2023 \$'000	2022 \$'000
Assets			
Non-current assets			
Goodwill	13	1,259	1,259
Intangible assets	15	314	528
Property, plant and equipment	16	7,089	7,302
Right-of-use assets	17	7,895	10,769
Deferred tax assets	18	1,571	-
		18,128	19,858
Current assets			
Inventories	19	25,997	27,342
Tax receivable		261	227
Trade and other receivables	20	30,578	26,880
Cash and cash equivalents	21	9,440	4,829
		66,276	59,278
Current liabilities			
Trade and other payables	22	(43,390)	(45,924)
Other interest-bearing loans and borrowings	23	(13,198)	(17,058)
Derivative financial liabilities	24	(52)	(671)
Corporate tax payable		(1,847)	(771)
Current lease liabilities	17	(3,492)	(3,022)
		(61,979)	(67,446)
Non-current liabilities			
Derivative financial liabilities	24	-	(95)
Deferred tax liabilities	18	-	(118)
Non-current lease liabilities	17	(5,458)	(8,900)
		(5,458)	(9,113)
Net assets		16,967	2,577
Equity attributable to owners of the Company			
Share capital	27	484	342
Share premium	27	63,696	54,717
LTIP reserve		4	-
Translation reserve	27	(1,397)	(347)
Accumulated deficit	27	(10,070)	(16,323)
Merger reserve	27	(35,812)	(35,812)
		16,905	2,577
Non-controlling interest	27	62	-
Total equity		16,967	2,577

The notes on pages 67 to 100 form part of these financial statements.

The financial statements were approved by the Board and were signed on its behalf by:



ANNA BROWN
Director

Registered number: 10451211

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

The notes on pages 67 to 100 form part of these financial statements.

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	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 21]	9,440	4,471

The notes on pages 67 to 100 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies**Introduction**

CT Automotive Group Plc (the "Company") is a public Company 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 parent Company financial statements present information about the Company as an entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Company has elected to prepare its parent Company financial statements in accordance with FRS 101; these are presented on pages 101 to 107.

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 Türkiye 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 rising 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.

1. Accounting policies continued

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 interests 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 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.

1. Accounting policies continued

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 IAS 29 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-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.

1. Accounting policies continued

Taxation continued

(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.

Cash flows

In the statement of cash flows, cash flows are reported on a net basis where they represent cash receipts and payments for items where the turnover is quick, the amounts are large and the maturities are short. This applies to the Group's invoice financing and trade loans arrangements, which are used for the purposes of funding the working capital.

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.

1. Accounting policies continued

Impairment excluding inventories and deferred tax assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to 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 23 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.

1. Accounting policies continued

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 from use of the asset, not those incidental to legal ownership or other potential benefits.

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

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

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

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

1. Accounting policies continued

Leases continued

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; and
- ⊕ 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 12.

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.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28.

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

New standards, interpretations and amendments

There have been a number of amendments to existing standards which are effective from 1 January 2023, but they do not have a 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

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).

1. Accounting policies continued

New standards, interpretations and amendments continued

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 inter-Group 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 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 CT 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 interests 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.

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

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 13.

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 FY23 for \$146,000 (FY22: \$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, 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 in the Annual Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 three 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	-	(5,244)	-	(5,244)
Depreciation and amortisation	-	(2,485)	(50)	(2,535)
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	79,902	263	84,404
Reportable segment liabilities	(2,770)	(60,748)	(919)	(64,437)

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	-	(5,243)	-	(5,243)
Depreciation and amortisation	-	(1,939)	(58)	(1,997)
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)

3. Segment information continued

	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 three major customers representing \$60.7m (43%), \$19m (13%) and \$17.6m (12%) of Group revenue.

In 2022 the Group had three 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. Revenue continued

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.

	2024 \$'000	2025 \$'000	Total \$'000
31 December 2023			
Tooling projects	10,465	1,876	12,341
	2023 \$'000	2024 \$'000	Total \$'000
31 December 2022			
Tooling projects	10,047	-	10,047

All consideration from contracts with customers is accounted for as contract assets or liabilities and released to revenue once the 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 in order 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

6. Non-recurring items continued

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 the result 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. Staff numbers and costs

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

	2023 \$'000	2022 \$'000
Production staff	1,876	2,576
Management and administration staff	340	258
	2,216	2,834

	2023 \$'000	2022 \$'000
Wages and salaries	27,999	30,439
Social security costs	2,167	1,436
Contributions to defined pension plans	622	179
	30,788	32,054

Key management personnel compensation

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

	2023 \$'000	2022 \$'000
Key management remuneration including social security costs	1,116	1,240
Company contributions to money purchase pension plans	15	10
	1,131	1,250

Directors' remuneration

	2023 \$'000	2022 \$'000
Directors' remuneration	1,084	1,099
Company contributions to money purchase pension plans	8	7
	1,092	1,106

Full details of Directors' remuneration are shown on page 53.

Retirement benefits were accruing to two Directors in the year (2022: one) under money purchase schemes.

9. Finance expenses

	2023 \$'000	2022 \$'000
Interest on bank loans and borrowings	1,454	1,038
Interest on lease liabilities	586	742
Other interest charges	495	217
	2,535	1,997

10. Taxation

	2023 \$'000	2022 \$'000
Recognised in profit or loss		
Current tax expense		
Current year	1073	621
Adjustments for prior periods	-	23
Current tax expense	1073	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)
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 of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. 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)

12. 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	-

12. Earnings per share continued

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)

13. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. Goodwill continued

In performing these calculations, the future cash flows 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 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.

14. Investments in subsidiaries

The Group and Company have the following investments in subsidiaries:

Company name	Registered office/Country of Incorporation	Class of shares held	Ownership	
			2023	2022
Direct shareholdings				
China Tool Projects UK Limited	Rooms 2102-3 China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong	Ordinary	100%	100%
Ct Automotive CZ s.r.o.	Pod Hybšmankou 2339/19 Praha 5 – Smíchov, 150 00 Czechia	Ordinary	100%	100%
Yinghuali Automotive Interiors Private Limited	15A, 4th Floor, City Vista Suite No.349, Fountain Road, Kharadi, Pune, Maharashtra, India	Ordinary	100%	100%
CT Automotive Japan K.K	4-6-8 Konan, Minato-ku, Tokyo, Japan	Ordinary	100%	100%
Indirect shareholdings				
Chinatool Mould Systems Limited	Rooms 2102-3 China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong	Ordinary	100%	100%
Chinatool UK Limited	3000a Parkway, Whiteley, Hampshire, United Kingdom	Ordinary	100%	100%
Chinatool Automotive Systems Limited	3000a Parkway, Whiteley, Hampshire, United Kingdom	Ordinary	100%	100%
Chinatool Otomotiv Sanayi Tic. Limited Sti.	Plastikçiler Organize Sanayi Bölgesi, Geposb, 9.cadde 92.Sok. N:5, Gebze Kocaeli, Türkiye	Ordinary	100%	100%
IMS-Chinatool JV, LLC	17199 N. Laurel Park Drive, Ste. 412 Livonia, MI 48152 USA	Ordinary	100%	100%
Chinatool Automotive Mould Systems Limited (英華利汽車模具系統(深圳) 有限公司*)	No. 6 Building Hua Yisheng lds Park, No.4 Industrial Zone, FuYong Town, Bao'an District, ShenZhen, China	Ordinary	100%	100%
Chinatool Automotive Components Co. Limited (英華利汽車零部件(贛州) 有限公司*)	No. 16 Standard Factory, Phase 2 Hong Kong Industrial Park, Ganzhou city Ganzhou Development Zone, Jiangxi Province, China	Ordinary	100%	100%
CT Automotive Systems DE Mexico SA DE CV	Cerrada Constitucion No.11 Int.C, San Francisco Ocotlan, Coronango,Puebla, Mexico C.P. 72680	Ordinary	90%	100%

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

15. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. Property, plant and equipment

	Plant and equipment \$'000	Fixtures and fittings \$'000	Motor 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

17. 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.

	Land and buildings \$'000	Plant and machinery \$'000	Total \$'000
Right-of-use assets			
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%).

	Land and buildings \$'000	Plant and machinery \$'000	Total \$'000
Lease liabilities			
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. 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 1.

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 inter-Group 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 unrecognised deferred tax assets related to tax losses carried forward against future profits is \$3.3m, of which the Company will utilise \$634,000 in FY24 and \$647,000 in FY25 and the remaining amount will be carried forward to subsequent years. Given the profit achieved in FY23, the Directors projected a similar profitability growth in FY24 and FY25.

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

19. 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 are 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).

20. 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. 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.

22. Trade and other payables

	2023 \$'000	2022 \$'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.

23. Borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see Note 25.

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

23. Borrowings continued

	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.

	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
2023							
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

	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
2022							
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

24. Derivative financial instruments

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

	2023 \$'000	2022 \$'000
Current		
GBP/EUR forward contracts	28	266
GBP/USD forward contracts	24	405
	52	671
Non-current		
GBP/EUR forward contracts	-	51
GBP/USD forward contracts	-	44
	-	95
Total	52	766

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

As at 31 December 2023, the Group has two open forward contracts with Investec, which are used to manage exchange rate movements between GBP, USD and EUR. All the open contracts are due to mature in 2024.

25. Financial instruments

(a) Fair values of financial instruments

Fair values

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

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

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

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

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

25. Financial instruments continued

(a) Fair values of financial instruments continued

Fair values continued

	Carrying amount 2023 \$'000	Level 2 2023 \$'000	Level 3 2023 \$'000	Carrying amount 2022 \$'000	Level 2 2022 \$'000	Level 3 2022 \$'000
Financial assets measured at amortised cost						
Trade and other receivables	18,750	–	18,750	17,999	–	17,999
Cash and cash equivalents	9,440	–	9,440	4,829	–	4,829
Total financial assets at amortised cost	28,190	–	28,190	22,828	–	22,828
Financial assets designated as fair value through profit or loss						
Derivative forward exchange contracts	–	–	–	–	–	–
Total financial assets designated at fair value through profit or loss	–	–	–	–	–	–
Financial liabilities designated as fair value through profit or loss						
Derivative forward exchange contracts	(52)	(52)	–	(766)	(766)	–
Total financial liabilities at fair value through profit or loss	(52)	(52)	–	(766)	(766)	–
Financial liabilities measured at amortised cost						
Other interest-bearing loans and borrowings	(13,198)	–	(13,198)	(17,058)	–	(17,058)
Lease liabilities	(8,950)	–	(8,950)	(11,922)	–	(11,922)
Trade and other payables	(35,624)	–	(35,624)	(39,357)	–	(39,357)
Total financial liabilities measured at amortised cost	(57,772)	–	(57,772)	(68,337)	–	(68,337)
Total financial instruments	(29,634)	(52)	(29,582)	(46,275)	(766)	(45,509)

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

Financial risk management

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

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

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables (see Note 20), estimated by the Group's management based on prior experience and their assessment of the current economic environment. Consequently, the Directors considered that the carrying amount of trade and other receivables approximates its fair value.

The Group's customers are large and unrelated blue chip automotive companies. Thus, the credit risk is limited. There are no customers with more than 5% of total balance of trade receivables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Financial instruments continued

(b) Credit risk continued

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

	2023 \$'000	2022 \$'000
Americas	4,682	4,926
Europe	6,304	9,978
Asia	5,814	805
Africa	143	458
	16,943	16,167

The disclosures regarding trade and other receivables, which have been assessed to be impaired by \$340,000. See note 20 for more details.

(c) Liquidity risk

Financial risk management

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

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. The Group manages liquidity risk by continuously monitoring short- and long-term forecasts and actual cash flows and by ensuring that they are holding sufficient cash to ensure that short-term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material cash outflows in the ordinary course of business. As at the balance sheet date, the management had working capital facilities of \$20,800,000, of which \$7,500,000 was undrawn.

	Carrying amount \$'000	Contractual cash flows \$'000	1 year or less \$'000	1 to <2 years \$'000	2 to <5 years \$'000	5 years and over \$'000
31 December 2023						
Non-derivative financial liabilities						
Secured bank loans	9,005	9,005	9,005	-	-	-
Lease liabilities	8,950	10,097	3,882	2,150	3,352	713
Trade and other payables*	35,624	35,624	35,624	-	-	-
Invoice finance	4,193	4,193	4,193	-	-	-
	57,772	58,919	52,704	2,150	3,352	713
31 December 2022						
Non-derivative financial liabilities						
Secured bank loans	9,583	9,583	9,583	-	-	-
Lease liabilities	11,922	10,680	3,524	2,645	3,311	1,200
Bank overdrafts	358	358	358	-	-	-
Trade and other payables*	39,357	39,357	39,357	-	-	-
Invoice finance	7,117	7,117	7,117	-	-	-
	68,337	67,095	59,939	2,645	3,311	1,200

* Excludes derivatives (shown separately)

25. Financial instruments continued

(d) Market risk

Financial risk management

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

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

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

Market risk – Foreign currency risk

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

	GBP \$'000	EUR \$'000	RMB \$'000	TL \$'000	HKD \$'000	INR \$'000	CZK \$'000	JPY \$'000	MXN \$'000	Total \$'000
31 December 2023										
Cash and cash equivalents	155	1,904	3,313	261	-	26	1	5	119	5,784
Trade and other receivables	9	4,715	3,764	1,883	-	-	-	(28)	-	10,343
Secured bank loans	-	(5,277)	(142)	-	-	-	-	-	-	(5,419)
Trade and other payables	(849)	(1,024)	(16,316)	(662)	(11)	(8)	(21)	(118)	(67)	(19,074)
Lease liabilities	(874)	-	(6,647)	(148)	-	(41)	(371)	-	(871)	(8,952)
Forward exchange contracts	(52)	-	-	-	-	-	-	-	-	(52)
Balance sheet exposure	(1,611)	318	(16,027)	1,335	(10)	(23)	(390)	(141)	(819)	(17,368)
Net exposure	(1,611)	318	(16,027)	1,335	(10)	(23)	(390)	(141)	(819)	(17,368)
31 December 2022										
Cash and cash equivalents	8	463	1,513	256	1	20	3	11	37	2,312
Trade and other receivables	1,963	8,310	13,939	2,084	139	58	58	(24)	531	27,058
Secured bank loans	(357)	(7,717)	(14)	-	-	-	-	-	-	(8,088)
Trade and other payables	(8,311)	(881)	(28,668)	(2,439)	(167)	(92)	(27)	(34)	(618)	(41,237)
Lease liabilities	(1,390)	-	(8,326)	(475)	-	(77)	(450)	-	-	(10,718)
Forward exchange contracts	(767)	-	-	-	-	-	-	-	-	(767)
Balance sheet exposure	(8,854)	175	(21,556)	(574)	(27)	(91)	(416)	(47)	(50)	(31,440)
Net exposure	(8,854)	175	(21,556)	(574)	(27)	(91)	(416)	(47)	(50)	(31,440)

Sensitivity analysis

A 10% strengthening of the following currencies against the US Dollar at 31 December 2023 would have increased (decreased) equity and profit or loss by the amounts shown below. A 10% weakening will cause an equal and opposite impact compared to the table below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables remain constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Financial instruments continued

Market risk – Foreign currency risk continued Strengthening

	Profit or loss 2023 \$'000	Profit or loss 2022 \$'000
GBP	(161)	(885)
EUR	32	18
RMB	(1,565)	(2,156)
TL	134	(57)
HKD	(1)	(3)
JPY	(2)	(5)
CZK	(39)	(42)
INR	(14)	(9)
MXN	(82)	-
	(1,698)	(3,139)

Market risk – Interest rate risk Profile

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

	2023 \$'000	2022 \$'000
Fixed rate financial instruments		
Lease liabilities	8,950	11,922
	8,950	11,922
Variable rate financial instruments		
Borrowings	13,198	17,058
	22,148	28,980

Sensitivity analysis

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

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates and financial instruments at fair value through profit or loss. The analysis is performed on the same basis for 31 December 2022.

	2023 \$'000	2022 \$'000
Profit or loss		
Increase	132	171
Decrease	(132)	(171)

26. Capital management

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

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

There are no financial covenants upon the Group as at 31 December 2023.

27. Capital and reserves

	2023 \$'000	2022 \$'000
Share capital		
Allotted, called up and fully paid		
73,597,548 (2022: 50,933,289) Ordinary shares of £0.005 each	484	342
Shares classified in shareholders' funds	484	342

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

On 27 April 2023 the Group undertook a fundraise and achieved total gross proceeds of \$9,630,000 (before transaction costs of \$510,000).

The fundraising was completed through a combination of subscription and placement of 22,664,259 new ordinary shares at an issue price of 34 pence per share. The new ordinary shares represent approximately 44% of the existing issued share capital of CT Automotive Group plc.

The proceeds of the fundraise have been recognised within Share Capital (\$142,000) and Share Premium (\$8,979,000), after transaction costs.

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

Share premium

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

Translation reserve

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

Merger reserve

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

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

Retained earnings

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

Non-controlling interests

Non-controlling interests represent the equity in subsidiaries that is not attributable to the shareholders of the Group.

28. Share-based payments

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

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

As at 31 December 2022, the Group issued 3,022,852 options to its employees. These options may be exercised at any time from their vesting (potentially vesting in three equal tranches in 2024, 2025 and 2026) to 2033.

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

At 24 October 2023, the Group issued 73,690 options to its employees. There are no performance-based conditions applied to these options except for a vesting period of three years. Options are exercisable at a price of £0.0005 per share. There is no expiry for these options and there are no holding period requirements for these options. Options are forfeited if the Director or employee leaves the Group before the options vest.

At 21 December 2023, the Group issued 151,515 options to its employees. Under the terms of the option, employees are required to be employed at CT Automotive in their position for the vesting period of three years. The options will vest in full conditional to the performance obligation being met at the vesting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Share-based payments continued

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

	Number of options	Weighted average Exercise price (\$)
2023		
Outstanding at the beginning of the year	3,022,852	0.000625
Forfeited during the year	(1,018,665)	0.000625
Granted during the year	225,205	0.006305
Outstanding at the end of the year	2,229,392	0.001199
Exercisable at the end of the year	-	-
2022		
Outstanding at the beginning of the year	-	-
Granted during the year	3,022,852	0.000625
Outstanding at the end of the year	3,022,852	0.000625
Exercisable at the end of the year	-	-

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

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

	2023	2022
Weighted average share price	\$0.62	\$1.57
Weighted average exercise price	\$0.001199	\$0.000625
Expected volatility	38.75%	21.50%
Expected life	4 years	4 years
Risk-free rate	4.20%	1.25%
Expected dividend yield	\$0.00	\$0.00

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

The Group expected some of the non-market-based performance vesting conditions to be met and therefore the Group recognised total expenses of \$3,000 (2022: \$nil) related to equity-settled share-based payment transactions in the year.

29. Related parties

Transactions with key management personnel

The Directors of the Company controlled the following shareholdings in the Company as at 31 December 2023:

	2023	2022
Simon Phillips	26.85%	38.30%
Anna Brown	0.06%	-
	26.91%	38.30%

See Note 2 for details of key management personnel remuneration.

29. Related parties continued

Other related party transactions

	2023 \$'000	2022 \$'000
Sale of Equity in CT Automotive, Mexico	6	-

On 23 November 2023, 10% shares in the subsidiary were sold to Simon Phillips, CEO and Scott McKenzie, COO resulting in a non-controlling interest for the Group's consolidated financial statements. Initial consideration of \$6,000 was received for the sale of equity in CT Automotive, Mexico.

The Group has not made any allowance for bad or doubtful debts in respect of related party receivables nor has any guarantee been given or received during 2023 or 2022 regarding related party transactions.

30. Ultimate controlling party

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

31. Events after the reporting period

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

32. 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 Strategic Report 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 (net)	(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%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. Alternative performance measures continued

Adjusted operating profit/(loss) and Adjusted operating profit/(loss) 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 (net)	(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%)

COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 \$'000	2022 \$'000
Assets			
Non-current assets			
Investments	3	36,187	36,193
Deferred tax asset	4	–	–
		36,187	36,193
Current assets			
Trade and other receivables	5	29,885	23,641
Cash and cash equivalents		257	11
		30,142	23,652
Current liabilities			
Trade and other payables	6	(16,054)	(16,549)
Derivative financial liabilities	8	(52)	(671)
Current tax payable		–	–
		(16,106)	(17,220)
Non-current liabilities			
Derivative financial liabilities	8	–	(95)
		–	(95)
Net assets		50,223	42,530
Capital and reserves			
Share capital	9	484	342
Share premium		63,696	54,717
LTIP reserve		4	–
Retained earnings		(13,960)	(12,529)
Total equity		50,223	42,530

The Company generated a loss of \$1,431,000 in the year ended 31 December 2023 (2022: loss of \$12,492,000).

These financial statements were approved by the Directors on 17 May 2024 and were signed on its behalf by:



ANNA BROWN

Director

Company number 10451211

The notes on pages 103 to 107 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital \$'000	Share premium \$'000	Retained earnings \$'000	Other reserve \$'000	Total equity \$'000
Balance at 1 January 2022	342	54,717	[37]	-	55,022
Total comprehensive income for the year					
Loss for the year	-	-	[12,492]	-	[12,492]
Balance at 31 December 2022	342	54,717	[12,529]	-	42,530
Total comprehensive income for the year					
Loss for the year	-	-	[1,431]	-	[1,431]
Transactions with owners					
Issue of shares	142	9,488	-	-	9,630
Issuance costs	-	(510)	-	-	(510)
Share-based payments	-	-	-	4	4
Balance at 31 December 2023	484	63,695	(13,960)	4	50,223

The notes on pages 103 to 107 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

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

Basis of preparation

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

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

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

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

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

Going concern

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

The Directors have assessed the Group's business activities and the factors likely to affect future performance in light of the current and anticipated trading conditions. In making their assessment the Directors have reviewed the Group'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.

1. Accounting policies continued

Measurement convention

The financial statements are prepared on the historical cost basis.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'US Dollars', which is also the Company's functional currency. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of profit or loss.

Impairment excluding inventories, and deferred tax assets

Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Non-derivative financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management. The cash and cash equivalents balances are held in Current Accounts and are readily available with no restrictions in place. For banks and financial institutions, only independently rated parties with minimum rating "A" or above are accepted.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Taxation

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

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

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

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

Key sources of estimation uncertainty:

As at 31 December 2023, the Directors have assessed the tax losses carried forward against future profits is \$3.3m, of which the Company will utilise \$634,000 in FY24 and \$647,000 in FY25 and the remaining will be carried forward to the subsequent years. Given that the Company continues to be loss making in FY23, the Directors have 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).

There are \$nil (FY22: \$nil) non-UK trading losses in respect of which no deferred tax assets have been recognised.

2. Staff numbers and costs

The aggregate payroll costs of the Company were:

	2023 \$'000	2022 \$'000
Wages and salaries	1,170	1,035
Social security costs	143	151
Other pension costs	25	21
	1,338	1,207

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

	2023 Number	2022 Number
Management and administrative staff	11	7
	11	7

3. Investments

	Shares in Group undertakings \$'000
Cost	
Brought forward	36,193
Disposals	[6]
At end of year	36,187
Net book value	
At 31 December 2022	36,193
At 31 December 2023	36,187

The Company holds a direct 100% investment in China Tool Projects UK Limited and its subsidiaries. The registered office of China Tool Projects UK Limited is: Rooms 2102-3 China Insurance Group Building 141 Des Voeux Road Central, Hong Kong (registered number: 700491). At 31 December 2023, the Company owns 90% of its subsidiary, CT Automotive Systems DE Mexico SA DE CV.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4. Deferred tax assets

Recognised deferred tax assets

	2023 \$'000	2022 \$'000
Available losses	1,287	-
Tax assets	-	-

Movement in deferred tax during the year

	At 1 January 2023 \$'000	Recognised in income \$'000	At 31 December 2023 \$'000
Available losses	-	1,287	1,287

	At 1 January 2022 \$'000	Recognised in income \$'000	At 31 December 2022 \$'000
Available losses	1,754	(1,754)	-

As at 31 December 2023, the Directors have assessed the tax losses carried forward against future profits is \$3.3m, of which the Company will utilise \$634,000 in FY24 and \$647,000 in FY25 and the remaining will be carried forward to the subsequent years. Given that the Company continues to be loss making in FY23, the Directors have 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).

There are \$nil (FY22: \$nil) non-UK trading losses in respect of which no deferred tax assets have been recognised.

5. Receivables

	2023 \$'000	2022 \$'000
Amounts owed from Group undertakings	29,513	23,241
Other receivables	56	178
Prepayments	317	222
	29,885	23,641

Amounts owed from Group undertakings attract no interest on these balances and are repayable on demand.

Amounts owed by group undertakings are stated after the impairment of a receivable balance of £1.0m due from Chinatool Automotive Systems Limited. The operations of Chinatool Automotive Systems Limited were discontinued during FY22.

6. Trade and other payables

	2023 \$'000	2022 \$'000
Trade payables	224	-
Amounts owed to Group undertakings	15,220	16,238
Taxation and social security	42	40
Other payables	58	5
Accruals	510	266
	16,054	16,549

Amounts owed to Group undertakings attract no interest on these balances and are repayable on demand.

7. Derivative financial instruments

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

	2023 \$'000	2022 \$'000
Current		
GBP/EUR forward contracts	28	266
GBP/USD forward contracts	24	405
	52	671
Non-current		
GBP/EUR forward contracts	–	51
GBP/USD forward contracts	–	44
	–	95
Total	52	766

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

As at 31 December 2023, the Group has two open forward contracts with Investec, which are used to manage exchange rate movements between GBP, USD and EUR. All the open contracts are due to mature in 2024.

8. Capital and reserves

	2023 \$'000	2022 \$'000
Share capital		
Allotted, called up and fully paid		
73,597,548 (2022: 50,933,289) Ordinary shares of £0.005 each	484	342
Shares classified in shareholders' funds	484	342

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

On 27 April 2023 the Company undertook a fundraise and achieved total gross proceeds of \$9,630,000 (before transaction costs of \$510,000).

The fundraising was completed through a combination of subscription and placement of 22,664,259 new ordinary shares at an issue price of 34 pence per share. The new ordinary shares represent approximately 44% of the existing issued share capital of CT Automotive Group plc.

The proceeds of the fundraise have been recognised within Share Capital (\$142,000) and Share Premium (\$8,979,000), after transaction costs.

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

9. Related parties

Related party transactions

	2023 \$'000	2022 \$'000
Sale of Equity in CT Automotive, Mexico	6	–

On 23 November 2023, 10% shares in the subsidiary were sold to Simon Phillips, CEO and Scott McKenzie, COO resulting in a non-controlling interest for the Groups consolidated financial statements. Initial consideration of \$6,000 was received for the sale of equity in CT Automotive, Mexico.

The Company has not made any allowance for bad or doubtful debts in respect of related party receivables nor has any guarantee been given or received during 2023 or 2022 regarding related party transactions.



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