Company Registration No. 04115619

CYGNET TEXKIMP LIMITED

Directors' Report and

Financial Statements

For the year ended

31 March 2021

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2021

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M J Kimpton-Smith
C P Smith
J E Smith
L D Vardy
D G D Walker
L M K Bailey
S Kimpton-Smith

SECRETARY

L M K Bailey

REGISTERED OFFICE

Swan House
Kimpton Drive
Off Wincham Lane
Wincham
Northwich
Cheshire
CW9 6GG

BANKERS

Barclays PLC
Level 11
20 Chapel Street
Liverpool
L3 9AG

AUDITOR

MHA Moore and Smalley
Chartered Accountants and Statutory Auditor
80 Mosley Street
Manchester
M2 3FX

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their strategic report for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the design and manufacture of engineering solutions for the handling and processing of technical fibres.

STRATEGIC REVIEW AND FUTURE DEVELOPMENTS

The Company is a principal subsidiary of Cygnet Group Limited ('the Group'). Further information on the performance of the Group, together with a detailed commentary on its future prospects, can be found in the strategic report prepared by the Directors of Cygnet Group Limited.

Markets, People and Infrastructure

The primary business focus of the Company is on delivering process machinery, automation and turnkey plant solutions for the processing of technical fibres. The Company targets global technical fibre markets that are currently experiencing growth and those that are forecast to continue to grow in the medium to long term. Carbon fibre remains the largest technical fibre growth area and this is expected to accelerate, for the foreseeable future, despite the impacts of the global pandemic known as 'COVID-19'.

Driven by a global need, and often regulatory requirement, to reduce emissions and to improve fuel efficiency, the 'light weighting' agenda continues to gather momentum and brings with it a number of challenges and opportunities that Cygnet Texkimp is well-positioned to meet. Light weighting is widening the use of technical fibres and advanced materials in the aerospace, automotive, wind, industrial, defence and space industries; these provide significant opportunities for growth into new sectors not currently served by Cygnet Texkimp. The demand for innovative solutions in the handling of these fibres and materials in these different sectors also gives scope for the spread of risk. This has formed a significant part of the Company's strategy for the future.

The global COVID-19 pandemic impacted the Company's reported results for the year ended 31 March 2021 in two ways; firstly, travel restrictions prevented some projects from being installed, commissioned and completed, and secondly, the cancellation of all trade exhibitions has reduced our interaction with the industry to some extent, increasing the time to convert 'expressions of interest' to orders. By working together with our global customers and suppliers, we have adopted new working practices which have limited the requirement for extensive travel. Whilst this has been a challenge, it has also strengthened our relationships with our customers and suppliers and we emerge from the pandemic stronger for this.

The Company took the opportunity to restructure internally, reducing headcount and annual overheads by c£300,000, whilst maintaining service levels and R&D, and also investing in our sales and technical teams. These new appointments are already reaping benefits for the future. Additional effects of the pandemic in the financial year included delayed demand, excess capacity and a disruption to the supply chain and working practices. Prompt action was taken to furlough staff, cease discretionary spending, reduce stock holdings and secure additional funding of £1.25million in the form of a coronavirus business interruption bank loan. Operationally, social distancing measures were implemented and remote working instigated for those that could work from home.

The Company has continued to invest in its staff and general infrastructure, including IT and IP. We have collaborated on a number of Innovate UK grant funded projects during the financial year, to accelerate our internal R&D which is laying a strong foundation for growth and stability post-pandemic, as well as helping to get the Cygnet Texkimp brand reaffirmed as the go-to innovative, high quality advanced engineering machine builders.

Future Developments

We have continued to invest heavily in R&D with Innovate UK grant funded projects contributing to the scope of investment. These projects are focused on future technologies, supporting the UK and global aspirations for greener processes and outputs that will be used in improving the green credentials of the end users.

The Directors have considered the impact of the current COVID-19 crisis on the Company's ability to trade and are confident that operations can continue successfully, as they have done during the lockdown of the UK and wider customer territories. The Company's global network of agents and engineers allowed the Company to operate with flexibility and to move from being travel dependent, to making better use of global partners. The Company's customers are also developing new ways of working remotely, which has improved the quality and speed of some communications by reducing time taken to meet with customer and technical partners. The importance of automation and new innovation is more critical now than ever and the Directors are confident the Company is well positioned to successfully address the ongoing challenges presented by the global pandemic.

STRATEGIC REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

Future Developments (Continued)

The Company intends to further capitalise on its restructured cost base, enhanced information systems and product innovation. The pandemic has also provided an opportunity to re-engineer the business and to identify further opportunities for efficiencies. Strategic plans are being cascaded, further refined and adapted with a clear view of the main drivers of growth and profitability.

Research and development remains at the forefront of what we do. Our focus on expanding our product portfolio through innovation underpins our future strategy for growth and profitability.

FINANCIAL REVIEW

The Board monitors the progress of the Company strategy and its individual elements by reference to certain financial and non-financial key performance indicators. The key performance indicators used by the Board include:

	2021	2020	Change	% Change
Turnover (£m)	8.3	14.4	(6.1)	(42.4%)
Gross margin (£m)	1.3	3.5	(2.2)	(62.9%)
Gross profit margin (%)	15.8%	23.9%	(8.1%)	
R&D Expenditure (£m)	(1.2)	(1.1)	0.1	9.1%
Exceptional costs (£m)	(0.1)	(0.1)	0	
EBITDA excl exceptionals (£m)	(0.1)	1.0	(1.1)	
EBITDA incl exceptionals (£m)	(0.2)	0.8	(1.0)	
Net current assets (£m)	3.6	2.5	1.1	44.0%
Net assets (£m)	3.2	3.4	(0.2)	(5.9%)
Projects with order value >£0.5 million (No.)	21	14	7	50.0%
Cash in hand (£m)	2.6	1.7	0.9	52.9%

Trading conditions have been challenging during the year as a direct result of the uncertainty surrounding COVID-19. We have seen very positive signs of recovery towards the end of the recent financial year and the first trading quarter of 2021/22, with customers willing to commit to significant capital spend again. We continued our restructuring process during the financial year to further reduce overhead costs, whilst maintaining the technical excellence of the team.

COVID-19 had a twofold impact on reducing revenues: customers have been less willing to commit to capital spend given the uncertainty surrounding the pandemic and travel restrictions have prevented projects from being installed and completed. As a result, revenue decreased from £14.4m to £8.3m, however signs of recovery have already been seen post year end. Gross margin and gross margin % have both decreased on the previous financial year, from £3.5m and 23.9% to £1.3m and 15.8% respectively. This reflects the lower utilisation of engineers and the mix of project work; the Company undertook more development projects with lower margins than normal to maintain workflow for the team during the extremes of lockdown.

The Company took the strategic decision to continue R&D investment during the pandemic, and increasing spend to (£1.2m (14.4% of sales) compared to £1.1m (7.7% of sales) in the prior year), supported by securing a number of Innovate UK grant funded projects during the financial year. This ensured resources were committed to developing products which will drive future growth and profitable return on this investment.

Exceptional costs reflect £0.1m of restructuring costs in response to the pandemic.

EBITDA excluding exceptionals was just short of breakeven, with a £0.1m loss (2020: Profit of £1m), as a direct result of the impacts of COVID-19, offset by tight cost control; the Directors believe this to be a strong performance given the adverse external factors influencing the performance during the financial year and the result was in line with the revised budget for the year to 31 March 2021.

STRATEGIC REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

Cash balances increased by £0.9m in the financial year to £2.6m (2020 £1.7m) reflecting both the £1.25m Coronavirus Business Interruption Loan (CBILs) and the effects of cautious cash conservation. Net current assets have increased from £2.5m to £3.6m which illustrates the short-term liquidity of the Company. Net assets have decreased from £3.4m to £3.2m, as a direct result of the loss made during the current financial year, as a direct result of the pandemic. The orders over £0.5m have increased from 14 to 21, which illustrates the recovery of winning orders during the second half of the year which has given the Company a strong level of orders in hand to carry into the next financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company remains exposed to macro market risk due to the instability in the credit markets and ongoing uncertainty in both the Euro zone and US. A significant number of the Company's contracts are denominated in US Dollars or Euros and the Company has a robust policy for the use of forward contracts in place to mitigate exchange rate risk. The Directors continually seeks to capitalise upon available opportunities, recognising the importance of avoiding reliance on any one customer, geographical area or market sector.

The Company is committed to research and development, recognising that commitment to innovation is essential to maintaining its position at the forefront of its markets. The Company mitigates the risk of an individual or combination of projects having an adverse impact on the Company's profit or cash flows by ensuring a suitable mix is maintained between contracts with low, medium and high technical readiness levels.

The Company is exposed to liquidity risk as the profile of receipts under long-term contracts may not be timed to coincide with corresponding outflows. In order to mitigate liquidity risk, the Company ensures a mixture of long-term and short-term debt facilities are available, including £1.75m of short and medium-term debt facilities and subsequently, a £1.25m Government backed coronavirus business interruption loan as a direct result of the current global pandemic, which provides a more long-term debt facility.

The Company is exposed to credit risk on the carrying value of its assets, principally receivables. The Directors believe that as the counter parties are mainly major corporations, the credit risk is minimal. Controls around customer credit are being tightened due to the current crisis, however the Directors believe there is no significant change in the ability of core customers to meet their obligations in this matter.

The Company recognises its obligations relating to health and safety and the risk to its reputation of any incident affecting the health and safety of its customers or employees. The Directors are mindful of their responsibilities to maintain a safe environment. Regular reviews are conducted to ensure that a safe environment is maintained in the Company's operations.

The current COVID-19 global pandemic has created uncertainty across the world. Aside from the £1.75m facilities and £1.25m loan noted above, the Company maintains a strong order book, with sales negotiations continuing throughout the lockdown period. As a global export business, travel is an important part of how business is conducted, however, the Company has built up a network of both agents and contractors across the globe who act on its behalf with customers, whether in the installation and commissioning of equipment, or through face to face sales negotiations. Current travel restrictions are expected to delay the installation and completion of some projects, which will delay project cashflows, however the Company has sufficient cash and facilities to navigate this period of uncertainty. See note 22 for further details.

The Company adapted quickly to the current way of working whilst maintaining physical production in its assembly facility through the strict implementation of social distancing. IT systems are robust and have dealt well with the majority of the workforce working from home. The Company continues to make use of the HM government furlough scheme to support its workforce until a return to business as usual.

The Company believes it is well placed to respond to the current global uncertainty and to continue to build on the progress made in the financial year.

Approved by the Board of Directors and signed on behalf of the Board

L D Vardy
Director
27 September 2021

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their directors' report and audited financial statements for the year ended 31 March 2021.

DIRECTORS

The Directors of the Company who served during the period and thereafter are listed on page 1.

DIVIDENDS

The Directors do not recommend payment of a dividend in the year ended 31 March 2021 (31 March 2020: £142,000).

GOING CONCERN

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

The global pandemic known as 'COVID-19' took effect at the start of 2020, impacting all aspects of the global economy. The effect on the Company's business included reduced customer demand, surplus capacity in production and disrupted supply chain. The executive management team took prompt action to address the negative impact of COVID-19 on the business by furloughing staff, arranging remote working and social distance at work measures, obtaining additional funding lines, as well as managing and mitigating consequent risks to customer and supply chain delivery. The Company secured a £1,250,000 Coronavirus Business Interruption Loan to support the Company and the Directors believe the Company is securely positioned to navigate through these uncertain times as cash is managed across the Group as necessary.

RESEARCH AND DEVELOPMENT

The Company undertakes research and development expenditure and, in the opinion of the Directors, continuity of investment in this area is essential for the maintenance of the Company's market position and for future growth.

MATTERS OF STRATEGIC IMPORTANCE

The future developments section; R&D and information on financial information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 have been included in a separate strategic report in accordance with section 414c (ii) of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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' REPORT FOR THE YEAR ENDED 31 MARCH 2021 (CONTINUED)

STATEMENT OF DISCLOSURE TO AUDITORS

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

The auditor, MHA Moore and Smalley is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board

LMKBailey

L M K Bailey
Director
27 September 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYGNET TEXKIMP LIMITED

Opinion

We have audited the financial statements of Cygnet Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the Consolidated Statement of Comprehensive Income, the Statements of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 March 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYGNET TEXKIMP LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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 their environment obtained in the course of the audit, we have not identified material misstatements in the 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 set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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:

- Enquiries with management, about any known or suspected instances of non-compliance with laws and regulations and fraud;

- Challenging assumptions and judgements made by management in their key accounting estimates, in particular in relation to provisions and future performance; and

- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

- Reviewing board minutes and legal and professional expenditure to identify any evidence of ongoing litigation or enquiries.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYGNET TEXKIMP LIMITED (CONTINUED)

Because of the field in which the client operates we identified that health and safety legislation, employment law, and compliance with the UK Companies Act are the areas most likely to have a material impact on the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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

MHA Moore and Smalley

Alexander Kelly
Senior Statutory Auditor
For and on behalf of MHA Moore and Smalley
Chartered Accountants and Statutory Auditor
80 Mosley Street
Manchester
M2 3FX
27 September 2021

INCOME STATEMENT
For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
TURNOVER	3	8,340	14,357
Cost of sales		(7,021)	(10,894)
GROSS PROFIT		1,319	3,463
Administrative expenses		(2,334)	(2,972)
Other operating income		610	179
OPERATING (LOSS)/PROFIT		(405)	670
Exceptional items	5	(82)	(138)
Interest payable and similar charges	7	(46)	-
Interest receivable and similar income	8	43	8
(LOSS)/PROFIT BEFORE TAXATION		(490)	540
Taxation	9	314	55
(LOSS)/PROFIT AFTER TAXATION AND (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(176)	595

STATEMENT OF FINANCIAL POSITION
For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
FIXED ASSETS			
Intangible assets	11	482	619
Tangible assets	12	430	573
		912	1,192
CURRENT ASSETS			
Stock	13	590	370
Debtors	15	4,692	5,828
Cash at bank and in hand		2,586	1,659
		7,868	7,857
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	16	(4,314)	(5,396)
NET CURRENT ASSETS		3,554	2,461
TOTAL ASSETS LESS CURRENT LIABILITIES		4,466	3,653
Creditors: amounts falling due after one year	17	(1,042)	-
Provisions for liabilities	18	(219)	(295)
NET ASSETS		3,205	3,358
CAPITAL AND RESERVES			
Called up share capital	20	1	1
Share premium		23	-
Profit and loss account		3,181	3,357
		3,205	3,358

The financial statements on pages 10 to 29 were approved by the board of Directors and authorised for issue on 27 September 2021 and are signed on its behalf by:

L D Vardy
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2021

	Note	Share Capital £'000	Share Premium £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2019		1	-	2,904	2,905
Profit for the year		-	-	595	595
Total comprehensive income for the year		-	-	595	595
Transactions with owners:-					
Dividends	10	-	-	(142)	(142)
Total transactions with owners		-	-	(142)	(142)
Balance at 31 March 2020		1	-	3,357	3,358
Loss for the year		-	-	(176)	(176)
Total comprehensive income for the year		-	-	(176)	(176)
Transactions with owners:-					
Issue of share capital		-	23	-	23
Dividends paid	10	-	-	-	-
Total transactions with owners		-	23	-	23
Balance at 31 March 2021		1	23	3,181	3,205

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

1. ACCOUNTING POLICIES

General information

Cygnet Texkimp Limited ("the Company") is a private company limited by shares and registered, domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is included on page 1.

The Company's principal activities are included in the Strategic Report.

Basis of accounting

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under historic cost convention, modified to include certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

Going concern

In considering the appropriateness of the going concern basis of preparation, the Directors have considered current trading performance, the availability of bank facilities and forecasts for the next twelve months from the date of signing the 2021 financial statements.

The Company has a cross guarantee and debenture agreement relating to any monies owing to Barclays PLC by other Group undertakings. The Company has £1.75m of debt facilities with no associated covenants.

The global pandemic known as 'COVID-19' took effect at the start of 2020, impacting all aspects of the global economy. The effect on the Group's business included reduced customer demand, surplus capacity in production and disrupted supply chain. The executive management team took prompt action to address the negative impact of COVID-19 on the business by furloughing staff, arranging remote working and social distance at work measures, obtaining additional funding lines, as well as managing and mitigating consequent risks to customer and supply chain delivery. The Group has been agile in adapting to, and meeting the challenges of, the travel restrictions imposed upon the business and its customers, whilst continuing to deliver on projects in progress. The scenarios under which forecasts have been stress-tested have, however, taken a prudent review of the easing of these restrictions, in arriving at the overall conclusion on going concern. The Directors believe the Company and Group are now securely positioned to navigate through these uncertain times as cash is managed across the Group as necessary.

A £1,250,000 CBIL (Coronavirus Business Interruption Loan) was secured from Barclays PLC on 24 April 2020 to the Cygnet Texkimp Limited. The loan is repayable over 6 years at an interest rate of 3.29% with an interest and repayment holiday for the first 12 months. Debt cover covenants will come into force on this loan from December 2021 onwards.

The latest trading forecasts indicates that the Company and Group will continue to operate as a going concern for the foreseeable future. The latest forecasts are based on only secured orders and some prudent assumptions built in for delays in travel due to the pandemic. Additionally, there are a number of sizeable projects which could materialise, that have not been included in the prudent forecast used as well as some new projects already won. To support the cash position, if required, we have the facilities, noted above, plus the availability of working capital funding through UK Export Finance (UKEF). After making detailed enquiries and completing robust scenario-based forecasting, the Directors have formed a judgment, at the time of approving the financial statements, that there is a strong expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements of both the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (continued)

Reduced disclosures

As permitted by the reduced disclosure regime within FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures ;
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts; interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of Cygnet Group Limited. The consolidated financial statements of Cygnet Group Limited are available from its registered office, which is the same as this Company, and detailed on page 1.

Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the Company.

Intangible fixed assets

Research and development
The Company capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following:

- The technical feasibility of completing the development so the intangible asset will be available for use or sale.
- Its intention to complete the development and to use or sell the intangible asset.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised development expenditure is amortised on a straight line basis over its useful life, which is between 3 and 5 years. The Directors consider these useful lives to be appropriate because that is the period over which economic benefit is anticipated. Amortisation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

All research expenditure and development expenditure that does not meet the above conditions is expensed as incurred.

Amortisation in respect of development costs recognised in profit or loss for the year is recognised within administrative expenses.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets (continued)

Software
Software is capitalised at cost and amortised to profit or loss on a straight-line basis over its useful life, at the rate of 33% per annum.

Amortisation in respect of intangible fixed assets recognised in profit or loss for the year is recognised within administration expenses.

Patents
Patent costs are capitalised at cost and amortised to profit or loss on a straight-line basis over their useful life, at the rate of 5% per annum.

Amortisation in respect of intangible fixed assets recognised in profit or loss for the year is recognised within administration expenses.

Assets under Construction
Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, excluding capital work in progress, at rates calculated to write off the cost, less estimated residual value of each asset as follows:

- Plant and machinery at rate 15% per annum on a straight line basis;
- Fixtures and fittings at rates varying between 15% and 33% per annum on a straight line basis;
- Motor vehicles at a rate of 25% on a reduce balance basis per annum.

Residual value is calculated using prices prevailing at the reporting date, after estimated cost of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

Any impairment loss recognised for goodwill is not reversed. For fixed asset other than goodwill, recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (continued)

Government grants

Income from government grants is presented within other operating income at the fair value of the asset received or receivable.

The Company recognises grant income when the grant's performance-related conditions are met. A grant that does not impose specified future performance-related conditions on the recipient is recognised an income when the grant proceeds are receivable. A grant that imposes specified future performance conditions on the recipient is recognised in income only when the performance-related conditions are met. Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

Stock

Stock and work in progress are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Estimated selling price less costs to complete and sell is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

At each reporting date, the Group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to equity, when the tax follows the transaction or event it relates to and is also charged or credited to equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Turnover

Turnover arises from the sales of goods and services. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts. Turnover from the sale of goods and services is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer or the service has been discharged, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (continued)

Turnover (continued)

Contract turnover reflects the contract activity during the period and is measured at the fair value of consideration received or receivable.

Long-term contracts

Long-term contracts are assessed on a contract-by-contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract, and credit is taken for profit earned to date when the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is classified as "amounts recoverable on contracts" and included in debtors; to the extent that payments on account exceed relevant turnover and long-term contract balances, the excess is included as a creditor. The amount of long-term contracts, at cost net of amounts transferred to cost of sales, less provision for payments on account not matched with turnover, is included within stock.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract turnover is recognised only to the extent of contract costs that are recoverable and the contract costs are expensed as incurred.

Operating leases

Operating leases are those which do not meet the definition of a finance lease. Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Retirement Benefits

Defined contribution plans

Certain employees are eligible to join a Group Personal Pension Plan. The contributions are charged to the profit and loss account in the year in which they become payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation.

Warranty obligations

When turnover is recognised for long-term contracts, a provision is made for the estimated cost of the warranty obligation. The provision is measured based on the probability weighting of all possible outcomes and is included within accruals.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (continued)

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade, Group and other debtors

Trade, Group and other debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

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

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade, Group and other creditors

Trade, Group and other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in profit or loss.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical estimates

Stage of completion

In order to assess the recognition of turnover and profits generated on contracts, management consider the stage of completion of the contracts ongoing at the year-end by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of expected total costs. This assessment includes an estimate of expected costs to complete, which includes an element of judgement as projects can change and result in either additional or less costs depending on the outcome of work performed. Additionally, the technical risk of the project is taken into consideration with projects categorised as red (high technical risk), amber (medium technical risk) and green (low technical risk). Revenue and profit recognition occur earlier on green projects, with revenue and profit recognition being deferred to later stages of the project to some extent for amber projects and to a greater extent for red projects, as higher risk projects often result in additional costs towards the end of the project.

Stock Provision

In order to assess the carrying value of stock and, therefore, the resulting stock provision, management review the historical level stock provision levels (which are based on the ageing of the stock), levels of stock write-offs over the past 3 years and the general recoverability of stock. These combined, provide a basis for the stock provision estimate. Stock is also reviewed by management on a line by line basis to determine whether any additional provisions, which would sit outside of the policy detailed, are required. Any outliers would be provided for specifically irrespective of its age.

Warranty

When turnover is recognised for long-term contracts, a provision is made for the estimated cost of the warranty obligation. The provision is measured based on the probability weighting of all possible outcomes and is included within accruals. The estimated cost for warranty is 0.5% of the full order value for all live projects and those which have been completed within the last twelve months. Contracts which customers include a twelve-month warranty period after completion of the project. At the end of the twelve-month period the provision is released.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

3. TURNOVER

An analysis of turnover by geographical market is given below:

	2021 £'000	2020 £'000
United Kingdom	237	539
Rest of World	6,654	12,027
EU	1,449	1,791
	8,340	14,357

An analysis of turnover by product is given below:

	2021 £'000	2020 £'000
Capital equipment	7,843	13,779
Spares	497	578
	8,340	14,357

4. STAFF COSTS

	2021 £'000	2020 £'000
Wages and salaries	2,801	3,299
Social security costs	268	318
Defined contribution pension costs	148	150
	3,217	3,767

The average monthly number of employees (including Directors) during the year was as follows:

	2021 Number	2020 Number
Sales and marketing	3	4
Operations	51	57
Other	10	10
Directors	5	5
	69	76

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

4. STAFF COSTS (CONTINUED)

Directors

In respect of the Directors of Cygnet Texkimp Limited:

	2021 £'000	2020 £'000
Emoluments	332	404
Company contributions to money purchase pension schemes	21	23
Compensation for loss of office	-	111
	353	538

The number of Directors to whom retirement benefits are accruing under money purchase schemes was three (2020: five).

Highest Paid Director

Directors emoluments disclosed above include the following payment:

	2021 £'000	2020 £'000
Emoluments	134	93
Company contributions to money purchase pension schemes	15	6
Compensation for loss of office	-	111
	149	210

5. EXCEPTIONAL ITEMS

Costs were incurred in the year as part of a restructuring of the Company:

	2021 £'000	2020 £'000
Redundancy costs	78	22
Compensation for loss of office	-	111
Bad debt write off on disposed group company	4	-
Legal fees	-	5
	82	138

A Group restructure was carried out during the prior year which resulted in a number of redundancies and professional fees. Some of these activities carried over into the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

6. (LOSS)/PROFIT BEFORE TAXATION

The (loss)/profit before taxation is stated after charging/(crediting):

	2021 £'000	2020 £'000
Depreciation of tangible assets - owned assets	185	162
Amortisation of intangible fixed assets	150	147
Auditors' remuneration	23	30
Hire of other assets under operating leases	267	123
Research and development expenditure	21	34
Fair value (gain)/loss on forward contracts	(74)	8
Loss/(gain) on foreign exchange	90	(46)
Stock: impairment recognised in cost of sales	10	194
Loss on disposal of fixed assets	-	4
Government grant income	(451)	-

In the year ended 31 March 2021, the Company received a grant from Innovate UK as part of a consortium working on the innovation and development of new technologies relevant to the aerospace industry. The grant is unconditional and has been recognised as earned on the Company's progression through our section of the consortium's project. In the year ended 31 March 2021 the Company received income from HMRC through the Coronavirus Job Retention Scheme

7. INTEREST CHARGES AND SIMILAR CHARGES

	2021 £'000	2020 £'000
Bank loans and overdrafts	42	-
Other interest	4	-
	46	-

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £'000	2020 £'000
Interest on loans to Group undertakings	1	1
Other interest	42	7
	43	8

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

9. TAXATION

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax	(188)	(45)
Adjustments in respect of previous periods	(85)	-
Total current tax	(273)	(45)
Deferred tax:		
Origination and reversal of timing differences	(41)	(30)
Effect of tax rate change in opening balance	-	20
Total deferred tax credit	(41)	(10)
Total tax on loss (2020: profit) on ordinary activities	(314)	(55)

Factors affecting the tax charge for the year
The tax assessed for the period is lower (2020: lower) than that arising from applying the standard rate of UK corporation tax of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
(Loss)/profit on ordinary activities before taxation	(490)	540
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	(93)	102
Effects of:		
Enhanced deduction for research and development expenditure	(198)	(198)
Expenses not deductible for tax purposes	6	3
Fixed asset differences	3	4
Adjustment to tax charge in respect of previous periods	(85)	-
Adjust closing deferred tax to average rate of 19%	-	20
Deferred tax not recognised	(6)	-
Surrender of tax losses for R&D tax refund	59	14
Tax credit	(314)	(55)

10. EQUITY DIVIDENDS

	2021 £'000	2020 £'000
Interim ordinary dividends of £nil per share (2020: £118.58 per share)	-	142

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

11. INTANGIBLE FIXED ASSETS

	Assets Under Construction £'000	Patents £'000	Software £'000	Development Costs £'000	Totals £'000
Cost					
At 1 April 2020	122	16	262	576	976
Additions	10	-	3	-	13
Transfers	(10)	-	10	-	-
At 31 March 2021	122	16	275	576	989
Amortisation					
At 1 April 2020	-	4	102	251	357
Charge for period	-	-	70	80	150
At 31 March 2021	-	4	172	331	507
Net book value					
At 31 March 2021	122	12	103	245	482
At 31 March 2020	122	12	160	325	619

At 31 March 2021 development costs of £112,000 (2020: £112,000), software costs of £nil (2020: £10,000) and patent costs of £10,000 (2020: £nil) were under construction.

12. TANGIBLE FIXED ASSETS

	Assets Under Construction £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor Vehicles £'000	Totals £'000
Cost					
At 1 April 2020	34	1,158	388	6	1,586
Additions	-	23	19	-	42
Transfers	(31)	31	-	-	-
Disposals	-	(46)	(44)	-	(90)
At 31 March 2021	3	1,166	363	6	1,538
Depreciation					
At 1 April 2020	-	744	269	-	1,013
Charge for period	-	130	53	2	185
Transfers	-	-	-	-	-
On disposals	-	(46)	(44)	-	(90)
At 31 March 2021	-	828	278	2	1,108
Net book value					
At 31 March 2021	3	338	85	4	430
At 31 March 2020	34	414	119	6	573

At 31 March 2021 plant and machinery costs of £3,000 (2020: £34,000) were under construction.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

13. STOCK

	2021 £'000	2020 £'000
Raw materials and consumables	207	102
Work in progress	383	268
	590	370

During the year, a stock impairment reversal of £10,000 (2020: write down of £15,000) was recognised within cost of sales.

14. LONG TERM CONTRACTS

	2021 £'000	2020 £'000
Contracts in progress at the reporting date		
Gross amounts due from contract customers	1,975	1,516
Gross amounts due to contract customers	1,610	2,188

	2021 £'000	2020 £'000
Contract turnover recognised during the year	7,750	13,779

15. DEBTORS

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	638	1,173
Amounts recoverable on contracts	1,975	1,894
Other debtors	41	20
Amounts owed by Group undertakings	1,190	1,914
Prepayments and accrued income	271	159
Corporation tax	318	427
VAT debtor	259	241
	4,692	5,828

Trade debtors are stated net of a provision of £18,732 (2020: £25,560). A bad debt debit of £3,000 was charged in the year (2020: £2,270 credit expense) due to the classification of irrecoverable debts.

Amounts owed by Group undertakings are unsecured and repayable on demand. No interest is charged on trading balances. Interest is charged at 5.25% (2020: 5.25%) on short-term loans.

Included in other debtors is an overdrawn Directors loan account of £23,692 and £28. This balance is the consideration of the shares issue in the year and is detailed in note 20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Trade creditors	577	774
Payments received on account	1,610	2,188
Other creditors	-	62
Other taxation and social security	94	209
Amounts owed to Group undertakings	51	37
Bank loans and overdrafts	208	-
Accruals and deferred income	1,774	2,126
	4,314	5,396

17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2021 £'000	2020 £'000
Bank loans	1,042	-

Bank loans are repayable as follows:

	2021 £'000	2020 £'000
Within one year	208	-
Between one to two years	250	-
Between two to five years	750	-
More than five years	42	-
	1,250	-

The company has a loan with Barclays PLC of £1,250,000 (2020 £nil), the loan is a Coronavirus Business Interruption Loan 80% guaranteed by the government. The loan is repayable over the period until May 2026. The interest rate on the loan is LIBOR plus 3.29%.

18. PROVISIONS FOR LIABILITIES

	2021 £'000	2020 £'000
Warranty	100	135
Deferred tax	119	160
	219	295

Warranties

A provision of £100,000 (2020: £135,000, included in accruals) has been recognised for expected warranty claims on goods sold during the last two years.

The warranty provision represents the Company's liability in respect of 12 month warranties granted on projects. The amount provided represents management's best estimate of the future cash outflows in respect of those products still within the warranty period at the year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

18. PROVISIONS FOR LIABILITIES (CONTINUED)

Deferred tax	**£'000**
At 1 April 2020	(160)
Movement in provision in year	41
At 31 March 2021	(119)

Provision for deferred tax has been made as follows:

	2021 £'000	**2020 £'000**
Deferred tax liabilities	(119)	(160)
Net position	(119)	(160)

	2021 £'000	**2020 £'000**
Deferred tax		
Accelerated capital allowances	(122)	(160)
Short term timing differences	3	-
Net position	(119)	(160)

Of the deferred tax liability of £119,000 (2020: £160,000), £41,000 is expected to reverse in the next 12 months and relates to fixed asset timing differences.

	2021 £'000	**2020 £'000**
Deferred tax liabilities	(119)	(160)

19. COMMITMENTS UNDER OPERATING LEASES

The Company as a lessee has total future minimum lease payments under non-cancellable operating leases of:

	2021 £'000	**2020 £'000**
Amounts due:		
- within one year	249	272
- between two and five years	901	930
- after five years	1,937	2,161
	3,087	3,363

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

20. SHARE CAPITAL AND RESERVES

Share capital

	2021	2020
	£	£
Allotted, issued and fully paid		
1,264 ordinary A shares of £1 each	1,264	1,200
10 ordinary B shares of £1 each	10	-
	1,274	1,200

Issue of share capital

On 29 May 2020 the Company issued 64 ordinary shares of £1 in the capital of the Company for consideration of £370.20 per share and 10 B ordinary shares of £1 in the capital of the Company for consideration of £2.81 per share to Luke David Vardy, Managing Director of Cygnet Texkimp Limited. The outstanding consideration for these shares is held in a Directors' loan account.

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Profit and loss account

Cumulative profit and loss net of distributions to owners.

21. RETIREMENT BENEFITS

The Company operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Company charged to profit or loss amounted to £148,000 (2020: £150,000). Contributions totalling £12,000 (2020: £8,000) were payable to the fund at the year end and are included in creditors.

22. OTHER FINANCIAL COMMITMENTS, GUARANTEES AND CONTINGENCIES

The Company has a cross guarantee and debenture agreement relating to any monies owing to Barclays PLC by other Group undertakings. At 31 March 2021 there was a liability with Barclays Plc across the Group of £1,250,000 (2020: £nil).

At 31 March 2021, the Group had access to an debt facility of £1,750,000 (2020: £1,100,000) of which £1,075,926 (2020: £1,100,000) was undrawn. At 31 March 2021, £674,074 (2020: £nil) was attributable to bank guarantees.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2021

23. RELATED PARTY DISCLOSURES

The Company is required to disclose transactions and balances with related parties where 100% of their voting rights are not controlled within the same group.

	2021 £'000	2020 £'000
Transactions during the period		
Expenses charged by Group companies	2	-
Expenses charged to Group companies	(98)	(52)
Balances at end of the period		
Owed by Group companies	(11)	(7)

During the year rental payments of £103,500 (2020: £25,875) were paid to the self-invested personal pension of M J Kimpton-Smith. There were no balances outstanding at the end of the period.

24. ULTIMATE PARENT UNDERTAKING

The Directors regard Cygnet Group Limited, a company registered in England and Wales, as the ultimate parent company.

Cygnet Group Limited is the immediate parent and is the smallest and largest company for which consolidated accounts including Cygnet Texkimp Limited are prepared. The consolidated accounts of Cygnet Group Limited are available from its registered office, which is the same as this company and is detailed on page 1.

25. ULTIMATE CONTROLLING PARTY

By virtue of his controlling interest in Cygnet Group Limited, the Company considers M J Kimpton-Smith to be the ultimate controlling party.