

M.K. TEST SYSTEMS LTD.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2021

M.K. TEST SYSTEMS LTD.

COMPANY INFORMATION

Directors

CJ Bullock
JC Evans
MP Threlfall (resigned 6 December 2021)

Registered number

02706775

Registered office

ATE House
Westpark 26
Chelston
Wellington
Somerset
TA21 9AD

Independent auditors

Bishop Fleming LLP
Chartered Accountants & Statutory Auditors
2nd Floor Stratus House
Emperor Way
Exeter Business Park
Exeter
EX1 3QS

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2021**

The directors present their report and the financial statements for the year ended 31 May 2021.

Directors' responsibilities statement

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

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

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

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

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

Directors

The directors who served during the year were:

CJ Bullock
JC Evans
MP Threlfall (resigned 6 December 2021)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Bishop Fleming LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

M.K. TEST SYSTEMS LTD.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2021**

This report was approved by the board and signed on its behalf.

CJ Bullock
Director

Date: 8 April 2022

ATE House
Westpark 26
Chelston
Wellington
Somerset
TA21 9AD

Opinion

We have audited the financial statements of M.K. Test Systems Ltd. (the 'Company') for the year ended 31 May 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern

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.

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 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.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF M.K. TEST SYSTEMS LTD. (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF M.K. TEST SYSTEMS LTD. (CONTINUED)

Auditors' 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 Auditors' 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.

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:

- the nature of the sector, control environment and the Company's performance;
- results of our enquiries of management and the Directors, about their own identification and assessment of the risks of irregularities
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to: identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the highest area of risk to be in relation to revenue recognition, with a particular risk in relation to year-end cut-off. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We identified and obtained an understanding of the laws and regulations that are of significance to the Company by discussions with directors and by updating our understanding of the sector in which the Company operated in. Laws and regulations that are of direct significance to the Company, and of which non-compliance could result in material misstatement, are considered to be the UK Companies Act, FRS 102 and UK tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included ISO 9001/ CE Certification which is industry standard and ensures production quality assurance which would be expected from certain customers.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements
- reviewing the financial statement disclosures and testing to supporting documentation to assess the recognition of revenue;
- enquiring of Directors and management concerning actual and potential litigation and claims;
- performing procedures to confirm material compliance with the requirements of the above regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of Director meetings; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF M.K. TEST SYSTEMS LTD. (CONTINUED)

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from an 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 would become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

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

Fleur Lewis FCA (Senior Statutory Auditor)

for and on behalf of

Bishop Fleming LLP

Chartered Accountants

Statutory Auditors

2nd Floor Stratus House

Emperor Way

Exeter Business Park

Exeter

EX1 3QS

8 April 2022

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2021**

	Note	2021 £	2020 £
Turnover		4,106,056	3,784,915
Cost of sales		(1,274,608)	(695,922)
Gross profit		2,831,448	3,088,993
Administrative expenses		(2,679,321)	(2,483,739)
Other operating income		18,446	-
Operating profit		170,573	605,254
Interest receivable and similar income		(11,135)	(20,805)
Profit before tax		159,438	584,449
Tax on profit		(67,975)	(114,867)
Profit for the financial year		91,463	469,582
Other comprehensive income for the year			
Total comprehensive income for the year		91,463	469,582

The notes on pages 10 to 21 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	4	1,285,188	1,474,313
Tangible assets	5	358,110	405,180
		<u>1,643,298</u>	<u>1,879,493</u>
Current assets			
Stocks	6	847,564	854,524
Debtors: amounts falling due within one year	7	2,872,788	2,544,973
Cash at bank and in hand	8	333,274	278,745
		<u>4,053,626</u>	<u>3,678,242</u>
Creditors: amounts falling due within one year	9	(1,828,711)	(2,006,018)
Net current assets		<u>2,224,915</u>	<u>1,672,224</u>
Total assets less current liabilities		<u>3,868,213</u>	<u>3,551,717</u>
Creditors: amounts falling due after more than one year	10	(199,924)	(31,936)
Provisions for liabilities			
Deferred tax	13	(141,920)	(84,875)
		<u>(141,920)</u>	<u>(84,875)</u>
Net assets		<u><u>3,526,369</u></u>	<u><u>3,434,906</u></u>
Capital and reserves			
Called up share capital		4	4
Profit and loss account		3,526,365	3,434,902
		<u><u>3,526,369</u></u>	<u><u>3,434,906</u></u>

M.K. TEST SYSTEMS LTD.
REGISTERED NUMBER:02706775

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MAY 2021

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

CJ Bullock
Director

Date: 8 April 2022

The notes on pages 10 to 21 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

1. General information

M. K. Test Systems Ltd is a private company limited by shares and is incorporated in England. The address of its registered office and principle place of business is ATE House, Westpark 26, Chelston, Wellington, Somerset, TA21 9AD.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The following principal accounting policies have been applied:

2.2 Going concern

The company has seen revenue growth in this year with 8.5% year on year growth to 31 May 2021. This has been achieved on the back of the second and third lock down periods during the ever-present covid-19 global pandemic. The company has continued to trade consistently during this financial year and has put itself in a strong position going forward with a large order book and pipeline, a new stock management system and strategic stocking well bedded in to the business in order to reduce some of the challenges we are facing in the supply chain and the worldwide shortage of parts on the back of the global pandemic.

The company's 5 Year Plan, taking account of reasonably possible changes in trading performance, and the support of its equity investor, Synova Capital LLP, show that the company should be able to operate within the level of its resources. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The company is forecasted to see a continued revenue growth rate in the coming year to 31 May 2022 with a new £1.6m RTS order secured in December 2021. The forecasts prepared by the directors indicate that the Company will be able to achieve a positive EBITDA for the remainder of the year ended 31 May 2022 and for the 12 months from the date of signing. On this basis, the directors have concluded that it is appropriate that the financial statements be prepared on the going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

2. Accounting policies (continued)

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

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

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

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

2. Accounting policies (continued)

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Development expenditure	-	4	years
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2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on reducing balance and straight line basis.

Depreciation is provided on the following basis:

Leasehold improvements	-	10%	reducing balance
Motor vehicles	-	25%	reducing balance
Fixtures and fittings	-	15%	reducing balance
Office equipment	-	10%	reducing balance
Computer equipment	-	33%	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.14 Debtors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

2. Accounting policies (continued)

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.16 Creditors

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

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.18 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

2. Accounting policies (continued)

2.18 Financial instruments (CONTINUED)

for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

3. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Employees	<u>35</u>	<u>38</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

4. Intangible assets

	Development expenditure £
COST	
At 1 June 2020	2,342,511
Additions	447,870
	<hr/>
	2,790,381
At 31 May 2021	<hr/>
AMORTISATION	
At 1 June 2020	868,198
Charge for the year on owned assets	636,995
	<hr/>
	1,505,193
At 31 May 2021	<hr/>
NET BOOK VALUE	
At 31 May 2021	<u>1,285,188</u>
At 31 May 2020	<u>1,474,313</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

5. Tangible fixed assets

	Leasehold Improvements	Motor vehicles	Fixtures and fittings	Office equipment	Computer equipment	Total
	£	£	£	£	£	£
COST OR VALUATION						
At 1 June 2020	448,777	19,128	12,026	12,248	26,284	518,463
Additions	-	-	-	-	998	998
At 31 May 2021	<u>448,777</u>	<u>19,128</u>	<u>12,026</u>	<u>12,248</u>	<u>27,282</u>	<u>519,461</u>
DEPRECIATION						
At 1 June 2020	74,218	13,400	5,719	2,964	16,982	113,283
Charge for the year on owned assets	37,456	1,434	946	928	7,304	48,068
At 31 May 2021	<u>111,674</u>	<u>14,834</u>	<u>6,665</u>	<u>3,892</u>	<u>24,286</u>	<u>161,351</u>
NET BOOK VALUE						
At 31 May 2021	<u>337,103</u>	<u>4,294</u>	<u>5,361</u>	<u>8,356</u>	<u>2,996</u>	<u>358,110</u>
At 31 May 2020	<u>374,559</u>	<u>5,728</u>	<u>6,307</u>	<u>9,284</u>	<u>9,302</u>	<u>405,180</u>

The net book value of land and buildings may be further analysed as follows:

	2021 £	2020 £
Long leasehold	337,103	374,559
	<u>337,103</u>	<u>374,559</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

6. Stocks

	2021 £	2020 £
Raw materials and consumables	809,657	681,743
Work in progress	37,907	172,781
	<u>847,564</u>	<u>854,524</u>

Work in progress consist of:

	2021 £	2020 £
Costs to date less provision for losses	37,907	172,781
	<u>37,907</u>	<u>172,781</u>

7. Debtors

	2021 £	2020 £
Trade debtors	868,197	533,311
Amounts owed by group undertakings	1,757,890	1,717,435
Other debtors	49,076	85,324
Prepayments and accrued income	28,492	86,363
Tax recoverable	169,133	122,540
	<u>2,872,788</u>	<u>2,544,973</u>

8. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	333,274	278,745
	<u>333,274</u>	<u>278,745</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

9. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank loans	38,712	-
Trade creditors	431,011	537,220
Amounts owed to group undertakings	811,159	814,964
Other taxation and social security	267,831	239,462
Obligations under finance lease and hire purchase contracts	27,948	156,365
Other creditors	13,094	7,011
Accruals and deferred income	238,956	250,996
	<u>1,828,711</u>	<u>2,006,018</u>

10. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Bank loans	199,924	-
Net obligations under finance leases and hire purchase contracts	-	31,936
	<u>199,924</u>	<u>31,936</u>

11. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year		
Bank loans	38,712	-
	<u>38,712</u>	-
Amounts falling due 1-2 years		
Bank loans	199,924	-
	<u>199,924</u>	-
	<u>238,636</u>	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

12. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	27,948	156,365
Between 1-5 years	-	31,936
	<u>27,948</u>	<u>188,301</u>

13. Deferred taxation

	2021 £
At beginning of year	(84,875)
Charged to profit or loss	(57,045)
AT END OF YEAR	<u><u>(141,920)</u></u>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Original and reversal of timing differences	(319,499)	(33,710)
Short term timing differences	1,403	(277,775)
Losses	176,176	207,325
R&D Expenditure	-	19,285
	<u>(141,920)</u>	<u>(84,875)</u>

14. Commitments under operating leases

At 31 May 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	66,067	61,966
Later than 1 year and not later than 5 years	242,361	234,956
Later than 5 years	407,946	466,224
	<u>716,374</u>	<u>763,146</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

15. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 102 Section 33 "Related party disclosures" in not disclosing intra group transactions where 100% of the voting rights are controlled within the group.

16. Controlling party

The company's immediate parent company is and the ultimate parent company is . Both companies are registered in England.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.