

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2021

THERMCO SYSTEMS LIMITED

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THERMCO SYSTEMS LIMITED

COMPANY INFORMATION

Directors A A Conning (resigned 12 April 2021)
G Thurgood
A Tsaregorodtsev

Company secretary M Thurgood

Registered number 04966845

Registered office Highfield
Rock Road
Pulborough
Washington
West Sussex
RH20 3BH

Accountants Menzies LLP
Chartered Accountants
Ashcombe House
5 The Crescent
Leatherhead
Surrey
KT22 8DY

THERMCO SYSTEMS LIMITED
REGISTERED NUMBER:04966845

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	4	42,285	68,708
Investments	5	225,426	225,625
		<u>267,711</u>	<u>294,333</u>
Current assets			
Stocks		884,125	1,508,574
Debtors: amounts falling due within one year	6	2,211,502	1,782,984
Cash at bank and in hand		1,203,549	323,008
		<u>4,299,176</u>	<u>3,614,566</u>
Creditors: amounts falling due within one year	7	(2,039,872)	(1,740,621)
Net current assets		<u>2,259,304</u>	<u>1,873,945</u>
Total assets less current liabilities		<u>2,527,015</u>	<u>2,168,278</u>
Provisions for liabilities			
Deferred tax		(6,308)	(11,399)
Other provisions	8	(513,241)	(387,827)
		<u>(519,549)</u>	<u>(399,226)</u>
Net assets		<u><u>2,007,466</u></u>	<u><u>1,769,052</u></u>
Capital and reserves			
Called up share capital		1,000	1,000
Profit and loss account		2,006,466	1,768,052
		<u><u>2,007,466</u></u>	<u><u>1,769,052</u></u>

THERMCO SYSTEMS LIMITED

REGISTERED NUMBER:04966845

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

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies' regime.

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

G Thurgood

Director

Date: 23 December 2021

The notes on pages 3 to 9 form part of these financial statements.

THERMCO SYSTEMS LIMITED

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

1. General information

Thermco Systems Limited is a private company limited by shares incorporated in England and Wales. The address of the registered office is disclosed on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

2.2 Exemption from preparing consolidated financial statements

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

2.3 Going concern

The Company reported a profit before tax of 353,012 (2020: £347,197), net current assets of £2,259,304 (2020: £1,873,945) and net assets of £2,007,466 (2020: £1,769,052) at the balance sheet date.

Despite the unfavourable FOREX difference due to continuing appreciation of the sterling against USD/EUR which has a direct impact on Thermco as a net exporter, the Company remained profitable and maintains a positive cashflow and the healthy bank balance of £1,203,549 at the year end. The forecast for FY21/22 aims at PBIT of £760 k and the year-end free cash in excess of £2M with zero external debt.

Further, the emergence and spread of Covid-19 has resulted in significant global uncertainty. The directors are working to ensure the safety of their employees and maintaining the continuity of their operations as far as they are able, whilst adhering to Government advice. Whilst the pandemic has had a financial impact on the Company, the directors have taken relevant measures to ensure they are able to safeguard cashflow, jobs, customers and supply chains to put them in the best possible position to be able to pick up on opportunities as they arise.

As a result of the actions described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2.4 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 monthly exchange rate when fair value was determined.

THERMCO SYSTEMS LIMITED

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

2. Accounting policies (continued)

2.5 Revenue

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

Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

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 from the manufacture, supply and installation of diffusion furnaces and wet benches is recognised on a stage of completion basis. Revenue from the sale of components is recognised when the goods are shipped and invoiced.

Revenue from associated services is recognised on a straight line basis over the length of the service contract. In the case of ad hoc services where no contract exists, revenue is recognised upon the provision of the agreed services.

2.6 Operating leases: the Company as lessee

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

2.7 Research and development

Research and development expenditure is recognised as an expense in the Statement of Income and Retained Earnings in the period of which it is incurred.

2.8 Government grants

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

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

2.9 Pensions

Defined contribution pension plan

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

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

THERMCO SYSTEMS LIMITED

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

2. Accounting policies (continued)

2.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.11 Current and deferred taxation

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

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

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

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

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

2.12 Tangible fixed assets

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

THERMCO SYSTEMS LIMITED

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

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

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:

Leasehold improvements	-	5 years straight line
Fixtures and fittings	-	3-5 years straight line

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

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

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Stocks and work in progress

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 first in, first out basis.

Work in progress is recognised when components are issued to a job and posted to a Works Order. When Works Orders are closed, the work in progress is released to cost of sales, and the corresponding revenue is recognised.

Work in progress includes labour and attributable overheads.

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

2.15 Provisions for liabilities

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

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

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

2.16 Financial instruments

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

THERMCO SYSTEMS LIMITED

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

2. Accounting policies (continued)

2.17 Dividends

Equity dividends are recognised when they become legally payable.

3. Employees

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

	2021 No.	2020 No.
Director	3	3
Sales	3	2
Administrative	11	7
Service	4	4
Engineering	19	27
	<u>40</u>	<u>43</u>

4. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and equipment £	Total £
Cost or valuation			
At 1 April 2020	70,399	263,334	333,733
Additions	-	5,656	5,656
At 31 March 2021	<u>70,399</u>	<u>268,990</u>	<u>339,389</u>
Depreciation			
At 1 April 2020	46,231	218,794	265,025
Charge for the year	7,079	25,000	32,079
At 31 March 2021	<u>53,310</u>	<u>243,794</u>	<u>297,104</u>
Net book value			
At 31 March 2021	<u>17,089</u>	<u>25,196</u>	<u>42,285</u>
At 31 March 2020	<u>24,168</u>	<u>44,540</u>	<u>68,708</u>

THERMCO SYSTEMS LIMITED

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

5. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2020	225,625
Additions	801
Disposals	(1,000)
At 31 March 2021	<u>225,426</u>

6. Debtors

	2021 £	2020 £
Trade debtors	1,077,382	757,604
Amounts owed by group undertakings	135,163	120,391
Other debtors	35,823	149,532
Prepayments and accrued income	888,206	653,877
Tax recoverable	74,928	101,580
	<u>2,211,502</u>	<u>1,782,984</u>

7. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank overdrafts	-	51,939
Trade loans	-	333,371
Trade creditors	390,966	316,716
Amounts owed to group undertakings	-	1,000
Other taxation and social security	39,526	41,008
Other creditors	8,643	11,233
Accruals and deferred income	1,600,737	985,354
	<u>2,039,872</u>	<u>1,740,621</u>

THERMCO SYSTEMS LIMITED

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

8. Provisions

	Warranty provision £
At 1 April 2020	387,827
Charged to profit or loss	125,414
At 31 March 2021	<u>513,241</u>

The warranty provision is the best estimate of future repairs to be made on items sold within the warranty period. The standard warranty period is one year from acceptance of machinery.

9. Commitments under operating leases

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

	2021 £	2020 £
Not later than 1 year	29,100	29,100
Later than 1 year and not later than 5 years	43,650	72,750
	<u>72,750</u>	<u>101,850</u>

10. Transactions with directors

An amount of £10,000 (2020: £10,000) was owed to the company by G Thurgood at the year end.

An amount of £3,000 (2020: £3,000) was owed to the company by A A Conning at the year end.

11. Related party transactions

During the year, Thermco Systems Limited purchased goods with a total value of £73,930 (2020: £101,000) from Quartztec Europe Limited, a company which G Thurgood holds the position of Director. These transactions were conducted on an arms length basis. At the year end, a balance of £4,222 (2020: £14,826) was in trade creditors.

12. Post balance sheet events

Since the year end, both subsidiaries CSD Epitaxy Investment and Thermco Systems S.R.O. have been transferred to the parent company Tetreon Technologies Group Limited by virtue of a distribution in specie.

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