

CYGNET GROUP LIMITED

**Consolidated Report and Financial
Statements**

For the year ended

31 March 2022



REPORT AND FINANCIAL STATEMENTS 2022

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M J Kimpton-Smith
C P Smith
J E Smith
S Kimpton-Smith

SECRETARY

J Stephens

REGISTERED OFFICE

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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 (CONTINUED)
For the year ended 31 March 2022

The Directors present their Strategic Report for the year ended 31 March 2022. This Strategic Report has been prepared for Cygnet Group Limited and its subsidiary undertakings (together, 'the Group') as a whole and, therefore, gives greater emphasis to those matters which are significant in the context of the Group.

PRINCIPAL ACTIVITIES

The principal activity of Cygnet Group Limited is to manage its interests in its operating subsidiaries to help them reach their full potential. It provides strategic support and guidance to these subsidiaries through close interaction with the operational management teams and attendance at Board meetings. It also manages the property interests of the Group.

The Group has two principal operating subsidiaries:

- Cygnet Texkimp Limited ('Cygnet Texkimp') which designs and manufactures engineering solutions for the handling and processing of technical fibres; and
- SECC Oil & Gas Limited ('SECC') which designs and manufactures couplings and connectors for the oil and gas industry.

These businesses are run as independent trading entities within the Group, with separate management structures. They are encouraged to develop as autonomous businesses, under the supervision of Cygnet Group, but share some joint services where it is commercially advantageous to do so.

STRATEGIC REVIEW**Markets, People and Infrastructure**

The primary business focus of the Group is on delivering process machinery, automation and turnkey plant solutions for the processing of technical fibres. Through its subsidiary, Cygnet Texkimp, the Group 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 and economic crises.

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 Cygnet Texkimp's strategy for the future.

The Groups' other main trading subsidiary, SECC applies its innovative, patented connector technology primarily for well interventions in the subsea oil and gas markets. Its connector technology provides a proven, trusted solution which enables operators to address important operational challenges.

Over the last few years, the fluctuating oil price has heavily influenced the oil production strategies adopted by SECC's customers. The industry has adapted to this variability by focusing investment on longer term well efficiency targets. SECC provides an enabling technology that provides one of the most cost-effective ways of maximising the extraction of existing oil reserves and production rather than the development of new fields and assets.

SECC continues to focus on new product development and the development of its intellectual property. In the last year, SECC finished the development of a high pressure dry make, dry break connector and also developed an emergency quick disconnect system. In addition to its patented technology, SECC has continued to broaden its subsea connector offering. It has recently developed an improved, cost-effective handle for standard stabs which it is now actively marketing.

The Group continues to recover from the global pandemic although some impacts still remain. Continued travel restrictions have prevented some projects from being installed across the Group more specifically in the Far East, resulting in delays in commissioning equipment while also diluting the impact of our sales teams. In addition, significantly fewer trade exhibitions occurred reducing direct interactions with our customers and the industry, 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 reduced the requirement for extensive travel. Whilst

STRATEGIC REPORT (CONTINUED)

For the year ended 31 March 2022

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. We have also been pleased to return to the new wave of trade exhibitions and have been encouraged by the enthusiasm and innovation that we have witnessed to date.

The Group continues to monitor the performance of Cygnet Texkimp and SECC to assess their individual performance, their operational structure and ensure efficiency throughout the Group. Overheads are continually monitored and adapted, whilst maintaining service levels and R&D, and we continue to support investment in their sales and technical teams.

The ongoing effects of the pandemic and the Ukraine conflict continue to be monitored carefully with the biggest impacts being the rising cost pressures and supply chain disruptions. To address supply availability issues, both Cygnet Texkimp and SECC have undertaken strategic reviews of their respective sales pipeline and procured key items to mitigate risks to project delivery and in turn, protect delivery of revenue throughout the year.

The Group has continued to encourage investment by Cygnet Texkimp and SECC in its staff and general infrastructure, including IT and IP. As a Group, we have undertaken collaborative R&D projects utilising both the Innovate UK and European grant funding platforms, to accelerate our internal R&D and build key relationship with some of the biggest brands in the sectors that we operate.

Future Developments

As a Group, we continue to invest heavily in R&D projects that are focused on future technologies, supporting UK and global aspirations for greener processes and outputs that will be used to improve the green credentials of the end users.

We are developing our capabilities to offer innovative recycling processes for carbon fibre and cryogenic solutions for the transmission of carbon neutral energy.

The Directors have considered the impact of the current global situations, being COVID-19 and the war in Ukraine on the Company's ability to trade and are confident that operations can continue safely and successfully.

The Group 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 our businesses and to identify further opportunities for efficiencies. Strategic plans are being continually reviewed, cascaded and adapted with a clear view of the main drivers of growth and profitability.

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

STRATEGIC REPORT (CONTINUED)**For the year ended 31 March 2022****FINANCIAL REVIEW**

The Board monitors the progress of the Group strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators. The key performance indicators used by the Board are:

	2022	2021	Absolute Change	% Change
Turnover (£m)	16.4	10.2	6.2	60.8%
Gross margin (£m)	4.4	2.9	1.5	51.1%
Gross profit margin (%)	26.7%	28.4%	(1.7%)	
R&D expenditure (£m)	(1.1)	(1.2)	0.1	(8.3%)
Exceptional costs – Group (£m)	-	(0.1)	0.1	
Operating profit excluding exceptionals (£m)	1.2	0.0	1.2	
Operating profit including exceptionals (£m)	1.2	(0.1)	1.3	
Net assets (£m)	5.4	4.5	0.9	20.0%
Cash in hand (£m)	4.1	3.0	1.1	35.9%

In 2022 we have seen a bounce back in performance to pre-covid levels. Revenue increased from £10.2m to £16.4m. Whilst Gross margin has increased, gross margin % has decreased on the previous financial year, from £2.9m and 28.4% to £4.3m and 26.7% respectively.

The Group took the strategic decision to continue R&D investment in line with prior year at £1.1m compared to £1.2m in the prior year, supported by securing a number of Innovate UK grant funded projects during the last financial year. This ensures resources were committed to developing products which will drive future growth and profitable return on this investment.

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

Operating profit excluding exceptionals was a £1.2m profit (2021: £0.0m), Directors believe this to be a strong performance for the financial year and a recovery from the impact COVID-19 had on the prior year's results.

Cash balances increased by £1.1m in the financial year to £4.1m (2021: £3.0m). Net assets have increased from £4.5m to £5.4m, as a direct result of the profit made during the current financial year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group remains exposed to macro market risk due to the instability in the credit markets and ongoing uncertainty in both the Eurozone and US. A significant number of the Group's contracts are denominated in US Dollars or Euros and the Group has a robust policy for the use of forward contracts in place to mitigate exchange rate risk. The Group actively tries to avoid reliance on any one customer, geographical area or market sector.

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

The Group 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 Group ensures that its subsidiaries have a mixture of long-term and short-term debt facilities, including £2.6m of short and medium-term debt facilities and a £1.04m Government backed coronavirus business interruption loan which provides a longer term debt facility.

The Group 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.

STRATEGIC REPORT (CONTINUED)

For the year ended 31 March 2022

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The Group 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 Group's operations.

The Group continues to invest in robust IT systems and has adopted a more flexible approach to working practices than previously, with remote working being offered across the business where possible and flexible hours to support a healthy work life balance.

The Group 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.



M J Kimpton-Smith
Director

26 September 2022

DIRECTORS' REPORT
For the year ended 31 March 2022

The Directors present their annual report and the audited financial statements for the year ended 31 March 2022.

DIRECTORS

The Directors of the Group who served during the year and thereafter are listed on page 1.

DIVIDENDS

The Directors paid interim dividends of £168,000 in the year ended 31 March 2022 (31 March 2021: £160,000). At 31 March 2022, a final dividend of £0 was proposed (31 March 2021: £40,388).

GOING CONCERN

The Directors are satisfied that the Group and the Company have 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 business continues to bounce back to pre-pandemic turnover levels as the markets recover from impact of the COVID-19 yet remains cautious to accelerate recruitment and increase its overhead. 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 Group undertakes research and development expenditure and, in the opinion of the Directors, continued investment in this area is essential for the maintenance of the Group's market position and for future growth.

POLITICAL CONTRIBUTIONS (EU)

In the years ended 31 March 2022 and 31 March 2021, no political donations were made by the Group.

MATTERS OF STRATEGIC IMPORTANCE

The future developments section and information on financial instruments required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in a separate Strategic Report in accordance with section 414 C(1) of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 March 2022

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 the Group and of the profit or loss of the Group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

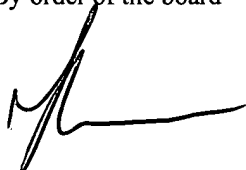
STATEMENT OF DISCLOSURE TO AUDITOR

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

By order of the board



M J Kimpton-Smith
Director

26 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYGNET GROUP 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 2022 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 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 and of the parent company's affairs as at 31 March 2022, 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 Auditor 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included: the review of management's going concern assessment including the cashflow forecasts prepared by management and the terms of the key finance facilities in place, performing sensitivity analysis on the key assumptions embedded within management's going concern assessment, and reviewing sector specific market information that may inform our assessment.

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

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYGNET GROUP 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 and 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, 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 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 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 judgements in long-term contract accounting and provisions; 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.
- Addressed risk of fraud in revenue recognition through testing revenue transactions and contract revenue back to supporting evidence.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYGNET GROUP 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.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of 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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. 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
26 September 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2022

		2022 Total	2021 Total
	Note	£'000	£'000
TURNOVER	3	16,397	10,205
Cost of sales		<u>(12,015)</u>	<u>(7,287)</u>
GROSS PROFIT		4,381	2,918
Administrative expenses		(3,640)	(3,496)
Other operating income		<u>464</u>	<u>589</u>
OPERATING PROFIT/(LOSS)		1,206	11
Exceptional items	7	-	(93)
Interest receivable and similar income	8	7	42
Interest payable and similar expenses	9	(47)	(60)
(LOSS)/PROFIT BEFORE TAXATION		<u>1,167</u>	<u>(100)</u>
Taxation	10	<u>(50)</u>	<u>245</u>
PROFIT/(LOSS) AFTER TAXATION AND PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>1,117</u>	<u>145</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) (NET OF TAX):-			
Currency translation differences		<u>(38)</u>	<u>89</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>1,079</u>	<u>234</u>
Profit/(loss) for the year attributable to:			
Owners of the parent		986	4
Non-controlling interests	26	<u>131</u>	<u>(141)</u>
		<u>1,117</u>	<u>145</u>
Total comprehensive income for the year attributable to:			
Owners of the parent		948	93
Non-controlling interests	26	<u>131</u>	<u>(141)</u>
		<u>1,079</u>	<u>234</u>

STATEMENTS OF FINANCIAL POSITION
As at 31 March 2022


		Group		Company	
	Note	2022	2021	2022	2021
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Patents, licences, and development costs		479	647	-	-
Positive goodwill		129	148	-	-
Total intangible fixed assets	12	608	795	-	-
Tangible fixed assets	13	2,089	1,998	1,410	1,550
Investment Property	14	340	340	340	340
Investments	15	-	-	716	716
		3,037	3,133	2,466	2,606
CURRENT ASSETS					
Stock	16	555	756	-	-
Debtors	18	4,769	3,612	9	310
Cash at bank and in hand		4,086	3,007	8	22
		9,410	7,375	17	332
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	19	(5,817)	(4,568)	(313)	(508)
NET CURRENT ASSETS/(LIABILITIES)		3,593	2,807	(296)	(176)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,629	5,940	2,170	2,430
Creditors: amounts falling due after more than one year	20	(836)	(1,181)	(44)	(139)
Provisions for liabilities	24	(392)	(259)	(25)	(19)
NET ASSETS		5,402	4,500	2,101	2,272
CAPITAL AND RESERVES					
Called up share capital	25	1	1	1	1
Share premium	25	504	504	504	504
Share-based payment reserve	25	-	-	-	-
Own shares	25	-	-	-	-
Other reserves	25	-	-	-	-
Capital redemption reserve	25	-	-	-	-
Profit and loss account		4,896	3,995	1,596	1,767
		5,402	4,500	2,101	2,272
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		5,081	4,310	2,101	2,272
NON-CONTROLLING INTERESTS	26	321	190	-	-
		5,402	4,500	2,101	2,272

The results for the year ended 31 March 2022 relate to continuing operations.

The Company has taken the exemption from presenting its own profit and loss account under section 408 of the Companies Act 2006.

The Company's loss and total comprehensive loss for the year was £3,000 (2021: Loss £120,000).

The financial statements on pages 11 to 41 were approved by the board of Directors and authorised for issue on 26 September 2022 and are signed on its behalf by:


M J Kimpton-Smith
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2022

								Non controlli ng interest (see note 26)	Total
Note	Share Capital £'000	Share premium £'000	Share based payment reserve £'000	Own Shares £'000	Other Reserves £'000	Capital Redem ption Reserve £'000	Profit and Loss Account £'000	£'000	£'000
Balance at 1st April 2020	1	504	-	-	-	-	3,872	49	4,426
Profit for the year	-	-	-	-	-	-	4	141	145
Currency translation differences on overseas subsidiaries	-	-	-	-	-	-	89	-	89
Total comprehensive income for the year	-	-	-	-	-	-	93	141	234
Transactions with owners:- Dividends	11	-	-	-	-	-	(160)	-	(160)
Total transactions with owners	-	-	-	-	-	-	(160)	-	(160)
Balance at 31 March 2021	1	504	-	-	-	-	3,805	190	4,500
Profit for the year	-	-	-	-	-	-	986	131	1,117
Currency translation differences on overseas subsidiaries	-	-	-	-	-	-	(38)	-	(38)
Total comprehensive income for the year	-	-	-	-	-	-	948	131	1,079
Transactions with owners:- Dividends	11	-	-	-	-	-	(177)	-	(177)
Total transactions with owners	-	-	-	-	-	-	(177)	-	(177)
Balance at 31 March 2022	1	504	-	-	-	-	4,576	321	5,402

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2022

	Note	Share Capital £'000	Share premium £'000	Share based payment reserve £'000	Own Shares £'000	Other Reserves £'000	Capital Redem- ption Reserve £'000	Profit and loss account £'000	Total £'000
Balance at 31 March 2020		1	504	-	-	-	-	2,047	2,552
Loss for the year		-	-	-	-	-	-	(120)	(120)
Purchase of own shares	25	-	-	-	-	-	-	-	-
Transfer	25	-	-	-	-	-	-	-	-
Total comprehensive expense for the year		-	-	-	-	-	-	(120)	(120)
Transactions with owners:-									
Dividends paid	11	-	-	-	-	-	-	(160)	(160)
Total transactions with owners		-	-	-	-	-	-	(160)	(160)
Balance at 31 March 2021		1	504	-	-	-	-	1,767	2,272
Loss for the year		-	-	-	-	-	-	(162)	(162)
Purchase of own shares	25	-	-	-	-	-	-	-	-
Dividends received		-	-	-	-	-	-	159	159
Total comprehensive income for the year		-	-	-	-	-	-	(3)	(3)
Transactions with owners:-									
Dividends paid	11	-	-	-	-	-	-	(168)	(168)
Total transactions with owners		-	-	-	-	-	-	(168)	(168)
Balance at 31 March 2022		1	504	-	-	-	-	1,596	2,101

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
OPERATING ACTIVITIES			
Cash generated from operations	30	1,463	(319)
Interest paid		(47)	(60)
Income taxes received		231	325
NET CASH USED IN OPERATING ACTIVITIES		1,647	(54)
INVESTING ACTIVITIES			
Purchase of intangible fixed assets		(27)	(26)
Purchase of tangible fixed assets		(426)	(45)
Proceeds on disposal of tangible fixed assets		8	-
Proceeds on disposal of subsidiaries (net of cash disposed)/ investments		-	-
Interest received		14	56
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(431)	(15)
FINANCING ACTIVITIES			
Repayment of bank loans		(210)	-
Proceeds of bank loans		335	1,250
Repayment of loan notes		(86)	(11)
Dividends paid to owners		(168)	(162)
Dividends paid to non-controlling interests		(8)	-
Payment of obligations under finance lease		-	(26)
NET CASH GENERATED FROM/(USED IN) FINANCIAL ACTIVITIES		(137)	1,051
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,079	982
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,007	2,025
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,086	3,007
Relating to:-			
Bank balances and short-term deposits included in cash at bank and in hand		4,086	3,007
		4,086	3,007

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. ACCOUNTING POLICIES

General information

Cygnnet Group Limited ("the Company") is a private company limited by shares and is 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 Group consists of Cygnnet Group Limited and all of its subsidiaries (see note 34).

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

Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical 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 2022 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 £2.6m 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 Cygnnet 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.

To address the rising energy prices, the Company signed a fixed term contract until 30 May 2024 to mitigate the impact.

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 2022

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.

Basis of consolidation

The consolidated financial statements incorporate those of Cygnet Group Limited and all of its subsidiaries (i.e., entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All intra-group transactions, balances, and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Functional and presentational currencies

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

Company statement of comprehensive income

As permitted by S408 Companies Act 2006, the Company has not presented its own statement of comprehensive income as it prepares group accounts and the Company's individual statement of financial position shows the Company's profit or loss for the financial year.

Intangible fixed assets

Goodwill on consolidation

Goodwill is capitalised as an intangible asset and written off evenly over 20 years as in the opinion of the Directors, this represents the period over which the goodwill is expected to give rise to economic benefits. Provision is made for any impairment.

Negative goodwill arises when the cost of a business combination is less than the fair value of the interest in the identifiable assets, liabilities and contingent liabilities acquired. The amount up to the fair value of the non-monetary assets acquired is credited to profit or loss in the period in which those non-monetary assets are recovered. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to profit or loss in the periods expected to benefit.

Patents and licences

Patents and licences are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible fixed assets are amortised to profit or loss on a straight line basis over their useful lives of 20 years as that is considered to be the period over which economic benefit will be obtained.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets (continued)

Research and development

The Group 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.

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 freehold and long leasehold land and capital work in progress, at rates calculated to write off the cost, less estimated residual value, of each asset as follows:

- Freehold land and buildings at rates varying between 1% and 2% per annum;
- Leasehold property at a rate of 10% per annum;
- Motor vehicles at a rate of 25% on a reduce balance basis per annum;
- Plant and machinery at rates varying between 15% and 33% on a straight-line basis per annum;
- Fixtures and fittings at rates varying between 15% and 33% on a straight-line basis per annum; and

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

1. ACCOUNTING POLICIES (continued)

Impairments of fixed assets (continued)

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.

Capitalisation of interest

All finance costs that are directly attributable to the construction of a tangible fixed asset are capitalised as part of the cost of that asset, until such time as the asset is ready for its intended use or sale.

Government grants

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

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

Fixed asset investments

In the separate accounts of the Company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries are assessed for impairment at each reporting date.

Investment properties

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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.

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the Group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the Directors consider this to be a reasonable approximation to the rate at the date of the transaction. Translation differences are recognised in other comprehensive income and accumulated in equity.

Non-controlling interests

Non-controlling interests are held in two principal subsidiaries, Self Energising Coupling Company Limited and SECC Oil and Gas Limited. The Group does not account for the non-controlling interests as the entities have negative retained reserves. As the operating performance of these entities results in positive retained reserves, the Group will account for non-controlling interests.

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.

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 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 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 foreseeable losses and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

1. ACCOUNTING POLICIES (continued)

Long-term contracts (continued)

When the outcome of a long-term 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.

The Group as a lessee – finance leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the Group substantially all of the risks and rewards incidental to ownership (“finance leases”). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are expensed as incurred.

The Group as a lessee - 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.

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.

Share-based payments

The Company grants share appreciation rights (cash-settled share-based payments) to certain employees.

These are measured at fair value with a corresponding liability which is re-measured to fair value at each reporting date. Changes in fair value are recognised through profit or loss.

Provisions

Provisions are recognised when the Group 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.

Financial instruments

The Group has elected to apply the provisions of Section 1.1 ‘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 Group becomes a party to the contractual provisions of the instrument and are offset only when the Group 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

1. ACCOUNTING POLICIES (continued)

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 Group 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.

Own shares

The fair value for consideration given for shares repurchased by the Group is deducted from equity.

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.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

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 2022

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 area of judgment

Share based payments

In previous years the Group and Company issued share appreciation rights (SAR) to certain employees that require the group to pay the intrinsic value of the SAR to the employee at the date of exercise. The vesting conditions of the scheme were not met and all amounts have not been written off and the scheme closed.

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 2022****3. TURNOVER**

The turnover and profit before taxation are attributable to the principal activities of the Group, being the design and manufacture of engineering solutions for the processing of technical fibres, talent acquisition and the design and manufacture of couplings and connectors for the oil and gas industry. An analysis of turnover by geographical market is given below:

	2022	2021
	£'000	£'000
Class of business		
Design and manufacture of engineering solutions for the processing of technical fibres	14,945	8,394
Design and manufacture of couplings and connectors for the oil and gas industry	1,452	1,811
	<u>16,397</u>	<u>10,205</u>
	2022	2021
	£'000	£'000
United Kingdom	882	753
Rest of European Union	869	1,515
Rest of the world	14,646	7,937
	<u>16,397</u>	<u>10,205</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

4. DIRECTORS' REMUNERATION

The remuneration of the Directors was as follows:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Emoluments	326	332	28	24
Group contribution to money purchase pension schemes	15	21	-	-
Compensation for loss of office	-	-	-	-
	<u>341</u>	<u>353</u>	<u>28</u>	<u>24</u>

For the Group, at 31 March 2022, retirement benefits of £906 are accruing for four Directors under a defined contribution scheme (31 March 2021: £4,725, five directors). For the Company, at 31 March 2022, retirement benefits are accruing for no Directors under a defined contribution scheme (31 March 2021: none).

The remuneration of the highest paid director in the Group was as follows:

	2022	2021
	£'000	£'000
Emoluments	173	157
Group contribution to money purchase pension schemes	11	10
Compensation for loss of office	-	-
	<u>184</u>	<u>167</u>

5. EMPLOYEE INFORMATION

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Wages and salaries	3,659	3,435	-	-
Social security costs	375	321	-	-
Defined contribution pension costs	163	168	-	-
	<u>4,197</u>	<u>3,924</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2022	2021	2022	2021
	No.	No.	No.	No.
Directors	9	9	2	2
Sales and marketing	5	3	-	-
Operations	52	55	-	-
Other	11	10	-	-
	<u>77</u>	<u>77</u>	<u>2</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

6. PROFIT BEFORE TAXATION

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

	2022 £'000	2021 £'000
Fair value (gains)/losses on foreign exchange contracts	23	(74)
Depreciation - owned assets	308	343
Loss/(profit) on disposal of fixed assets	19	19
Amortisation of goodwill	20	20
Amortisation of patents, licences and development costs	212	207
Hire of other assets under operating leases	138	187
Foreign exchange gains	(21)	(89)
Research and development expenditure	13	21
Stock: impairment losses recognised in cost of sales (gains)/losses	24	10
Grant income	(312)	(452)
	<u>11</u>	<u>10</u>
Fees payable to the Company's auditors for the audit of the Company's annual financial statements		
	<u>40</u>	<u>37</u>

In the year ended 31 March 2022, the Group received a grant from Innovate UK and the Aerospace Technology Institute 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 Group's progression through our section of the consortium's project. In the year ended 31 March 2022 the Group received income from HMRC through the Coronavirus Job Retention Scheme. The grant is unconditional and has been recognised as earned on the Group's progression through milestones of the project.

7. EXCEPTIONAL ITEMS

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Redundancy costs	-	78	-	-
Impairment of intercompany loans	-	-	-	(7)
Bad debt write off on disposed subsidiary	-	15	-	10
	<u>-</u>	<u>93</u>	<u>-</u>	<u>3</u>

A Group restructure was carried out during the prior year which resulted in a number of redundancies.

The Company has fully provided for all of the intercompany loans with Cygnet Property Limited that were outstanding at year end £546,713 (2021: £546,713).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £'000	2021 £'000
Interest on bank loans	7	42
	<u>7</u>	<u>42</u>

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £'000	2021 £'000
Interest on loan notes	7	14
Other interest	-	5
Bank loans and overdrafts	40	41
	<u>47</u>	<u>60</u>

10. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2022 £'000	2021 £'000
Current tax:		
UK corporation tax	56	(110)
Adjustments in respect of previous periods	(61)	(78)
Total current tax	<u>(5)</u>	<u>(188)</u>
Deferred tax:		
Origination and reversal of timing differences	9	(57)
Adjustment in respect of prior periods	(2)	-
Adjustment in respect of change in legislation	48	-
Total deferred tax	<u>55</u>	<u>(57)</u>
Total tax on (loss)/profit on ordinary activities	<u>50</u>	<u>(245)</u>

Factors affecting the tax charge for the year

The tax assessed for the period is lower (2021: lower) than that arising from applying the standard rate of UK corporation tax of 19% (2021: 19%). The differences are explained below:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

10. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	2022 £'000	2021 £'000
Profit/(loss) on ordinary activities before taxation	1,167	(100)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	(222)	19
Effects of:		
Expenses not deductible for tax purposes	32	10
Enhanced deduction for research and development expenditure	-	(33)
Chargeable gains/(losses)	(35)	-
Other permanent differences	9	4
Capital allowances in excess of depreciation	-	24
Timing differences and deferred tax not recognised	14	(34)
Remeasurement of deferred tax for changes in tax rates	36	-
Overseas losses which cannot be utilised in the group	(7)	(7)
Adjustments to tax charge in previous year	(63)	(85)
Additional deduction for R&D Expenditure	(128)	(197)
Group income	(30)	-
Surrender of tax losses for R&D refund	-	59
Tax credit	(50)	(245)

11. EQUITY DIVIDENDS

	2022 £'000	2021 £'000
Interim ordinary dividends of £131 per share (2021: £124 per share). There was a creditor outstanding at the year end of £nil per share (2021: £31 per share). Dividends were waived on 95 (2021: 95 shares)	168	160

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

12. INTANGIBLE FIXED ASSETS

	Patents, licences, software and development costs £'000	Goodwill on consolidation £'000	Negative goodwill on consolidation £'000	Total £'000
Group				
At 1 April 2021	1,285	435	(652)	1,068
Additions	27	-	-	27
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	1,312	435	(652)	1,095
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 1 April 2021	638	287	(652)	273
Amortisation for the period	193	21	-	214
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	831	308	(652)	487
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2022	481	127	-	608
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	647	148	-	795
	<hr/>	<hr/>	<hr/>	<hr/>

At 31 March 2022 development costs and software costs of £12,000 (2021: £122,000) were under construction.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

13. TANGIBLE FIXED ASSETS

	Assets under construction £'000	Freehold land and buildings £'000	Vehicles, plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Group					
At 1 April 2021	3	1,756	1,514	415	3,688
Additions	350	-	42	34	426
Disposals	(3)	-	-	(34)	(37)
Transfer	-	-	(53)	-	(53)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	350	1,756	1,503	415	4,024
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 2021	-	331	1,032	327	1,690
Charge for the period	-	88	179	41	308
Eliminated on disposal	-	-	(31)	(32)	(63)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	-	419	1,180	336	1,935
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2022	<u>350</u>	<u>1,337</u>	<u>323</u>	<u>79</u>	<u>2,089</u>
At 31 March 2021	<u>3</u>	<u>1,425</u>	<u>482</u>	<u>88</u>	<u>1,998</u>

Included in cost of freehold land and buildings is freehold land of £nil (2021: £nil) which is not depreciated.

Included within the net book value of £2,089,000 is £nil (2021: £nil) relating to assets held under hire purchase agreements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

13. TANGIBLE FIXED ASSETS (CONTINUED)

	Freehold land and buildings £'000	Plant and machinery £'000	Motor Vehicles £'000	Fixtures and fittings £'000	Total £'000
Company					
At 1 April 2021	1,520	91	144	8	1,763
Disposals	-	-	(47)	-	(47)
At 31 March 2022	1,520	91	97	8	1,716
Depreciation					
At 1 April 2021	96	21	89	7	213
Charge for the period	88	21	10	1	122
Disposals	-	-	(27)	-	(27)
At 31 March 2022	184	42	72	8	308
Net book value					
At 31 March 2022	1,336	49	25	-	1,410
At 31 March 2021	1,424	70	55	1	1,550

Included within the net book value of £1,410,000 is £nil (2021: £nil) relating to assets held under hire purchase agreements.

14. INVESTMENT PROPERTY

Group	Total £'000
Fair value at 31 March 2021 and 31 March 2022	340
Company	Total £'000
Fair value at 31 March 2021 and 31 March 2022	340

The investment property is a single storey main office with warehouse extension, separate small office and car parking. The property is leased by charity until 21st October 2023 with an annual rent rate of £1. The valuation was determined by the Directors based on recent offers made to the Group for the purchase of the property.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

15. FIXED ASSET INVESTMENTS

	Company 2021 £'000	Company 2020 £'000
Subsidiary undertakings		
At 31 March 2021 and 31 March 2022	716	716

Details of investments of the Company in its principal subsidiary undertakings at 31 March 2022 are given in note 34.

16. STOCK

	Group 2022 £'000	2021 £'000
Raw materials and consumables	237	370
Work in progress	318	253
	555	756

During the year, a reversal of earlier stock write-downs of £24,000 (2021: impairment reversal of £10,000) was recognised within cost of sales.

17. LONG TERM CONTRACTS

	Group 2022 £'000	2021 £'000
Contracts in progress at the reporting date:		
Gross amounts due from contract customers	3,193	1,975
Gross amounts due to contract customers	970	1,633
	Group	
	2022 £'000	2021 £'000
Contract turnover recognised during the year	14,227	9,561

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

18. DEBTORS

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	763	945	-	-
Amounts recoverable on contracts	3,193	1,975	-	-
Other debtors	16	32	-	2
Amounts owed by Group undertakings	-	-	-	296
Corporation tax	-	237	-	-
Other taxation and social security costs	345	130	7	-
Prepayments and accrued income	452	293	2	12
	<u>4,769</u>	<u>3,612</u>	<u>9</u>	<u>310</u>

Trade debtors are stated net of a provision of £15,000 (2021: £19,000). A bad debt credit of £nil was charged in the year (2021: £4,000) due to the classification of irrecoverable debts mainly within the Cygnet Texkimp business.

Amounts owed by Group undertakings are unsecured and repayable on demand. No interest is charged on trading balances. Interest is charged at 3.80% (2021: 5.25%) on short-term loans.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans (note 21)	584	208	-	-
Payments received on account	970	1,633	-	-
Trade creditors	1,060	625	23	2
Other taxation and social security costs	-	205	-	1
Corporation tax	8	-	-	-
Other creditors	38	50	-	40
Amounts owed to Group undertakings	-	-	159	355
Accruals and deferred income	3,078	1,989	52	48
Loan notes (note 21)	79	63	79	63
	<u>5,817</u>	<u>4,568</u>	<u>313</u>	<u>508</u>

Amounts owed to Group undertakings are unsecured and repayable on demand. No interest is charged on trading balances. Interest is charged at 3.80% (2021: 5.25%) on short-term loans.

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

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Loan notes	44	139	44	139
Bank loans (note 21)	792	1,042	-	-
	<u>836</u>	<u>1,181</u>	<u>44</u>	<u>139</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

21. BORROWINGS

An analysis of the maturity of loans is given below:

	Group	
	2022	2020
	£'000	£'000
Bank loans, loan notes and hire purchase:		
Amounts falling due within one year or on demand	663	271
Amounts falling due between two and five years	794	889
Amounts falling due after five years	42	292
	<u>1,499</u>	<u>1,452</u>

Bank Loans

On 24 April 2020, a £1,250,000 CBIL (Coronavirus Business Interruption Loan) was secured from Barclays PLC to Cygnet Tekimp 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 (note 35).

Barclays PLC holds a fixed and floating charge over all the Group's assets in respect of any monies due to them. At 31 March 2022, there were £2,600,000 of debt facilities (of which £1,858,992 was undrawn) with no associated financial covenants. Management accounts must be submitted to Barclays PLC 45 days after each month end.

Loan notes

The acquisition of Tekimp Limited (formerly Tekimp (UK) Limited) was partly settled by the creation of £385,000 non-interest-bearing loan notes in Cygnet Group Limited. £123,000 of these remain outstanding at 31 March 2022.

22. FINANCIAL INSTRUMENTS

The carrying amount of the Group financial instruments at 31 March 2022 were:

	Group	
	2022	2021
	£'000	£'000
Financial assets: measured at fair value through profit and loss	21	13

Foreign exchange forward contracts

6% of Group turnover relates to transactions conducted in Euros (2021: 16%) and 16% relates to transactions conducted in US Dollars (2021: 18%). As a consequence, the Group uses foreign currency forward contracts to manage the foreign change risk of future transactions and cashflows.

The contracts are valued based on available market data. The Group does not adopt hedge accounting for forward exchange contracts, consequently, fair value gains and losses are recognised in profit or loss.

At the year end, the total carrying amount of outstanding foreign exchange forward contracts that the Group has committed to are as follows:

	Group	
	2022	2021
	£'000	£'000
Euro	-	13
US Dollars	21	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2022

23. PROVISIONS FOR LIABILITIES

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Warranty	185	109	-	-
Deferred tax	207	150	25	19
	<u>392</u>	<u>259</u>	<u>25</u>	<u>19</u>

Warranty:	Total £'000
At 1 April 2021	109
Additional warranty provisions	187
Amounts charged against warranty provision in year	(63)
Unused amounts reversed in the year	(50)
At 31 March 2022	<u>185</u>

Warranties

A provision of £185,000 (2021: £109,000) 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 2022

24. PROVISIONS FOR LIABILITIES (CONTINUED)

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Deferred tax				
Accelerated capital allowances	(175)	(132)	10	2
Short term timing differences	3	3		
Capital gains/revaluation	(35)	(61)	(35)	(61)
Losses and other deductions	-	40	-	40
	<u>(207)</u>	<u>(150)</u>	<u>(25)</u>	<u>(19)</u>
	Group		Company	
	£'000		£'000	
Movement in period				
Balance at 1 April 2021	(150)		(19)	
Movement in profit and loss account	<u>(57)</u>		<u>(6)</u>	
Balance at 31 March 2022	<u>(207)</u>		<u>(25)</u>	

Provision for deferred tax has been made as follows:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Deferred tax liabilities	201	193	35	61
Deferred tax assets	<u>(3)</u>	<u>(43)</u>	<u>(10)</u>	<u>(42)</u>
Net provision	<u>207</u>	<u>150</u>	<u>25</u>	<u>19</u>

Group

There is a potential tax asset of £3,000 (2021: £43,000) arising from tax losses carried forward. This has not been recognised as there is not sufficient certainty that it will be realised in the foreseeable future.

The deferred tax asset of £3,000 (2021: £43,000) is expected to reverse in the next 12 months and relates to short-term timing differences. Of the £201,000 deferred tax liability (2021: £193,000), £175,000 is expected to reverse in the next 4 years and relates to fixed asset timing differences, the remaining £35,000 relates to losses on a capital gain, which will be offset against future capital gains.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

25. SHARE CAPITAL AND RESERVES

	2022 £	2021 £
Allotted, issued and fully paid		
1,283 ordinary shares of £1 each	1,283	1,283
	<u>1,283</u>	<u>1,283</u>

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.

Share based payment reserve

The cumulative share-based payment expense.

Own shares

The Company's authority to purchase its own shares is set out in its Articles of Association and approved by the shareholders at the Annual General Meeting.

The maximum number of own shares held during the year was 1,283 having a nominal value of £1 and representing 100% of called up capital.

Share premium

The premium on shares issued on acquisition of subsidiary.

Capital redemption reserve

The nominal value of 95 ordinary £1 shares repurchased and cancelled during the prior period.

Other reserves

Shares exercised on settlement of EMI scheme

Profit and loss account

Cumulative profit and loss net of distributions to owners.

26. NON-CONTROLLING INTERESTS

	Total £'000
At 1 April 2021	190
Share of profits for the financial period	131
Acquisition of shares in minority interest	-
	<u>321</u>
At 31 March 2022	<u>321</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

27. COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases of the Group are as follows:

Group

	2022	2021
	£'000	£'000
Amounts due:		
- within one year	131	123
- between two and five years	450	421
- after five years	794	897
	<u>1,375</u>	<u>1,441</u>
	2022	2021
	£'000	£'000

Company

Amounts due:		
- within one year	-	-
- between two and five years	-	-
- after five years	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

28. FINANCIAL COMMITMENTS, GUARANTEES AND CONTINGENCIES

Company

The Company has a cross guarantee and debenture agreement relating to any monies owing to Barclays PLC by other Group undertakings. At 31 March 2022 there was a liability with Barclays Plc across the Group of £1,041,667 (2021: £1,250,000).

At 31 March 2022, the Group had access to an debt facility of £2,600,000 (2021: £1,750,000) of which £1,858,992 (2021: £1,075,926) was undrawn. At 31 March 2022, £407,319 (2021: £674,074) was attributable to bank guarantees.

Contingent Liabilities

The Company entered into an agreement with Bruntwood AV Limited with regards to the rental of Booths Park, Knutsford for then subsidiary Perpetual Engineering Partnerships Limited. On the sale of this subsidiary on 22nd May 2019, the lease was assigned to Perpetual Engineering Partnerships Limited, with its new parent company acting as guarantor. Cygnet Group Limited remains a guarantor in the event that both Perpetual Engineering Partnerships and its new parent company are unable to fulfil the rental obligations. We believe the chance of such a claim on Cygnet Group Limited to be remote as a result of other cross guarantees in place with Perpetual Engineering Partnerships Limited's new owner.

In the event that Cygnet Group Limited would have to pay outstanding rentals this could total £775,000 over an 8-year period. We believe the likelihood of this to be extremely remote and therefore no provision for contingent liabilities has been made in these accounts.

29. RELATED PARTY TRANSACTIONS

M J Kimpton-Smith is a beneficiary of the Premier Trust pension scheme. Rent of £107,000 (2021: £107,000) was paid to the Premier Trust pension scheme during the period.

During the financial year the Group declared dividends to M J Kimpton-Smith and S Kimpton-Smith of £168,000 (2021: £160,000, M J Kimpton-Smith). At 31 March 2022 the outstanding balance on dividends was £Nil (2021: £40,000).

On 23 December 2019, the Group repaid all borrowings to the Royal Bank of Scotland and undertook a property restructure on moving to Barclays PLC. The outstanding loans were repaid via the sale of Swan House and Units A and B, and land at the registered address, to the Premier Trust pension scheme for £517,010 and £625,001 respectively, of which the ultimate owner, Matthew Kimpton-Smith is a beneficiary.

K Harrison is a connected person. During the year to 31 March 2018 Cygnet Group Limited acquired Texkimp Limited (formerly Texkimp (UK) Limited). In return for her shares in Texkimp Limited, Cygnet Group Limited issued £207,000 to K Harrison in the form of loan notes. At 31 March 2022 the outstanding balance on the loan notes was £107,000 (2021: £107,000).

J E Smith, C P Smith and M J Kimpton-Smith are trustees and M J Kimpton-Smith is a beneficiary of the Smith Family Trust. During the year to 31 March 2018 Cygnet Group Limited acquired Texkimp Limited (formerly Texkimp (UK) Limited). In return for the shares in Texkimp Limited owned by the Smith Family Trust, Cygnet Group Limited issued £178,000 in the form of loan notes. At 31 March 2022 the outstanding balance on the loan notes was £40,000 (2020: £127,000).

Company

The Company is exempt from disclosing transactions with its 100% subsidiaries. However, it is required to disclose those transactions which are material either to itself or to those related parties which are not 100% subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

29. RELATED PARTY TRANSACTIONS (CONTINUED)

	2022	2021
	£'000	£'000
Transactions during the period		
Expenses charged to Group companies	95	19
Interest charged to Group companies	2	41
Expenses charged by Group companies	(25)	-
	<hr/>	<hr/>
Balances at end of the period		
Owed by Group companies	10	266
Owed to Group companies	(164)	-
	<hr/>	<hr/>

30. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED / (USED IN) OPERATIONS

	2022	2021
	£'000	£'000
(Loss)/profit after tax	1,117	127
Adjustments for:		
Depreciation, amortisation and impairment	521	551
Foreign exchange (gains)/losses	(38)	89
(Profit)/loss on disposal of tangible fixed assets	19	-
(Profit)/loss on disposal of intangible fixed assets	-	19
(Profit)/loss on disposal of operations	-	-
Fair value gains on foreign exchange contracts	-	(75)
Interest receivable	(7)	(42)
Interest payable	47	60
Taxation	-	-
Provision movements	76	(35)
	<hr/>	<hr/>
Operating cash flow before movements in working capital	1,735	694
	<hr/>	<hr/>
Decrease/(increase) in stock	201	(281)
Decrease/(increase) in trade and other debtors	(1,325)	691
Increase/(decrease) in trade and other creditors	852	(1,423)
	<hr/>	<hr/>
Cash generated from/(used in) operations	1,463	(319)
	<hr/>	<hr/>

31. CONSOLIDATED ANALYSIS OF CHANGES IN NET DEBT

	1 April	Cash flow	Other	31 March
	2021	£'000	Non-cash	2022
	£'000	£'000	movement	£'000
Debt falling due within one year	(271)	(375)	(16)	(662)
Debt falling due after more than one year	(1,181)	339	7	(835)
Gross Debt	(1,452)	(36)	(9)	(1,497)
Cash at bank and in hand	3,007	1,078	-	4,085
Net Debt	1,555	1,042	(9)	2,588

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2022

32. ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

Cygnets Group Limited is the ultimate parent company of the Group and therefore the smallest and largest group for which consolidated accounts for the Company are prepared. Its address is listed on page 1.

By virtue of their combined controlling interest in the Company, the Company considers Matthew Kimpton-Smith and Samantha Kimpton-Smith to be the ultimate controlling party.

33. RETIREMENT BENEFITS

The Group 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 Group charged to profit or loss amounted to £163,000 (2021: £169,000). Contributions totalling £26,000 (2021: £13,000) were payable to the fund at the year end and are included in creditors.

34. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings consolidated at 31 March 2022 were as follows:

Name of undertaking	Principal activity	Shareholding and voting rights held by the Group	Class of shares	Country of incorporation
Cygnets Textkimp Limited	Textile machinery manufacturers	100%	Ordinary	Great Britain
Cygnets Property Limited	Property development	100%	Ordinary	Great Britain
Cygnets USA Inc	USA sales office	100%	Ordinary	USA
Self Energising Coupling Company Limited	Development and protection of intellectual property for coupling and connector products.	65%	Ordinary	Great Britain
SECC Oil and Gas Limited	Oil and gas engineering	65%	Ordinary	Great Britain (i)
Textkimp Limited	Textile machinery agents and consultants	100%	Ordinary	Great Britain

(i) 100% owned by Self Energising Coupling Company Limited

The registered office of all subsidiary undertakings incorporated in Great Britain is Swan House, Kimpton Drive, Off Wincham Lane, Wincham, Northwich, Cheshire, CW9 6GG

The registered office of Cygnets USA Inc is 201 Smythe Street, Apartment 236, Greenville, South Carolina, 29611-6347