

Registration number: 10010945

Sigma Components Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 May 2021



Sigma Components Holdings Limited

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Sigma Components Holdings Limited

Company Information

Directors	K E Ashton
	R M Bower
	T J Gardner
	A M Yurkwich
	M Rollins
Registered office	8 Alan Bray Close Dodwells Bridge Industrial Estate Hinckley LE10 3BP
Auditors	Mazars LLP 6 Dominus Way Meridian Business Park Leicester LE19 1RP

Sigma Components Holdings Limited

Strategic Report for the Year Ended 31 May 2021

The directors present their strategic report for the year ended 31 May 2021.

Principal activity

Sigma Components is a leading manufacturer of precision engineered aerospace products, for both engines and airframe structures. The range of products includes rigid pipe assemblies, ducting, sub-assemblies, fabrications and specialist fasteners to companies in the global aerospace industry. These products are supplied on a "make to print" basis and are fitted to engines or airframes.

In addition to this manufacturing capability, our unique structure with facilities across the UK and China, enables the Group to offer customers a range of value-added services including global supply chain management, new product introduction and product lifecycle management.

Results

The loss after taxation for the financial year is £10.3m (2020 - £16.4m), which is stated after exceptional redundancy costs of £1.4m (2020 - £nil), exceptional impairment of goodwill of £nil (2020 - £12.4m) and interest payable and similar charges of £4.4m (2020 - £7.3m). These charges include interest on bank loans £1.2m (2020 - £1.3m), interest on preference shares £5.6m (2020 - £5.1m), amortisation of debt issue costs £0.1m (2020 - £0.4m) and foreign exchange gains on borrowings £2.4m (2020 - £0.6m loss).

Business review and future prospects

Revenue declined during the year, from £42.5m in 2020 to £22.3m in 2021.

During the year the group was focused on reducing the cost base to react to the effects of the pandemic, and was profitable during the second half of the year. The group did not lose any customers and the revenue decline was entirely attributable to volume reductions that the group and wider aerospace market suffered due to the pandemic.

In the last quarter of the last financial year the Covid-19 pandemic started to take effect, a separate report is made below on the impact of the pandemic. During this financial year, the company has been impacted by a full twelve month effect of Covid-19

Whilst the company faces risk from global competition, where feasible, the Group seeks to enter into long term agreements (LTA's) with its major customers, giving security of supply in most cases for up to 15 years. Currently more than 70% of the Group's sales value is secured in LTA's. The Group is exposed to risks of increased costs in labour, material and other costs, but generally the projected changes are either built into our pricing, or our contracts contain the ability to pass on significant changes (for example, the price of materials) to our customers.

Sigma Components Holdings Limited

Strategic Report for the Year Ended 31 May 2021

Funding arrangements

The Sigma Group is funded through a senior multi-currency term and revolving facilities agreement. In order to provide the Group with sufficient headroom, to reorganise as necessitated by the Covid-19 pandemic, the revolving credit facility of £6m was fully drawn in March 2020. As demonstrated in the attached balance sheet the Group had £10.8m cash on hand at the year end date (2020 - £12.3m). The Directors have implemented a number of actions to right size the business in light of the anticipated recovery period for the civil aerospace sector.

The actions taken to minimise cash outflows include:

- Substantial reductions in the workforce
- Disposal of an overseas subsidiary
- Consolidation and rationalisation of the Group operating footprint
- Utilisation of the Government furlough and VAT payment deferment schemes
- Minimising capital expenditure
- Renegotiation of the debt repayment profile

The Group has kept its lenders fully informed of all developments both in the ordinary course of business and the specific impacts of the pandemic. This consultation has led to the development of a long-term plan supported by the lenders with appropriate performance measures agreed. It also includes agreed rescheduling of the remaining outstanding loans. On 29th of October 2021, the Group signed a formal agreement with the lenders to extend the existing facilities from 31 May 2023 to 31 May 2025. The revolving credit facility of £6m, previously drawn in March 2020, was fully repaid during November 2021. The group now has a £3m facility available which is undrawn.

Key performance indicators

The Directors consider turnover, underlying EBITDA and EBITDA % to be the key performance indicators for the Group, which are as follows:

	Unit	2021	2020
Turnover	£m	22.3	42.5
EBITDA	£m	(1.6)	5.2
EBITDA	%	(7.2)	12.2

EBITDA is defined as operating profit before exceptional items, depreciation, profit/loss on disposal of property, plant and equipment, impairment of property, plant and equipment, and the amortisation and impairment of goodwill and other intangible assets.

Going concern

Following the significant impact of the Covid-19 pandemic on the trading activity of the business, the group reported a loss for the year ended 31 May 2021 of £10.3m and net liabilities of £44.2m at the end of the year. The directors have adopted the going concern basis in preparing the financial statements however, as the trading prospects for the group are principally determined by long term agreements with major customers, which remain positive, and by the group's bank debt funding arrangements which have been restructured during the post balance sheet period to support the revised forecasts post the pandemic. Having therefore considered the principal risks facing the business, and the directors' best estimates of the cash flow forecasts for the four years through to 31 May 2025 given the slow, post Covid-19 recovery anticipated in the civil aerospace markets, the directors have a reasonable expectation that the group and the company will be able to continue as a going concern for the foreseeable future. These events and conditions indicate that a material uncertainty exists that may cast significant doubt about that expectation, however the directors continue to adopt the going concern basis for the preparation of the financial statements. Following the period end, the company has returned to profit and cash generation in line with the 31 May 2022 budget.

Sigma Components Holdings Limited

Strategic Report for the Year Ended 31 May 2021

Impact of Covid-19

In March 2020 the World Health Organisation categorised the new coronavirus (Covid-19) as a pandemic. The Covid-19 crisis poses significant risks to the Group as well as the business environment and markets in which we operate. To limit or slow the spread of the virus, governments have taken various actions including stay at home orders and social distancing guidelines.

We have experienced significant disruption to our business as a result of the significant reduction in commercial air travel which has reduced commercial airframe and aero engine production. Even after restrictions are lifted, changes in consumer behaviour and health concerns may continue to impact commercial air travel with the concomitant impact on demand for airframes and engines.

The Group performed detailed liquidity reviews and forecast the impact of Covid-19 on its operations and financial position over the next three years. These reviews and forecasts demonstrate that the Group and its subsidiaries will be able to operate for at least 12 months following the date of the approval of these financial statements. They have been reviewed by and agreed with the lenders providing the Group funding. Together this information has enabled the Directors to conclude that the Group and subsidiaries have sufficient liquidity to fund their operations for at least one year from the issuing of these financial statements and that the adoption of the going concern basis in preparing these financial statements is appropriate.

Principal risks and uncertainties

The principal risks facing the Group are:

Loss of a major customer – the Group works very closely with all its customers and develops key relationships with a number of individuals at different levels, ensuring that Sigma can promptly identify and tackle any concerns that may arise.

Competition – the market place in which Sigma operates is of such a major scale that competitors will always be interested in attempting to participate. There are substantial qualification requirements for any new entrant in a heavily regulated sector. The Group works closely with its customers to offer both technical innovation and economic efficiency to ensure it remains attractive as a partner in their supply chain.

General economic conditions – the aerospace market is truly global and product demand is not driven by the UK local situation. The key airframe and engine manufacturers are selling products in all territories and under all political and social regimes. As a result of this any one territorial event does not have major implications. The United Kingdom's withdrawal from the European Union (Brexit) has not impacted the Group's operations as the markets in which it operates are global as identified above.

Sigma Components Holdings Limited

Strategic Report for the Year Ended 31 May 2021

Section 172(1) statement

Directors of the Group, as those of all UK Companies, must act in accordance with a set of general duties. These duties are detailed in section 172 (1) of the UK Companies Act 2006 which can be summarised as follows; "a director of a company must act in a way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its shareholders as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term
- the interest of the Group's employees
- the need to foster the Group's business relationships with suppliers, customers and others
- the impact of the Group's operations on the community and the environment
- the desirability of the Group maintaining a reputation for high standards of business conduct and
- the need to act fairly between shareholders of the Group

It is important to recognise that in an organisation of this size, some of the Directors duties are fulfilled through policies and governance which delegate day to day decision making to employees of the Group. The following paragraphs summarise how the Directors fulfil their duties:

Our strategy and consideration of consequences of decisions for the long term

As Directors of the Group we provide overall risk oversight, with a focus on the most significant risks facing the Group. In addition, we are responsible for ensuring overall crisis management and business continuity plans are in place. Together with senior management, we frequently discuss the Group's business strategy, operations, policies, controls and risks.

Our values and culture

The Sigma Group is committed to conducting its business consistent with the highest standards of business ethics. We have an obligation to our employees, shareholders, customers, suppliers, community representatives and other business contacts to be honest, fair and forthright in all of our business activities.

Our employees

We recognise the importance of good communications and relationships with employees. We continue to encourage and increase employee participation and involvement in matters which affect their interests. We provide updates to employees on developments within the Group on a regular basis.

Business relationships

Our diverse, global customer and supplier base includes some of the largest blue-chip multinationals in the aerospace sector. We value our customers and suppliers and have long term relationships in place. We have dedicated customer and supplier account managers who safeguard the interests of ourselves, our customers and our suppliers.

Community and environment

We are committed to the protection of the environment, using our environment management system to ensure compliance with legislation and regulations, and to help achieve our objectives for improvement in environmental performance. This includes reducing waste by increased recycling and reuse where possible.

This report was approved by the Board on 31 January 2022 and signed on its behalf by:



R Bower
Director

Sigma Components Holdings Limited

Directors' Report for the Year Ended 31 May 2021

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

Principal activity

Sigma Components is a leading manufacturer of precision engineered aerospace products, for both engines and airframe structures. The range of products includes rigid pipes, ducting, sub-assemblies, fabrications, sheet details and composites, specialist fasteners, machining, polishing & finishing.

In addition to this manufacturing capability, our unique structure with facilities across the UK and China, enables the Group to offer customers a range of value-added services including global supply chain management, new product introduction and product lifecycle management.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 May 2021 (2020 - Nil).

Directors of the group

The directors who served during the year and to the date of signing were as follows:

K E Ashton

R M Bower (appointed 7 July 2020)

T J Gardner (appointed 25 February 2021)

M S Johnson (resigned 30 June 2021)

D A Mackenzie (resigned 24 September 2020)

E J Riley (resigned 25 February 2021)

A M Yurkwich (appointed 24 September 2020)

M Rollins

Financial risks management

The Group is exposed to the following risks:

Interest rate risk - the Group has £24.1m of bank funding, which is demoninated in Sterling and US Dollars. The interest rates on these borrowings are linked to 3 month LIBOR rates for each currency.

Currency risk - Sigma has significant customer business which is contracted in US Dollars. In order to provide a hedge against this exposure the Group has a portion of its borrowings denominated in US Dollars.

Liquidity risk - the Group is generating positive operating cashflow. At 31 May 2021, it had cash of £10.8m (2020 - £12.3m).

Credit risk - Sigma closely monitors the trading position with all its customers and quickly reacts where any risk is perceived. The Group believes with its blue-chip customer base the risk is limited.

Future developments

The strategic report on page 2 identifies the future prospects of the group and company.

Sigma Components Holdings Limited

Directors' Report for the Year Ended 31 May 2021

Engagement with suppliers, customers and other relationships

Details of engagement with employees, suppliers, customers and other business relationships are included in the Strategic Report, as the directors consider these are of strategic importance.

Carbon reporting

The Companies Act 2006 (Strategic Report and Directors Report) Regulations 2018 requires the Sigma Group to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources.

Energy and GHG emissions are reported from buildings and transport where operational control is held - this includes natural gas, electricity and fuel consumed, and group owned or leased vehicles. The table below details the SECR energy and GHG emissions for the reporting period 1 June 2020 to 31 May 2021.

	2021	2020
Energy		
Electricity usage (kWh)	1,507,438	2,158,356
Gas usage (kWh)	971,504	1,317,780
Vehicles owned or leased by the business (litres of fuel consumed)	<u>22,973</u>	<u>38,584</u>
Emissions (tCO₂e)		
Electricity usage	320	503
Gas usage	178	242
Vehicles owned or leased by the business	<u>60</u>	<u>101</u>
Total SECR emissions	<u>558</u>	<u>847</u>
Intensity metric (total SECR emissions tCO ₂ e/£m turnover)	<u>25</u>	<u>20</u>

GHG emissions have been calculated using emissions conversion factors published by the Department for Business, Energy and Industrial Strategy for 2021. Electricity and gas emissions are recorded from metered kWh consumption taken from supplier invoices. Transport emissions have been calculated using purchased volumes of fuel where possible. There is a mixture of recorded and unrecorded fuel types used, therefore a simple arithmetic average of the conversion factors for biofuel diesel and 100% mineral diesel has been used.

The Sigma Group is committed to reducing their environmental impact and contributing to climate change through increased energy management and improvement in operational procedures. Recently the Group has increased its usage of more energy efficient LED lighting and has implemented more lighting on timing mechanisms. The number of sites manufacturing product in the UK has also recently reduced from five to three with a concomitant reduction in energy consumption. The Group is continually reviewing all its energy consuming processes to identify potential opportunities for reduction.

Sigma Components Holdings Limited

Directors' Report for the Year Ended 31 May 2021

Employee involvement

Details of the number of employees and related costs can be found in note 8 to the financial statements. Applications for employments by disabled persons are always considered fully, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should as far as possible be identical with that of a person who does not suffer a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole.

Going concern

The directors have adopted the going concern basis in preparing these financial statements, having considered the principal risks to the business, cashflow forecasts for the next 3 years and the slow post Covid-19 recovery anticipated in the civil aerospace markets.

Actions taken to mitigate the impact of the Covid-19 pandemic on the business include the following:

- Substantial reductions in the workforce
- Disposal of an overseas subsidiary
- Consolidation and rationalisation of the Group operating footprint
- Utilisation of the Government furlough and VAT payment deferment schemes
- Minimising capital expenditure
- Renegotiation of the debt repayment profile

On the basis of their assessment of the Group's and the Company's financial position, the Directors have a reasonable expectation that the Group and the Company will be able to continue as a going concern for the foreseeable future. The directors believe that the Group and the Company have adequate resources to manage the consequences of the pandemic and in forming this view have taken into account new financing arrangements agreed with the lenders. These events and conditions indicate that a material uncertainty exists that may cast significant doubt about the group's and company's ability to continue as a going concern, however, the directors continue to adopt the going concern basis for the preparation of the annual financial statements.

Sigma Components Holdings Limited

Directors' Report for the Year Ended 31 May 2021

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' liabilities

The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Sigma Components Holdings Limited

Directors' Report for the Year Ended 31 May 2021

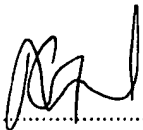
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

Under section 487(2) of the Companies Act 2006, Mazars LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the Board on 31 January 2022 and signed on its behalf by:


.....
T J Gardner
Director

Sigma Components Holdings Limited

Independent Auditor's Report to the Members of Sigma Components Holdings Limited

Opinion

We have audited the financial statements of Sigma Components Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2021, which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated statement of cash flows, and the 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2021 and of the group's loss 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's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Material uncertainty related to going concern

We draw attention to the going concern paragraph of note 2 in the financial statements which describes the significant financial impact the Covid-19 pandemic has had on the trading results and financial position of the group, as well as the uncertainties surrounding the slow recovery anticipated in the group's principal market of civil aerospace. As stated in note 2, these events and conditions, along with the other matters set out in the Strategic Report and the Directors Report, indicate that a material uncertainty exists that may cast significant doubt about the group's and company's ability to continue as a going concern for the foreseeable future. Our opinion is not modified in respect of this matter.

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

Other Information

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

Sigma Components Holdings Limited

Independent Auditor's Report to the Members of Sigma Components Holdings Limited

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

We have nothing to report in this regard.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where 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 9, 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.

Sigma Components Holdings Limited

Independent Auditor's Report to the Members of Sigma Components Holdings Limited

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. Based on our understanding of the group and its industry, we identified that the principal risks of non-compliance with laws and regulations related to employment regulation, health and safety regulation, anti-bribery, corruption and fraud, money laundering, and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and parent company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

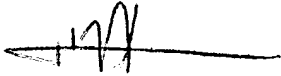
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Sigma Components Holdings Limited

Independent Auditor's Report to the Members of Sigma Components Holdings Limited

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



Paul D Johnson (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
6 Dominus Way
Meridian Business Park
Leicester
LE19 1RP

31 January 2022

Sigma Components Holdings Limited

Consolidated Profit and Loss Account for the Year Ended 31 May 2021

	Note	2021 £ 000	2020 £ 000
Turnover	4	22,263	42,513
Cost of sales		<u>(22,362)</u>	<u>(33,187)</u>
Gross (loss)/profit		(99)	9,326
Administrative expenses		(6,581)	(6,562)
Other operating income	5	<u>2,141</u>	<u>824</u>
Operating (loss)/profit before exceptional costs	6	(4,539)	3,588
Exceptional costs	7	<u>(1,431)</u>	<u>(12,436)</u>
Operating loss		(5,970)	(8,848)
Loss on disposal of operations	30	(303)	-
Interest payable and similar expenses	11	<u>(4,442)</u>	<u>(7,334)</u>
Loss before tax		(10,715)	(16,182)
Taxation	12	<u>435</u>	<u>(249)</u>
Loss for the financial year		<u>(10,280)</u>	<u>(16,431)</u>
Continuing operations		(9,163)	(16,431)
Discontinued operations	30	<u>(1,117)</u>	-
Loss for the financial year		<u>(10,280)</u>	<u>(16,431)</u>
Loss attributable to:			
Owners of the company		<u>(10,280)</u>	<u>(16,431)</u>

Discontinued operations relate the sale of a subsidiary undertaking during the period, that operated as one of two captive suppliers to the UK manufacturing companies within the group. The discontinued activity therefore generated no turnover or gross profit with external customers during the year to 31 May 2021 (2020 - £nil) and as such the losses after tax were incurred in respect of net administrative expenditure.

The notes on pages 22 to 44 form an integral part of these financial statements.

Sigma Components Holdings Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 May 2021

	2021	2020
	£ 000	£ 000
Loss for the year	(10,280)	(16,431)
Foreign currency translation losses	<u>(418)</u>	<u>(95)</u>
Total comprehensive expense for the year	<u>(10,698)</u>	<u>(16,526)</u>
Total comprehensive expense attributable to:		
Owners of the company	<u>(10,698)</u>	<u>(16,526)</u>

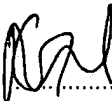
The notes on pages 22 to 44 form an integral part of these financial statements.

Sigma Components Holdings Limited

Registration number: 10010945
Consolidated Balance Sheet as at 31 May 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	13	13,042	14,842
Tangible assets	14	4,707	5,909
		<u>17,749</u>	<u>20,751</u>
Current assets			
Stocks	16	7,573	11,677
Debtors	17	3,300	5,227
Cash at bank and in hand	18	10,796	12,256
		21,669	29,160
Creditors: Amounts falling due within one year	19	(4,458)	(6,408)
Net current assets		<u>17,211</u>	<u>22,752</u>
Total assets less current liabilities		34,960	43,503
Creditors: Amounts falling due after more than one year	19	(75,845)	(73,159)
Provisions for liabilities	21	(3,271)	(3,802)
Net liabilities		<u>(44,156)</u>	<u>(33,458)</u>
Capital and reserves			
Called up share capital	23	13	13
Share premium reserve	24	981	981
Other reserves	24	(341)	77
Profit and loss account	24	(44,809)	(34,529)
Equity attributable to owners of the company		<u>(44,156)</u>	<u>(33,458)</u>
Total shareholders' deficit		<u>(44,156)</u>	<u>(33,458)</u>

Approved and authorised by the Board on 31 January 2022 and signed on its behalf by:



 T J Gardner
 Director

The notes on pages 22 to 44 form an integral part of these financial statements.

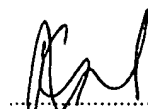
Sigma Components Holdings Limited

Registration number: 10010945
Company Balance Sheet as at 31 May 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Investments	15	1,263	1,263
Current assets			
Debtors	17	<u>69</u>	<u>69</u>
Total assets less current liabilities		1,332	1,332
Creditors: Amounts falling due after more than one year	19	<u>(52,198)</u>	<u>(46,600)</u>
Net liabilities		<u>(50,866)</u>	<u>(45,268)</u>
Capital and reserves			
Called up share capital	23	13	13
Share premium reserve		981	981
Profit and loss account		<u>(51,860)</u>	<u>(46,262)</u>
Total shareholders' deficit		<u>(50,866)</u>	<u>(45,268)</u>

The company made a loss after tax for the financial year of £5,598,000 (2020 - loss of £37,950,000).

Approved and authorised by the Board on 31 January 2022, and signed on its behalf by:



T J Gardner
Director

The notes on pages 22 to 44 form an integral part of these financial statements.

Sigma Components Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 May 2021 **Equity attributable to the parent company**

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Profit and loss account £ 000	Total £ 000
At 1 June 2020	13	981	77	(34,529)	(33,458)
Loss for the year	-	-	-	(10,280)	(10,280)
Other comprehensive income	-	-	(418)	-	(418)
Total comprehensive income/(expense)	-	-	(418)	(10,280)	(10,698)
At 31 May 2021	<u>13</u>	<u>981</u>	<u>(341)</u>	<u>(44,809)</u>	<u>(44,156)</u>

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Profit and loss account £ 000	Total £ 000
At 1 June 2019	13	981	172	(18,098)	(16,932)
Loss for the year	-	-	-	(16,431)	(16,431)
Other comprehensive expense	-	-	(95)	-	(95)
Total comprehensive expense	-	-	(95)	(16,431)	(16,526)
At 31 May 2020	<u>13</u>	<u>981</u>	<u>77</u>	<u>(34,529)</u>	<u>(33,458)</u>

The notes on pages 22 to 44 form an integral part of these financial statements.

Sigma Components Holdings Limited

Company Statement of Changes in Equity for the Year Ended 31 May 2021

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 June 2020	13	981	(46,262)	(45,268)
Loss for the year	-	-	(5,598)	(5,598)
Total comprehensive expense	-	-	(5,598)	(5,598)
At 31 May 2021	13	981	(51,860)	(50,866)

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 June 2019	13	981	(8,312)	(7,318)
Loss for the year	-	-	(37,950)	(37,950)
Total comprehensive expense	-	-	(37,950)	(37,950)
At 31 May 2020	13	981	(46,262)	(45,268)

The notes on pages 22 to 44 form an integral part of these financial statements.

Sigma Components Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 31 May 2021

	Note	2021 £ 000	2020 £ 000
Cash flows from operating activities			
Loss for the year		(10,280)	(16,431)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	2,958	3,090
Profit on disposal of tangible assets		(2)	(1,472)
Impairment of intangible assets		-	12,436
Loss from disposal of subsidiary		303	-
Finance costs	11	4,442	7,334
Income tax (credit)/expense	12	(435)	249
		(3,014)	5,206
Working capital adjustments			
Decrease in stocks	16	3,844	8
(Increase)/decrease in trade debtors	17	(14)	3,600
Decrease in trade creditors	19	(1,436)	(1,605)
Decrease in provisions	21	(152)	(16)
Cash generated from operations		(772)	7,193
Income taxes received/(paid)	12	817	(1,349)
Net cash flow from operating activities		45	5,844
Cash flows from investing activities			
Acquisitions of tangible assets		(451)	(1,083)
Proceeds from sale of tangible assets		21	3,591
Proceeds from disposal of subsidiary (net of cash disposed)		1,119	-
Net cash flows from investing activities		689	2,508
Cash flows from financing activities			
Interest paid	11	(1,168)	(1,261)
Proceeds from bank borrowing draw downs		-	5,941
Repayment of bank borrowing		(1,026)	(3,868)
Settlement of finance related derivatives		-	(50)
Net cash flows from financing activities		(2,194)	762
Net (decrease)/increase in cash and cash equivalents		(1,460)	9,114
Cash and cash equivalents at 1 June		12,256	3,142
Cash and cash equivalents at 31 May		10,796	12,256

The notes on pages 22 to 44 form an integral part of these financial statements.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

1 General Information

The company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

8 Alan Bray Close
Dodwells Bridge Industrial Estate
Hinckley
LE10 3BP

These financial statements were authorised for issue by the Board on 31 January 2022.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Basis of consolidation

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

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

A separate Statement of comprehensive income for the parent company has not been prepared as permitted by section 408 of the Companies Act 2006.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

2 Accounting policies (continued)

Going concern

Following the significant impact of the Covid-19 pandemic on the trading activity of the business, the group reported a loss for the year ended 31 May 2021 of £10.3m and net liabilities of £44.2m at the end of the year. The directors have adopted the going concern basis in preparing the financial statements however, as the trading prospects for the group are principally determined by long term agreements with major customers, which remain positive, and by the group's bank debt funding arrangements which have been restructured during the post balance sheet period to support the revised forecasts post the pandemic. Having therefore considered the principal risks facing the business, and the directors' best estimates of the cash flow forecasts for the four years through to 31 May 2025 given the slow, post Covid-19 recovery anticipated in the civil aerospace markets, the directors have a reasonable expectation that the group and the company will be able to continue as a going concern for the foreseeable future. These events and conditions indicate that a material uncertainty exists that may cast significant doubt about that expectation, however the directors continue to adopt the going concern basis for the preparation of the financial statements. Following the period end, the company has returned to profit and cash generation in line with the 31 May 2022 budget.

Revenue recognition

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

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

Government grants

Money transferred to the Group by the UK government, government agencies or similar bodies are recognised at fair value, when the Group is certain that the grant will be received. Grants are disclosed in the notes to the accounts.

Goodwill

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

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

2 Accounting policies (continued)

Intangible assets

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

Intangible assets acquired as part of a business combination are initially measured at fair value. Subsequent to this, they are measured at this value less accumulated amortisation and any accumulated impairment losses.

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

Amortisation is provided on the following bases:

Software - 25%
Customer relationships - 6-20% (or 5-15 years)
Goodwill - 10%
Order book - 1-3 years

Tangible assets

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

Tangible assets acquired as part of a business combination are initially measured at fair value. Subsequent to this, they are measured at this value less accumulated depreciation and any accumulated impairment losses.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property - 2% per annum
Plant and machinery - 10-33%
Motor vehicles - 10-33%
Fixtures and fittings - 25%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

2 Accounting policies (continued)

Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

The carrying value of fixed asset investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

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

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

Debtors

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

Cash and cash equivalents

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

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

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

2 Accounting policies (continued)

Financial Instruments

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

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Creditors

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

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

2 Accounting policies (continued)

Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'interest payable and similar expenses'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'administrative expenses'.

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

Finance costs

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

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Operating leases

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

2 Accounting policies (continued)

Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

Provisions

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

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the Group operate and generate income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

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

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

2 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Research and development

The directors have made the accounting policy choice available under FRS 102 to expense all research and development costs to the statement of comprehensive income as it is incurred, rather than capitalising any development costs and amortising them over the period in which they may have a potential useful economic benefit.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions regarding the carrying value of assets and liabilities which are not readily apparent from other sources.

The estimates and assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are revised in the period in which they are recognised.

The following are the critical judgements that the Directors have made in applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Valuation of stocks

The Group reviews the market value of and demand for its stocks on a periodic basis to ensure that recorded stock is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of stocks, the Group is required to make judgements as to future demand requirements and to compare these with current stock levels. Factors that could impact estimated demand and selling prices are the phasing out of major customers product and similarly the introduction of new products.

Useful lives of intangible assets

The lives assigned to intangible assets are considered to be a critical accounting estimate. The directors assess the useful lives on an annual basis considering the period of time that they are expected to be of value to the business and amortise the initial value of the intangible over this period. In assessing the useful lives the directors consider relationships with customers and forecast orders to determine the period that the asset will be used over.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Valuation of intangible assets

The Group has been adversely affected by the covid-19 pandemic and the resulting impact on the aerospace market. As a result there has been a decline in sales across the business and consequently in the year ended 31 May 2020 goodwill was impaired by £12,436,000 to £nil.

The recoverable amount attributable to customer relationships was determined using a value-in-use calculation which required the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate. If actual cash flows are not in line with budgeted cash flows, additional impairment of the Group's intangible assets may result.

4 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2021 £ 000	2020 £ 000
Sale of goods	20,795	38,426
Rendering of services	1,468	4,087
	<u>22,263</u>	<u>42,513</u>

The analysis of the group's turnover for the year by market is as follows:

	2021 £ 000	2020 £ 000
UK	17,736	28,756
Europe	3,175	10,162
Rest of world	1,352	3,595
	<u>22,263</u>	<u>42,513</u>

5 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2021 £ 000	2020 £ 000
Government grants	2,141	824

Grant income relates to government assistance under the Coronavirus Job Retention Scheme.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

6 Operating (loss)/profit

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Depreciation expense	1,158	1,240
Amortisation expense	1,800	1,850
Research and development credit	-	(101)
Foreign exchange losses/(gains)	516	(311)
Operating lease expense - plant and machinery	651	737
Profit on disposal of property, plant and equipment	(2)	(1,472)
Non-recurring legal and professional advisory fees	-	675
	<u> </u>	<u> </u>

7 Exceptional costs

	2021 £ 000	2020 £ 000
Redundancy costs	1,431	-
Impairment of intangible assets	-	12,436
	<u>1,431</u>	<u>12,436</u>

Costs were incurred during the year in relation to redundancies due to a decline in activity across the group during the covid-19 pandemic.

In 2020, the Group was adversely affected by the covid-19 pandemic and the resulting impact on the aerospace market. As a result there was a decline in sales across the business and goodwill was impaired by £12,436,000 to £nil.

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	10,766	15,444
Social security costs	1,128	1,768
Pension costs, defined contribution scheme	318	480
	<u>12,212</u>	<u>17,692</u>

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

	2021 No.	2020 No.
Production	365	607
Administration and support	86	108
	<u>451</u>	<u>715</u>

The company has no employees.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	569	346
Contributions paid to money purchase schemes	26	22
	<u>595</u>	<u>368</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>2</u>

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	189	154
Company contributions to money purchase pension schemes	<u>18</u>	<u>15</u>

The key management of the group are considered to be the directors.

10 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of these financial statements	30	30
Audit of the financial statements of subsidiaries	<u>38</u>	<u>38</u>
	<u>68</u>	<u>68</u>
Other fees to auditors		
All other non-audit services	<u>24</u>	<u>24</u>

11 Interest payable and similar expenses

	2021 £ 000	2020 £ 000
Interest on bank overdrafts and borrowings	1,168	1,261
Interest on preference shares	5,598	5,055
Amortisation of debt issue costs	123	439
Foreign exchange (gains)/losses on borrowings	<u>(2,447)</u>	<u>579</u>
	<u>4,442</u>	<u>7,334</u>

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

12 Taxation

Tax charged/(credited) in the income statement

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	1	151
UK corporation tax adjustment to prior periods	48	17
	49	168
Foreign tax	(105)	109
Total current income tax	(56)	277
Deferred taxation		
Arising from origination and reversal of timing differences	(593)	(310)
Arising from changes in tax rates and laws	207	366
Arising from adjustments in relation to prior periods	7	(84)
Total deferred taxation	(379)	(28)
Tax (credit)/charge in the income statement	(435)	249

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Loss before tax	(10,715)	(16,182)
Corporation tax at standard rate	(2,036)	(3,075)
Effect of revenues exempt from taxation	(277)	(303)
Effect of expense not deductible in determining taxable loss	1,430	3,421
Effect of foreign tax rates	186	(93)
Deferred tax expense relating to changes in tax rates or laws	207	366
Increase/(decrease) in tax from adjustment for prior periods	55	(67)
Total tax (credit)/charge	(435)	249

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

12 Taxation (continued)

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

13 Intangible assets

Group

	Goodwill £ 000	Customer relationships £ 000	Software £ 000	Order book £ 000	Total £ 000
Cost or valuation					
At 1 June 2020 and 31 May 2021	17,764	22,042	303	6,710	46,819
Amortisation					
At 1 June 2020	17,764	7,200	303	6,710	31,977
Amortisation charge	-	1,800	-	-	1,800
At 31 May 2021	17,764	9,000	303	6,710	33,777
Carrying amount					
At 31 May 2021	-	13,042	-	-	13,042
At 31 May 2020	-	14,842	-	-	14,842

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

14 Tangible assets

Group

	Land and buildings £ 000	Fixtures and fittings £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation				
At 1 June 2020	1,201	1,599	8,261	11,061
Additions	16	138	297	451
Disposals	-	(340)	(1,938)	(2,278)
Foreign exchange movements	-	14	(107)	(93)
At 31 May 2021	<u>1,217</u>	<u>1,411</u>	<u>6,513</u>	<u>9,141</u>
Depreciation				
At 1 June 2020	137	1,069	3,946	5,152
Charge for the year	23	277	858	1,158
Eliminated on disposal	-	(298)	(1,586)	(1,884)
Foreign exchange movements	-	-	8	8
At 31 May 2021	<u>160</u>	<u>1,048</u>	<u>3,226</u>	<u>4,434</u>
Carrying amount				
At 31 May 2021	<u>1,057</u>	<u>363</u>	<u>3,287</u>	<u>4,707</u>
At 31 May 2020	<u>1,064</u>	<u>530</u>	<u>4,315</u>	<u>5,909</u>

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

15 Investments

Company

	2021	2020
	£ 000	£ 000
Investments in subsidiaries	<u>1,263</u>	<u>1,263</u>

Subsidiaries

£ 000

Cost or valuation

At 1 June 2020 and 31 May 2021

34,158

Provision

At 1 June 2020 and 31 May 2021

32,895

Carrying amount

At 31 May 2021

1,263

At 31 May 2020

1,263

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

15 Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company during the year:

Name	Principal activity	Class of shares	Holding 2021	2020
Sigma Components Midco 1 Limited	Holding company	Ordinary	100%	100%
Sigma Components Midco 2 Limited	Holding company	Ordinary	100%	100%
Sigma Components Limited	Management services company	Ordinary	100%	100%
Sigma Precision Components UK Limited	Machining, manufacture of fasteners, screw machine products and other fabricated metal products	Ordinary	100%	100%
Sigma Components (Farnborough) Limited	Manufacture of metal structures, parts of structures and other fabricated metal products	Ordinary	100%	100%
Sigma Precision Components Limited	Management consultancy activities	Ordinary	100%	100%
C&H Precision Finishers Limited	Aerospace services company	Ordinary	100%	100%
Sigma Components (Derby) Limited	Non-trading company	Ordinary	100%	100%
Hartshill Ventures Limited	Non-trading company	Ordinary	100%	100%
Chengdu Sigma Precision Components Limited	Machining, manufacture of fasteners, screw machine products and other fabricated metal products	Ordinary	100%	100%
Xi'an Sigma Precision Components Limited	Machining, manufacture of fasteners, screw machine products and other fabricated metal products	Ordinary	0%	100%

Registered office

Chengdu Sigma Precision Components Limited: Unit 8, 8 Kexin Road, Chengdu, Sichuan, PR China

Xi'an Sigma Precision Components Limited: 5 Lantian Road, Xi'an, Shaanxi, PR China

All other subsidiaries: 8 Alan Bray Close, Dodwells Bridge Industrial Estate, Hinckley, LE10 3BP

On 16 December 2020 the group disposed on its interest in Xi'an Sigma Precision Components Limited.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

16 Stocks

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Raw materials and consumables	3,222	6,347	-	-
Work in progress	2,999	2,723	-	-
Finished goods and goods for resale	1,352	2,607	-	-
	<u>7,573</u>	<u>11,677</u>	<u>-</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The amount of impairment loss included in profit or loss is £804,000 (2020 - £355,000).

17 Debtors

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Trade debtors	2,816	3,903	-	-
Amounts owed by group undertakings	-	-	69	69
Other debtors	92	57	-	-
Prepayments	392	537	-	-
Corporation tax recoverable	-	730	-	-
	<u>3,300</u>	<u>5,227</u>	<u>69</u>	<u>69</u>

Trade debtors are stated net of provisions for impairment of £124,000 (2020 - £100,000).

18 Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Cash at bank	<u>10,796</u>	<u>12,256</u>	<u>-</u>	<u>-</u>

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

19 Creditors

		Group		Company	
	Note	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Due within one year					
Loans and borrowings	20	622	1,060	-	-
Trade creditors		1,716	2,466	-	-
Social security and other taxes		1,102	1,414	-	-
Other payables		128	198	-	-
Accruals		859	1,270	-	-
Corporation tax		31	-	-	-
		<u>4,458</u>	<u>6,408</u>	<u>-</u>	<u>-</u>
Due after one year					
Loans and borrowings	20	56,880	59,792	33,233	33,233
Accrued interest on preference shares		<u>18,965</u>	<u>13,367</u>	<u>18,965</u>	<u>13,367</u>
		<u>75,845</u>	<u>73,159</u>	<u>52,198</u>	<u>46,600</u>

20 Loans and borrowings

		Group		Company	
		2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Current loans and borrowings					
Bank borrowings	622	1,183	-	-	-
Unamortised debt issue costs	-	(123)	-	-	-
		<u>622</u>	<u>1,060</u>	<u>-</u>	<u>-</u>

		Group		Company	
		2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Non-current loans and borrowings					
Bank borrowings	23,647	26,559	-	-	-
Preference shares	<u>33,233</u>	<u>33,233</u>	<u>33,233</u>	<u>33,233</u>	<u>33,233</u>
	<u>56,880</u>	<u>59,792</u>	<u>33,233</u>	<u>33,233</u>	<u>33,233</u>

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

20 Loans and borrowings (continued)

The interest rate on the preference shares is 12% and they are repayable on 31 May 2024.

At the balance sheet date of 31st May 2021 the bank debt is in two tranches, the GBP A term has a margin of 3.25% over 3 month GBP LIBOR and the USD A term has a margin of 3.25% over 3 month USD LIBOR. The GBP B term has a margin of 4% over 3 month GBP LIBOR and the USD B term has a margin of 3.75% over 3 month USD LIBOR.

The A term amortises 6 monthly and the B term is non amortising. The termination date for the A term is 31 May 2022 and the B term is 31 May 2023.

Post year end, the group has successfully extended both term loans. The A term amortises 6 monthly and the termination date for the A term is 31 May 2022. The B term amortises 6 monthly from 30 November 2022 and the termination for the B term is 31 May 2025. The revolving credit facility of £6m, previously drawn in March 2020, was fully repaid during November 2021. The Group still has a £3m facility available and undrawn.

21 Deferred tax and other provisions

Group

	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 June 2020	3,164	638	3,802
Decrease in provisions	(379)	(152)	(531)
At 31 May 2021	<u>2,785</u>	<u>486</u>	<u>3,271</u>

Deferred tax

The deferred tax provision is made up as follows:

	2021 £ 000	2020 £ 000
Fixed asset timing differences	3,027	3,175
Short term timing differences	(42)	(11)
Losses	<u>(200)</u>	<u>-</u>
	<u>2,785</u>	<u>3,164</u>

Other provisions

Other provisions include amounts for potential restoration costs in relation to properties and onerous contracts and will be utilised between 2022 and 2025.

22 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £318,000 (2020 - £480,000). Contributions totalling £75,000 (2020 - £67,000) were payable to the scheme at the end of the year and are included in creditors.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

23 Share capital

Shares classified as equity

Allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary A of £0.01 each	780	7.80	780	7.80
Ordinary B of £0.01 each	10	0.10	10	0.10
Ordinary C of £0.01 each	138	1.38	138	1.38
Ordinary D of £0.10 each	40	4.00	40	4.00
	<u>968</u>	<u>13</u>	<u>968</u>	<u>13</u>

Shares classified as debt

33,233,719 (2020 - 33,233,719) preference shares of £0.0001 each allotted, called up and fully paid totalling £33,233,000 (2020 - £33,233,000) are classified as debt.

Ordinary A

These shares are non-redeemable ordinary shares and, along with the other ordinary shares issued by the company, have secondary rights to dividend income and capital (including on a winding up).

These shares have voting rights. On a show of hands each share is entitled to one vote. On a written resolution or poll vote these shares shall, in aggregate, be entitled to 75% of the votes.

Ordinary B

These shares are non-redeemable ordinary shares and, along with the other ordinary shares issued by the company, have secondary rights to dividend income and capital (including on a winding up).

These shares do not have voting rights.

Ordinary C

These shares are non-redeemable ordinary shares and, along with the other ordinary shares issued by the company, have secondary rights to dividend income and capital (including on a winding up).

These shares do not have voting rights.

Ordinary D

These shares are non-redeemable ordinary shares and, along with the other ordinary shares issued by the company, have secondary rights to dividend income and capital (including on a winding up).

These shares have voting rights. On a show of hands each share is entitled to one vote. On a written resolution or poll vote these shares shall, in aggregate, be entitled to 25% of the votes.

Preference shares

These shares are preference shares and have preferred rights to dividend income and capital (including on a winding up). The shares are redeemable by 31 May 2024 and redemption is mandatory.

These shares do not have voting rights.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

24 Reserves

Share premium account

Share premium is the excess of amount paid for shares above nominal value.

Other reserves

The other reserves account relates to the translation of foreign subsidiaries.

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the company.

25 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2021	2020
	£ 000	£ 000
Not later than one year	644	732
Later than one year and not later than five years	1,457	1,421
Later than five years	705	940
	<u>2,806</u>	<u>3,093</u>

26 Guarantees

Group

There is a guarantee in place in relation to the group banking arrangement under which all assets, uncalled capital, undertakings present and future of participants are held as collateral for bank facilities advanced to a group member. Group companies have issued an unlimited guarantee to the banks to support these group facilities.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

27 Related party transactions

Group

Related party transactions during the period consisted of monitoring fees and finance costs of borrowings. Within the income statement are the following related party transactions:

Administrative fees (included within administrative expenses)

	2021 £ 000	2020 £ 000
Silverfleet Capital Partners LLP	<u>40</u>	<u>89</u>

Interest payable and similar expenses

	2021 £ 000	2020 £ 000
Silverfleet Capital Partners LLP	5,528	4,991
Current management of the Company (including directors)	<u>70</u>	<u>64</u>
	<u>5,598</u>	<u>5,055</u>

Balances owed to related parties

	2021 £ 000	2020 £ 000
Silverfleet Capital Partners LLP	51,544	46,016
Current management of the Company (including directors)	<u>654</u>	<u>584</u>
	<u>52,198</u>	<u>46,600</u>

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

28 Controlling party

Funds managed by Silverfleet Capital Partners LLP, control the Company as a result of controlling, directly or indirectly, more than 75% of the issued share capital of the Company.

Sigma Components Holdings Limited

Notes to the Financial Statements for the Year Ended 31 May 2021

29 Analysis of changes in net debt

	At 1 June 2020 £ 000	Financing cash flows £ 000	Foreign exchange movements £ 000	Other non-cash changes £ 000	At 31 May 2021 £ 000
Cash	12,256	(1,460)	-	-	10,796
Bank borrowings	(27,619)	1,149	2,447	(123)	(24,146)
Preference shares	(33,233)	-	-	-	(33,233)
	<u>(48,596)</u>	<u>(311)</u>	<u>2,447</u>	<u>(123)</u>	<u>(46,583)</u>

	At 1 June 2019 £ 000	Financing cash flows £ 000	Foreign exchange movements £ 000	Other non-cash changes £ 000	At 31 May 2020 £ 000
Cash	3,142	9,114	-	-	12,256
Bank borrowings	(24,528)	(2,073)	(579)	(439)	(27,619)
Preference shares	(33,233)	-	-	-	(33,233)
	<u>(54,619)</u>	<u>7,041</u>	<u>(579)</u>	<u>(439)</u>	<u>(48,596)</u>

30 Discontinued activity

On 16 December 2020, the group disposed of its interest in Xi'an Sigma Precision Components Limited. The loss arising on disposal was £303,000.