Registered number: 05794029

CONDITION MONITORING GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY INFORMATION

Directors	A Lobato G M Lee-Richards FCA R J Allen ACMA F A Lobato D R Graham P Huber (appointed 24 January 2020)
Company secretary	R J Allen ACMA
Registered number	05794029
Registered office	Hatchmoor Industrial Estate Great Torrington North Devon EX38 7HP
Independent auditors	Bishop Fleming LLP Chartered Accountants & Statutory Auditors 2nd Floor Stratus House Emperor Way Exeter Business Park Exeter EX1 3QS
Bankers	Santander Bank Plc Bridle Road Bootle Merseyside L30 4GB

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

BUSINESS REVIEW

The Group continues to pursue a strategy of developing its capabilities and to maintain its focus on strengthening relationships with its customers. This strategy allows for close collaboration and a deeper understanding of customer needs in order to meet their specific individual requirements. The Group aims to operate at the highest standards and has a reputation for successful and on-time programme execution. The Group continues to identify and pursue opportunities for growth.

Product and service enhancements are planned to continue in order to diversify the range of offerings, support penetration into new territories and, to improve the level of revenue generation from the Group's service and support capabilities. The Group continues to concentrate on attaining a technological edge within its niche markets, and remains focused on developing strategic relationships with key partners, academia and customers in order to deliver innovative solutions and strengthen its capabilities.

Strategic emphasis has been maintained on staff training and development by the Group and its subsidiaries, as this is deemed essential to sustain both market position and future growth.

FUTURE DEVELOPMENTS

Looking forward, the outlook for the Group remains positive, with the board confident of securing new contracts and delivering projects on budget. This, in turn, will also continue to broaden the Group's technological base and customer offerings.

Furthermore, the board are confident that the continued investment in technology and know-how will enable the Group to maintain its strong market position and be well placed to deliver growth over the medium term.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board sets the policy for managing risk within the Group and recognises the importance of identifying, mitigating and managing both the financial and non-financial risks facing the Group.

The key risks and uncertainties for the Group relate to the following:

- Impact of the world-wide COVID-19 pandemic
- Inherent risk of trading within a global marketplace including exchange rate movements and export controls
- Implications of Brexit both positive and negative
- Loss of key talent / failure to recruit key competencies
- Deferment in new order receipts
- Significant business interruption risk affecting one of the Groups operational locations or supply chain
- Failure to comply with laws and regulations

These principal risks and uncertainties could have an impact on the future performance of the Group, however, these are regularly reviewed, managed and mitigated to reduce any potential impact on the reported performance of the Group.

COVID-19

As a result of the COVID-19 pandemic, the Group established a dedicated COVID-19 Management Team who continue to meet daily to assess the ongoing situation and implement actions, as necessary, based upon evolving Government advice, policy and procedure.

Both the extent of and consequence for the global economy as a result of the COVID-19 pandemic is unknown, however, the Group operates within niche sectors and the diversity of both its product offering and customer portfolio across all subsidiaries provides a layer of resilience for the Group. Additionally, several of the Group's core activities are considered to be essential services to its military, pseudo-military and power generation customers across the world which has minimised the impact to the Group's service and support revenue streams.

The Group and its subsidiaries have developed and implemented mitigating actions to ensure that the Group is able to continue to operate efficiently and effectively as possible during this unprecedented time. The locations and layout of our operating facilities support the recommended social distancing measures and we have supported working from home for certain roles.

The pandemic has resulted in some minor disruption to the working practices usually observed within the Group however, the flow of management information throughout the Group has been maintained allowing the board to continue to review and assess business performance and activities in a very timely manner and to take appropriate action.

During this time of unprecedented uncertainty, the board took the decision to carefully reassess and appraise its prospects for the 2020 financial year and beyond and to reforecast the financial projections.

The Group started the 2020 financial year with a very strong Order Book and, whilst some key orders which were forecasted for the first half of 2020 are likely to see some deferment, we have maintained good contact with our customer base and are confident that these orders will materialise during the year.

The board have taken appropriate advantage of the financial support available from the UK and other Governments to strengthen its case position and to ensure that the operational and capital needs of the business are met and that the Group maximises financial flexibility within each of its subsidiary businesses. The cost base and resource requirements of the Group will continue to be reviewed and realigned as required.

The Group will continue to modify its approach to the ongoing situation however, despite the systemic uncertainties that current exist, the board feel confident that the Group will be able to continue in operation and will be able to meet its liabilities as they fall due.

RESULTS AND PERFORMANCE

Results for the Group for the period ending December 2019 met expectations. Order intake in the year was strong resulting in a solid Order Book at year-end which underpins our forecast for the coming year.

A summary of the results and key performance indicators for the Group for the year ended 31st December 2019 is presented below:

	2019 **£**	2018 £
Sales	**9,589,350**	9,572,095
Operating profit	**849,715**	650,749
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**1,315,302**	1,144,861
Net assets	**5,012,720**	4,375,291

The Group trades internationally and has wholly-owned subsidiaries in key territories - UK, Europe and the US. Details of territorial sales are shown in Note 4. The performance for all subsidiary businesses within each of the key territories met expectations during 2019.

This report was approved by the board on 3 June 2020 and signed on its behalf.

R J Allen ACMA
Secretary

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group'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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

Condition Monitoring Group (CMG) Limited is the Parent Company of a Group whose principal activities are detailed as follows:

• Helitune – the manufacture and sale of electronic instrumentation for Vibration Analysis of rotary wing aircraft for both military and civil helicopter applications.

• Beran – the manufacture and sale of electronic instrumentation used mainly for Condition Monitoring activities on industrial rotating plant.

• Prosig – the manufacture and sale of electronic instrumentation and software for noise, vibration and harshness testing for the automotive, aerospace, and power generation industries.

• Systems and Electronics Inc – the manufacture and sale of electronic instrumentation used for Structural Analysis within the military aviation market.

Results and dividends

The profit for the year, after taxation, amounted to £822,362 (2018: £518,030).

Directors

The directors who served during the year were:

A Lobato
G M Lee-Richards FCA
R J Allen ACMA
F A Lobato
D R Graham

Principal risks and uncertainties

- Cashflow risk – detailed reviews of business performance and cash flow are conducted regularly to ensure that the Group maximises its working capital position.

- Foreign exchange risk – movements in foreign currency exchange rates, particularly the US Dollar and the Euro, result in both transaction and translation effects on the results of the Group. The directors use forward-hedging contracts to mitigate the risk of transactional foreign exchange rates where appropriate.

- Credit and liquidity risk - trade debtors are managed in respect of both credit and cash flow risk through the regular monitoring of amounts outstanding for both age and credit limit which form part of a robust credit control policy. Trade creditors' liquidity risk is managed through regular monitoring of amounts due and ensuring the appropriate facilities are in place and funds available to meet amounts as they fall due.

Additionally, the Group maintains appropriate insurance cover against material loss or claims against any of the companies within the Group and the level of cover is reviewed regularly to ensure that this remains sufficient

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 and the Group'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 and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

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

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

R J Allen ACMA
Director

Date: 3 June 2020

Hatchmoor Industrial Estate
Great Torrington
North Devon
EX38 7HP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONDITION MONITORING GROUP LIMITED

Opinion

We have audited the financial statements of Condition Monitoring Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity 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 Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's 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 Group 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

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

We have nothing to report in this regard.

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 Group 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 Group strategic report and the Directors' report have 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or 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 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 on page 4, 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.

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.

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 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 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

10 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	**9,589,350**	9,572,095
Cost of sales		**(2,672,362)**	(2,640,477)
Gross profit		**6,916,988**	6,931,618
Administrative expenses		**(6,372,754)**	(6,280,869)
Other operating income	5	**305,481**	-
Operating profit	6	**849,715**	650,749
Interest receivable and similar income	10	**146**	553
Interest payable and expenses	11	**(200,588)**	(216,549)
Profit before taxation		**649,273**	434,753
Tax on profit	12	**173,089**	83,277
Profit for the financial year		**822,362**	518,030
Currency translation differences		**(154,189)**	70,501
Other comprehensive income for the year		**(154,189)**	70,501
Total comprehensive income for the year		**668,173**	588,531
Profit for the year attributable to:			
Owners of the parent Company		**822,362**	518,030
		822,362	518,030

The notes on pages 20 to 40 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Intangible assets	14		**599,158**		839,467
Tangible assets	15		**2,538,865**		2,672,912
			3,138,023		3,512,379
Current assets					
Stocks	17	**2,808,527**		2,629,943	
Debtors: amounts falling due after more than one year	18	**168,480**		-	
Debtors: amounts falling due within one year	18	**3,221,711**		2,660,969	
Cash at bank and in hand	19	**534,796**		341,987	
		6,733,514		5,632,899	
Creditors: amounts falling due within one year	20	**(2,889,055)**		(2,476,313)	
Net current assets			**3,844,459**		3,156,586
Total assets less current liabilities			**6,982,482**		6,668,965
Creditors: amounts falling due after more than one year	21		**(1,749,350)**		(2,026,940)
Provisions for liabilities					
Deferred taxation	24	**(220,412)**		(266,734)	
			(220,412)		(266,734)
Net assets			**5,012,720**		4,375,291
Capital and reserves					
Called up share capital	25		**2,196**		2,196
Share premium account	26		**41,100**		41,100
Revaluation reserve	26		**141,178**		141,178
Capital redemption reserve	26		**1,933**		1,933
Merger reserve	26		**284,488**		284,488
Profit and loss account	26		**4,541,825**		3,904,396
Equity attributable to owners of the parent Company			**5,012,720**		4,375,291
			5,012,720		4,375,291

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

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

A Lobato
Director

Date: 3 June 2020

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Investments	16		**119,715**		119,715
			119,715		119,715
Current assets					
Debtors: amounts falling due within one year	18	**134,127**		99,127	
		134,127		99,127	
Creditors: amounts falling due within one year	20	**(174,312)**		(143,568)	
Net current liabilities			**(40,185)**		(44,441)
Total assets less current liabilities			**79,530**		75,274
Net assets			**79,530**		75,274
Capital and reserves					
Called up share capital	25		**2,196**		2,196
Share premium account	26		**41,100**		41,100
Capital redemption reserve	26		**1,933**		1,933
Profit and loss account			**34,301**		30,045
			79,530		75,274

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

A Lobato
Director

Date: 3 June 2020

The notes on pages 20 to 40 form part of these financial statements.

CONDITION MONITORING GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£	£	£
At 1 January 2019	2,196	41,100	1,933	141,178	284,488	3,904,396	4,375,291
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	822,362	822,362
Currency translation differences	-	-	-	-	-	(154,189)	(154,189)
Other comprehensive income for the year	-	-	-	-	-	(154,189)	(154,189)
Total comprehensive income for the year	-	-	-	-	-	668,173	668,173
Dividends: Equity capital	-	-	-	-	-	(30,744)	(30,744)
Total transactions with owners	-	-	-	-	-	(30,744)	(30,744)
At 31 December 2019	2,196	41,100	1,933	141,178	284,488	4,541,825	5,012,720

The notes on pages 20 to 40 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Capital edemption reserve	evaluation reserve	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£	£	£
At 1 January 2018	2,291	41,100	1,838	141,178	284,488	3,459,433	3,930,328
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	518,030	518,030
Currency translation differences	-	-	-	-	-	70,501	70,501
Other comprehensive income for the year	-	-	-	-	-	70,501	70,501
Total comprehensive income for the year	-	-	-	-	-	588,531	588,531
Dividends: Equity capital	-	-	-	-	-	(62,818)	(62,818)
Purchase of own shares	-	-	95	-	-	(80,750)	(80,655)
Shares redeemed during the year	(95)	-	-	-	-	-	(95)
Total transactions with owners	(95)	-	95	-	-	(143,568)	(143,568)
At 31 December 2018	2,196	41,100	1,933	141,178	284,488	3,904,396	4,375,291

The notes on pages 20 to 40 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019	**2,196**	**41,100**	**1,933**	**30,045**	**75,274**
Comprehensive income for the year					
Profit for the year	-	-	-	**35,000**	**35,000**
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**35,000**	**35,000**
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	**(30,744)**	**(30,744)**
Total transactions with owners	-	-	-	**(30,744)**	**(30,744)**
At 31 December 2019	**2,196**	**41,100**	**1,933**	**34,301**	**79,530**

The notes on pages 20 to 40 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	2,291	41,100	1,838	58,613	103,842
Comprehensive income for the year					
Profit for the year	-	-	-	115,000	115,000
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	115,000	115,000
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(62,818)	(62,818)
Purchase of own shares	-	-	95	(80,750)	(80,655)
Shares redeemed during the year	(95)	-	-	-	(95)
Total transactions with owners	(95)	-	95	(143,568)	(143,568)
At 31 December 2018	2,196	41,100	1,933	30,045	75,274

The notes on pages 20 to 40 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	**822,362**	518,030
Adjustments for:		
Amortisation of intangible assets	**307,229**	313,915
Depreciation of tangible assets	**158,358**	180,197
Loss on disposal of tangible assets	**(200)**	18,672
Interest paid	**200,588**	216,549
Interest received	**(146)**	(553)
Taxation charge	**(173,089)**	(83,277)
(Increase) in stocks	**(178,584)**	(276,073)
(Increase)/decrease in debtors	**(698,957)**	167,973
Increase/(decrease) in creditors	**220,106**	(124,155)
Corporation tax received	**113,855**	168,162
Exchange movements	**(132,041)**	32,667
Net cash generated from operating activities	**639,481**	1,132,107
Cash flows from investing activities		
Purchase of intangible fixed assets	**(66,920)**	(160,424)
Purchase of tangible fixed assets	**(46,459)**	(77,671)
Sale of tangible fixed assets	**200**	4,514
Purchase of investment properties	**-**	580,000
Interest received	**146**	553
Net cash from investing activities	**(113,033)**	346,972
Cash flows from financing activities		
Purchase of ordinary shares	**-**	(80,750)
Repayment of loans	**(213,297)**	(296,265)
Repayment of other loans	**(100,000)**	(100,000)
Dividends paid	**(30,744)**	(62,818)
Interest paid	**(200,588)**	(216,549)
Net cash used in financing activities	**(544,629)**	(756,382)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Net (decrease)/increase in cash and cash equivalents	**(18,181)**	722,697
Cash and cash equivalents at beginning of year	**20,254**	(702,443)
Cash and cash equivalents at the end of year	**2,073**	20,254
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**534,796**	341,987
Bank overdrafts	**(532,723)**	(321,733)
	2,073	20,254

The notes on pages 20 to 40 form part of these financial statements.

1. GENERAL INFORMATION

Condition Monitoring Group Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is Hatchmoor Industrial Estate, Great Torrington, North Devon, EX38 7HP.

The Group consists of Condition Monitoring Group Limited and all of its subsidiaries. The principal activities of the Company and its subsidiaries are disclosed in the Directors' Report.

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 Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 October 2013.

Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

2. ACCOUNTING POLICIES (continued)

2.3 GOING CONCERN

As a result of the COVID-19 pandemic, the Group established a dedicated COVID-19 Management Team who have been monitoring and implementing mitigating actions to ensure the Group is able to continue to operate efficiently and effectively as possible during this unprecedented time.

Both the extent of and consequence for the global economy as a result of the COVID-19 pandemic is unknown, however, the Group operates within niche sectors and the diversity of both its product offering and customer portfolio across all subsidiaries provides a layer of resilience for the Group.

Additionally, several of the Group's core activities are considered to be essential services to its military, pseudo-military and power generation customers across the world which has minimised the impact to the Group's service and support revenue streams.

The Group depends on its existing bank facilities to meet its day-to-day working capital requirements. Current forecasts indicate that the Group expects to be able to operate within these facilities for the whole of the foreseeable future. These facilities are renewed annually and are not guaranteed for the period covered by the going concern review. The directors are not aware, however, of any circumstances that may adversely affect the renewal of these facilities. Accordingly, the directors believe it is appropriate to prepare the financial statements on the going concern basis.

2.4 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Group's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the

2. ACCOUNTING POLICIES (continued)

2.5 REVENUE (CONTINUED)

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 Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group 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 Group 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 Group 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.

2.6 OPERATING LEASES: THE GROUP AS LESSEE

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.7 INTEREST INCOME

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.8 FINANCE COSTS

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 BORROWING COSTS

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2. ACCOUNTING POLICIES (continued)

2.10 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income 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 Group in independently administered funds.

2.11 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, 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 and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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.

2.12 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

OTHER 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

2. ACCOUNTING POLICIES (continued)

2.12 INTANGIBLE ASSETS (CONTINUED)

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	-	5 years
Goodwill	-	7 years
Trademarks	-	7 years
Computer software	-	4 years

2.13 DEVELOPMENT COSTS

Research costs are written off as incurred. Development costs are capitalised within intangible assets, where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project, which the directors review on a project-by-project basis to a maximum of five years.

Deferred development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related development is written off to the Consolidated Statement of Comprehensive Income. Where the conditions of Section 18 of FRS 102 are not satisfied, expenditure on development is written off as incurred.

2.14 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, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2% straight line
Plant and machinery	-	15 - 25% straight line
Motor vehicles	-	25% 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 the Consolidated Statement of Comprehensive Income.

2.15 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

2. ACCOUNTING POLICIES (continued)

2.16 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 the Consolidated Statement of Comprehensive Income.

2.17 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.

2.18 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.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.19 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.

2.20 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Group 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 the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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.

2.21 FINANCIAL INSTRUMENTS

The Group 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

2. ACCOUNTING POLICIES (continued)

2.21 FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 Consolidated 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 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 Group 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.

2.22 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Amortisation and impairment of development costs

The Group's products are subject to changing market demand. It is therefore necessary to consider on a periodic basis the rate of amortisation applied to capitalised development costs and any impairment that might have arisen. Management assesses impairments by considering the saleability of the related products in the light of technological developments and projected future market conditions.

Useful economic lives of tangible assets

The annual depreciation charge is sensitive to any changes in the estimated useful life and residual values of tangible assets. The useful economic lives and residual value is assessed on an annual basis and are amended only when evidence shows a change in the estimated economic lives or residual life. Criteria used to assess the economic life and residual value includes technological advancement, economic utilisation, physical condition of the asset and future investments.

Impairment of stocks

The Group's products are subject to changing market demand. It is therefore necessary to consider on a periodic basis the recoverability of the cost of stocks and the associated impairment. Management calculates impairments by considering the nature and condition of the stocks and applies assumptions around anticipated saleability of finished goods and future usage of raw materials, overheads and labour.

Impairment of debtors

On a periodic basis management makes an estimation of the recoverability of debtors. Management makes such estimations based on the credit rating of debtors, the ageing profile, and historical experience.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Manufacture and sale of electronic instrumentation	**9,441,704**	9,305,267
Grants receivable	**147,646**	266,828
	9,589,350	9,572,095

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	**3,708,364**	3,428,521
Rest of Europe	**3,175,609**	3,092,196
Rest of the world	**2,705,377**	3,051,378
	9,589,350	9,572,095

5. OTHER OPERATING INCOME

	2019 £	2018 £
Lease incentives	**155,481**	-
Other operating income	**150,000**	-
	305,481	-

6. OPERATING PROFIT

The operating profit is stated after charging:

	2019 £	2018 £
Research & development charged as an expense	**467,267**	495,917
Depreciation of tangible fixed assets	**158,358**	180,197
Amortisation of intangible assets, including goodwill	**307,229**	313,915
Fees payable to the Group auditor and its associates for the audit of the Company's annual financial statements	**30,950**	29,870
Exchange differences	**53,600**	(68,091)
Other operating lease rentals	**98,293**	99,528
Defined contribution pension cost	**140,815**	155,378

7. AUDITORS' REMUNERATION

	2019	2018
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**30,950**	29,870

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	Group 2019	Group 2018	**Company 2019**	Company 2018
	£	£	**£**	£
Wages and salaries	**4,412,791**	4,428,702	**-**	-
Social security costs	**532,561**	547,190	**-**	-
Cost of defined contribution scheme	**140,814**	155,378	**-**	-
	5,086,166	5,131,270	**-**	-

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

	2019	2018
	No.	No.
Administration	**29**	29
Development	**45**	49
Direct Labour	**34**	36
Sales	**7**	6
	115	120

The Company has no employees other than the directors, who did not receive any remuneration *(2018: £NIL)*

9. DIRECTORS' REMUNERATION

During the year retirement benefits were accruing to 4 directors (2018: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £229,883 (2018: £220,031).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,910 (2018: £10,200).

10. INTEREST RECEIVABLE

	2019	2018
	£	£
Other interest receivable	146	553
	146	553

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Bank interest payable	171,773	176,323
Other loan interest payable	15,116	18,468
Other interest on financial liabilities	13,699	21,758
	200,588	216,549

12. TAXATION

	2019	2018
	£	£
CORPORATION TAX		
Current tax on profits for the year	(175,107)	(153,969)
	(175,107)	(153,969)
FOREIGN TAX		
Foreign tax on income for the year	48,340	147,478
	48,340	147,478
TOTAL CURRENT TAX	(126,767)	(6,491)
DEFERRED TAX		
Origination and reversal of timing differences	(46,322)	(76,786)
TOTAL DEFERRED TAX	(46,322)	(76,786)
TAXATION ON LOSS ON ORDINARY ACTIVITIES	(173,089)	(83,277)

12. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	**649,273**	434,753
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**123,362**	82,603
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**2,412**	8,503
Capital allowances for year in excess of depreciation	**3,146**	6,280
Income not taxable for tax purposes	**2,146**	-
Effect of overseas tax rates	**(23,220)**	44,211
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	**(21,750)**	(19,990)
Additional deduction for R&D expenditure	**(311,223)**	(242,686)
Surrender of tax losses for R&D tax credit refund	**52,979**	47,783
R&D expenditure credits	**-**	14,515
Capital gains	**(6,259)**	(33,530)
Group relief	**(131)**	-
Adjust closing deferred tax to average rate	**(25,931)**	(31,380)
Adjust opening deferred tax to average rate	**31,380**	40,414
TOTAL TAX CHARGE FOR THE YEAR	**(173,089)**	(83,277)

13. DIVIDENDS

	2019 £	2018 £
Dividends paid	**30,744**	62,818
	30,744	62,818

14. INTANGIBLE ASSETS

Group

	Development expenditure	Trademarks	Computer software	Goodwill	Total
	£	£	£	£	£
COST					
At 1 January 2019	3,685,611	70,000	444,161	100,000	4,299,772
Additions	-	-	66,920	-	66,920
At 31 December 2019	3,685,611	70,000	511,081	100,000	4,366,692
AMORTISATION					
At 1 January 2019	3,075,365	44,167	277,679	63,094	3,460,305
Charge for the year	240,965	10,000	41,978	14,286	307,229
At 31 December 2019	3,316,330	54,167	319,657	77,380	3,767,534
NET BOOK VALUE					
At 31 December 2019	369,281	15,833	191,424	22,620	599,158
At 31 December 2018	610,246	25,833	166,482	36,906	839,467

15. TANGIBLE FIXED ASSETS

Group

	Freehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£	£	£	£	£
COST OR VALUATION					
At 1 January 2019	2,579,550	1,227,872	80,766	967,685	4,855,873
Additions	-	14,032	-	32,427	46,459
Disposals	-	-	(14,832)	-	(14,832)
Exchange adjustments	(29,966)	(16,274)	-	-	(46,240)
At 31 December 2019	2,549,584	1,225,630	65,934	1,000,112	4,841,260
DEPRECIATION					
At 1 January 2019	236,989	1,085,894	68,266	791,812	2,182,961
Charge for the year on owned assets	44,937	42,698	6,250	64,473	158,358
Disposals	-	-	(14,832)	-	(14,832)
Exchange adjustments	(4,986)	(19,106)	-	-	(24,092)
At 31 December 2019	276,940	1,109,486	59,684	856,285	2,302,395
NET BOOK VALUE					
At 31 December 2019	2,272,644	116,144	6,250	143,827	2,538,865
At 31 December 2018	2,342,561	141,978	12,500	175,873	2,672,912

16. FIXED ASSET INVESTMENTS

Company

	Investments in subsidiary companies £
COST OR VALUATION	
At 1 January 2019	**119,715**
At 31 December 2019	**119,715**

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Helitune Limited	Ordinary	100 %
Beran Instruments Limited	Ordinary	100 %
Prosig Limited	Ordinary	100 %
Condition Monitoring Group Inc	Ordinary	100 %
Helitune Inc	Ordinary	100 %
Systems & Electronics Inc	Ordinary	100 %
Helitune GmbH	Ordinary	100 %
Helitune S.R.L.	Ordinary	100 %

Condition Monitoring Group Inc is a wholly-owned subsidiary of Condition Monitoring Group Limited. It is a non-trading holding company incorporated in the USA, which owns 100% of the shares of Systems and Electronics Inc and Helitune Inc. All of the above companies have been included in the consolidated financial statements. The principal activities of these companies are described in the directors' report.

The registered office of Beran Instruments Limited, Helitune Limited and Prosig Limited is Hatchmoor Industrial Estate, Great Torrington, North Devon EX38 7HP. The registered office of Condition Monitoring Group Inc, Systems and Electronics Inc and Helitune Inc is 190 Gordon Street, Elk Grove Village, IL 60007 USA. The registered office of Helitune GmbH is Lilienthalstrasse 2a, 82205 Gilching, Germany. The registered office of Helitune S.R.L. is Via Guido Reni 2/2 Cap. 40125 Bologna, Italy.

17. STOCKS

	Group 2019 £	Group 2018 £	**Company 2019 £**	Company 2018 £
Raw materials and consumables	**1,385,160**	1,227,942	**-**	-
Work in progress (goods to be sold)	**1,031,294**	781,241	**-**	-
Finished goods and goods for resale	**392,073**	620,760	**-**	-

2,808,527		**-**	
	2,629,943		-

18. DEBTORS

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
DUE AFTER MORE THAN ONE YEAR				
Other debtors	**168,480**	-	-	-
	168,480	-	-	-

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
DUE WITHIN ONE YEAR				
Trade debtors	**2,438,104**	1,981,557	-	-
Amounts owed by group undertakings	-	-	**134,127**	99,127
Other debtors	**382,220**	357,358	-	-
Prepayments and accrued income	**340,547**	322,054	-	-
Tax recoverable	**60,840**	-	-	-
	3,221,711	2,660,969	**134,127**	99,127

19. CASH AND CASH EQUIVALENTS

	Group 2019 £	Group 2018 £
Cash at bank and in hand	**534,796**	341,987
Less: bank overdrafts	**(532,723)**	(321,733)
	2,073	20,254

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank overdrafts	532,723	321,733	-	-
Bank loans	206,847	206,847	-	-
Other loans	100,000	100,000	-	-
Trade creditors	651,480	569,078	-	-
Amounts owed to group undertakings	-	-	143,568	112,824
Corporation tax	17,353	-	-	-
Other taxation and social security	299,356	222,427	-	-
Other creditors	24,445	47,204	-	-
Accruals and deferred income	1,056,851	1,009,024	30,744	30,744
	2,889,055	2,476,313	174,312	143,568

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2019 £	Group 2018 £
Bank loans	1,680,310	1,893,607
Other loans	33,333	133,333
Accruals and deferred income	35,707	-
	1,749,350	2,026,940

22. LOANS

	Group 2019 £	Group 2018 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	**206,847**	206,847
Other loans	**100,000**	100,000
	306,847	306,847
AMOUNTS FALLING DUE 1-2 YEARS		
Bank loans	**1,680,310**	1,893,607
Other loans	**33,333**	133,333
	1,713,643	2,026,940
	2,020,490	2,333,787

The overdraft facility and term loans are secured by a debenture over the assets (whether present or future) of Condition Monitoring Group Limited, Beran Instruments Limited, Helitune Limited and Prosig Limited, by specific legal charges over the freehold properties of Beran Instruments Limited and Helitune Limited, by a cross-guarantee between Condition Monitoring Group Limited, Beran Instruments Limited, Helitune Limited and Prosig Limited, and by a keyman life insurance policy in respect of R Allen and D Graham.

Other loans comprise amounts not yet repaid on the related party loan of £133,334 from C E Lee-Richards, details of which are given in note 30.

Bank loans comprise amounts not yet repaid on term loans of £500,000, £250,000, £150,000 and £350,000 (2018: Term loans of £500,000, £250,000, £150,000 and £350,000).

The term loan of £500,000 bears interest at a fixed rate of 5.77%, payable quarterly, and is repayable by 2 August 2023 in quarterly instalments of £12,500. The term loan of £250,000 bears interest at a fixed rate of 5.30%, payable quarterly, and is repayable by 2 August 2021 in quarterly instalments of £10,000. The term loan of £150,000 bears interest at a fixed rate of 4.36%, payable quarterly, and is repayable by 23 September 2021 in quarterly instalments of £7,143. The term loan of £350,000 bears interest at a fixed rate of 4.22%, payable quarterly, and is repayable by 23 September 2023 in quarterly instalments of £12,069.

23. FINANCIAL INSTRUMENTS

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
FINANCIAL ASSETS				
Financial assets measured at fair value through profit or loss	**534,796**	341,987	**-**	-
Financial assets that are debt instruments measured at amortised cost	**2,761,039**	2,068,682	**134,127**	99,127
	3,295,835	2,410,669	**134,127**	99,127
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost	**(3,651,179)**	(3,687,936)	**(174,312)**	(143,568)

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors, accrued income and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, bank overdrafts, bank loans, other loans, other creditors and accruals.

24. DEFERRED TAXATION

Group

	2019 £
At beginning of year	**(266,734)**
Charged to profit or loss	**29,923**
Utilised in year	**16,399**
AT END OF YEAR	**(220,412)**

The provision for deferred taxation is made up as follows:

	Group 2019 £	Group 2018 £
Accelerated capital allowances	**(220,412)**	(266,734)
	(220,412)	(266,734)

25. SHARE CAPITAL

	2019	2018
	£	£
ALLOTTED, CALLED UP AND FULLY PAID		
2,196 (2018: 2,196) Ordinary shares of £1.00 each	**2,196**	2,196

26. RESERVES

Share premium account

The share premium account reflects the consideration received for shares issued above their nominal value, net of transaction costs.

Revaluation reserve

The revaluation reserve reflects the adjustment made to the carrying value of the Company's freehold land and buildings on transition to FRS 102 on 1 October 2013, when the Group elected to use a valuation of the freehold land and buildings as its deemed cost.

Capital redemption reserve

The capital redemption reserve reflects the nominal value of own shares which have been repurchased and subsequently cancelled.

Merger Reserve

The merger reserve reflects the net balance arising under merger accounting which was used to account for the group reconstruction that took place during the year ended 30 September 2008.

Profit and loss account

The profit and loss reserves reflect cumulative profits and losses net of distributions to shareholders.

27. CONTINGENT LIABILITIES

The Company is party to a cross-guarantee in favour of Santander UK Plc in respect of all amounts owed by Condition Monitoring Group Limited, Beran Instruments Limited, Helitune Limited and Prosig Limited. At the year end, the total amounts outstanding comprised overdrafts of £532,723 (2018: £321,733) and term loans of £1,690,615 (2018: £1,846,461).

The Company is party to a group VAT registration covering Condition Monitoring Group Limited, Beran Instruments Limited and Helitune Limited, and is therefore jointly and severally liable for any amounts due. At the year end, the total amount due was £14,512 (2018: £7,248).

28. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. During the year £140,814 (2018: £155,378) was charged to the Consolidated Statement of Comprehensive Income in respect of the scheme. Contributions of £22,853 (2018: £19,623) remained outstanding at the Statement of Financial Position date.

29. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Not later than 1 year	**49,800**	49,800
Later than 1 year and not later than 5 years	**24,900**	74,700
	74,700	124,500

30. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of the Group's key management personnel (who are also the statutory directors of the Company) was £ 585,030 (2018: £503,604)

The Company has taken advantage of the exemption under Section 33 of FRS 102 and has not reported details of transactions or balances with other wholly-owned companies. Details of transactions with other related parties are given below.

Transactions with related companies

During the year the Group were provided services by Anoushka Lynd trading as Lynd & Co, a company owned by the daughter of A Lobato , to the sum of £26,078 (2018: £15,276). At the year end the Group owed Lynd & Co £3,732 (2018: £792)

Transactions with directors and their relatives

The Group received a loan of £500,000 from C E Lee-Richards, wife of the director G M Lee-Richards. The loan bears interest at an annual rate of 3.5% above base and is repayable in monthly instalments of £8,333. At the end of the year, the amount outstanding on this loan was £133,333 (2018: £233,333). The total interest charged on this loan during the year was £7,183 (2018: £11,196).

During the year, the company maintained a loan account with A Lobato. At the year end, A Lobato owed the Group £22,620 (2018: The Group owed Mr A Lobato £15,698). No interest was charged on this balance during the current or previous period.

During the year, the company maintained a loan account with R Allen. At the year end, R Allen owed the Group £93,600 (2018: £nil). This loan was taken out at the year end and subsequently no interest was charged on the loan during the current period. Interest will be charged on the loan at an interest rate of 3% per annum.

During the year, the company maintained a loan account with D Graham. At the year end, D Graham owed the Group £93,600 (2018: £Nil). This loan was taken out at the year end and subsequently no interest was charged on the loan during the current period. Interest will be charged on the loan at an interest rate of 3% per annum.