

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
FOR
TYGAVAC ADVANCED MATERIALS LIMITED**

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Page
Company Information	1
Strategic Report	2
Report of the Directors	3
Report of the Independent Auditors	4
Income Statement	7
Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Cash Flow Statement	11
Notes to the Cash Flow Statement	12
Notes to the Financial Statements	13

TYGAVAC ADVANCED MATERIALS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020**

DIRECTORS: J L Dahlgren
W.R. Dahlgren
Mrs J Carter

SECRETARY: D P Waterkotte

REGISTERED OFFICE: The Causeway
Broadway Business Park
Chadderton
OLDHAM
Lancashire
OL9 9XD

REGISTERED NUMBER: 03153600 (England and Wales)

AUDITORS: Wyatt, Morris, Golland Ltd
Statutory Auditors
Park House
200 Drake Street
Rochdale
Lancashire
OL16 1PJ

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their strategic report for the year ended 31 December 2020.

REVIEW OF BUSINESS

The principal activity of the Company is the manufacture and distribution of vacuum bagging materials and composite tooling pre-pregs for autoclave, resin infusion and wet layup processes.

Business focus areas include Aerospace, Wind Energy, Marine, Automotive and General FRP Composites.

Situated in Chadderton Oldham the business also provides custom products, helping customers receive material in kit form, pre-cut to component shape in order to assist savings through lean manufacturing and waste management.

The Company has been exposed to the effects of Covid-19 in 2020 especially in the Aerospace market and at the end of the year reports a downturn in revenue of 30.3%.

Due to the long-term effects of Covid to the Aerospace industry, it has been necessary for the Company to put together cost saving initiatives including the difficult decision to make redundancies.

In 2021, the Company is focused on growth, with a continuation of work done in new markets and new product development.

The Company has a healthy balance sheet and current assets have increased. The trading ratio (stock to cost of sales) has fallen slightly from 38.9% to 38.2%. There was a fall in Debtors mainly due to fall in turnover and increased rate of payment resulting in debtor days falling from 69 to 54. Cash increased by 22% on 2019 levels

The Directors consider the Company results for the year and its financial position at 31st December 2020 are satisfactory.

ON BEHALF OF THE BOARD:

W.R. Dahlgren - Director

18 March 2021

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2020.

RESEARCH AND DEVELOPMENT

During 2020 the company continued to undertake research and development into its products as part of its normal development.

FUTURE DEVELOPMENTS

Since moving to Oldham in 2014, the company continues to develop its technical, research and manufacturing capabilities which has continually led to a significant increase in jobs on the site.

DIRECTORS

The directors during the year under review were:

J L Dahlgren
W.R. Dahlgren
Mrs J Carter

The directors holding office at 31 December 2020 did not hold any beneficial interest in the issued share capital of the company at 1 January 2020 or 31 December 2020.

The entire share capital of the company is owned by Airtech International Inc. which is a U.S. company. Mr.W.R.Dahlgren, his wife and the Dahlgren Family Trust hold 100% of the share capital of Airtech International Inc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Wyatt, Morris, Golland Ltd, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

W.R. Dahlgren - Director

18 March 2021

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TYGAVAC ADVANCED MATERIALS LIMITED

Opinion

We have audited the financial statements of Tygavac Advanced Materials Limited (the 'company') for the year ended 31 December 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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 company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF TYGAVAC ADVANCED MATERIALS LIMITED

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006 and taxation legislation and
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence where necessary,
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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 Report of the Auditors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
TYGAVAC ADVANCED MATERIALS 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 a Report of the Auditors 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.

Patricia A Richards F.C.A. (Senior Statutory Auditor)
for and on behalf of Wyatt, Morris, Golland Ltd
Statutory Auditors
Park House
200 Drake Street
Rochdale
Lancashire
OL16 1PJ

18 March 2021

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	£	2019 £	£
TURNOVER	3		19,106,474		27,440,735
Cost of sales			<u>13,442,783</u>		<u>18,714,989</u>
GROSS PROFIT			5,663,691		8,725,746
Distribution costs		620,201		775,895	
Administrative expenses		<u>3,740,514</u>		<u>4,220,191</u>	
			<u>4,360,715</u>		<u>4,996,086</u>
			1,302,976		3,729,660
Other operating income			<u>417,793</u>		14,257
OPERATING PROFIT	5		1,720,769		3,743,917
Interest receivable and similar income			<u>120,988</u>		199,464
PROFIT BEFORE TAXATION			1,841,757		3,943,381
Tax on profit	6		<u>400,369</u>		809,827
PROFIT FOR THE FINANCIAL YEAR			<u>1,441,388</u>		<u>3,133,554</u>

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
PROFIT FOR THE YEAR		1,441,388	3,133,554
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,441,388</u>	<u>3,133,554</u>

BALANCE SHEET
31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
FIXED ASSETS					
Intangible assets	7		-		-
Tangible assets	8		<u>5,335,814</u>		<u>5,808,189</u>
			5,335,814		5,808,189
CURRENT ASSETS					
Stocks	9	5,132,367		7,272,497	
Debtors	10	2,939,983		5,551,098	
Cash at bank and in hand		<u>28,209,541</u>		<u>23,109,424</u>	
		36,281,891		35,933,019	
CREDITORS					
Amounts falling due within one year	11	<u>1,996,885</u>		<u>3,553,164</u>	
NET CURRENT ASSETS			<u>34,285,006</u>		<u>32,379,855</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			39,620,820		38,188,044
PROVISIONS FOR LIABILITIES	13		<u>147,458</u>		<u>156,070</u>
NET ASSETS			<u>39,473,362</u>		<u>38,031,974</u>
CAPITAL AND RESERVES					
Called up share capital	14		650,000		650,000
Retained earnings	15		<u>38,823,362</u>		<u>37,381,974</u>
SHAREHOLDERS' FUNDS			<u>39,473,362</u>		<u>38,031,974</u>

The financial statements were approved by the Board of Directors and authorised for issue on 18 March 2021 and were signed on its behalf by:

W.R. Dahlgren - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	650,000	34,248,420	34,898,420
Changes in equity			
Total comprehensive income	-	3,133,554	3,133,554
Balance at 31 December 2019	<u>650,000</u>	<u>37,381,974</u>	<u>38,031,974</u>
Changes in equity			
Total comprehensive income	-	1,441,388	1,441,388
Balance at 31 December 2020	<u>650,000</u>	<u>38,823,362</u>	<u>39,473,362</u>

The notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	4,830,746	2,179,739
Tax paid		(89,844)	(1,415,950)
Net cash from operating activities		<u>4,740,902</u>	<u>763,789</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(179,566)	(106,836)
Interest received		120,988	199,464
Net cash from investing activities		<u>(58,578)</u>	<u>92,628</u>
Cash flows from financing activities			
Grant income		417,793	14,257
Net cash from financing activities		<u>417,793</u>	<u>14,257</u>
Increase in cash and cash equivalents		<u>5,100,117</u>	<u>870,674</u>
Cash and cash equivalents at beginning of year	2	<u>23,109,424</u>	<u>22,238,750</u>
Cash and cash equivalents at end of year	2	<u>28,209,541</u>	<u>23,109,424</u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020	2019
	£	£
Profit before taxation	1,841,757	3,943,381
Depreciation charges	651,941	655,062
Government grants	(417,793)	(14,257)
Finance income	<u>(120,988)</u>	<u>(199,464)</u>
	1,954,917	4,384,722
Decrease/(increase) in stocks	2,140,130	(1,661,495)
Decrease/(increase) in trade and other debtors	2,450,959	(369,580)
Decrease in trade and other creditors	<u>(1,715,260)</u>	<u>(173,908)</u>
Cash generated from operations	<u>4,830,746</u>	<u>2,179,739</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2020

	31.12.20	1.1.20
	£	£
Cash and cash equivalents	<u>28,209,541</u>	<u>23,109,424</u>

Year ended 31 December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	<u>23,109,424</u>	<u>22,238,750</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.20	Cash flow	At 31.12.20
	£	£	£
Net cash			
Cash at bank and in hand	<u>23,109,424</u>	<u>5,100,117</u>	<u>28,209,541</u>
	<u>23,109,424</u>	<u>5,100,117</u>	<u>28,209,541</u>
Total	<u>23,109,424</u>	<u>5,100,117</u>	<u>28,209,541</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. STATUTORY INFORMATION

Tygavac Advanced Materials Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

The company recognises revenue when the amount of revenue can be measured reliably, when it is probable that future economic benefits will flow to the entity and when the risks and rewards of ownership have passed to the customer. This typically happens when goods are delivered and legal title has passed

Intangible fixed assets

Where purchased goodwill is capitalised it is amortised over the expected useful economic life.

Goodwill bought to-date has been amortised over 5 years and 10 years.

Tangible fixed assets depreciation

Depreciation is provided, at the following annual rates in order to write off each asset over its estimated useful life:-

Long leasehold	- 4% on cost
Plant and machinery	- 10%, 12.5%, 20% and 33 1/3% on cost
Fixtures and fittings	- 10%, 20% and 33 1/3% on cost
Computers	- 33 1/3% and 20% on cost
Motor vehicles	- 33 1/3% and 25% on cost less residual value

At the balance sheet date the Company reviews the carrying amount of the property, plant & equipment to determine whether there is any indication that any items of property, plant & equipment have suffered an impairment loss. If any indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where the impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised on the asset in prior years. A reversal of an impairment is recognised as income immediately.

Government grants

Government grants are recognised when there is reasonable assurance that the company will comply with the conditions attaching to the grant and the grant will be received.

RGF Grant

During 2012 the company was awarded a RGF grant. The grant has been recognised in the profit and loss account by equal instalments over the seven year monitoring period during which conditions relating to number of employees need to be observed. At the 31 December 2018 the allocation was reviewed and the grant conditions were fully met in the year to 31 December 2019.

Covid-19

Following the outbreak of the Covid-19 Pandemic the company furloughed some members of staff and took advantage of the government job retention scheme. Grant income is accrued for in the period matching the period the wages were due for.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES - continued

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

Research and development

Expenditure on research and development is written off in the year in which it is incurred. Although undertaken the company does not separately identify the costs.

Foreign currencies

Transactions in foreign currencies, assets and liabilities are recorded at the exchange rate ruling on the dates of those transactions, except foreign currency bank accounts which are translated into sterling at the year end rate. Profits and losses on exchange arising in the normal course of trading are dealt with through the profit and loss account.

Hire purchase and leasing commitments

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

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Financial instruments

The following assets and liabilities are classified as financial instruments - trade debtors, trade creditors, bank loans, director' loans and forward currency contracts (derivatives).

Bank loans are initially measured at the present value of future payments and subsequently at amortised cost using the effective interest method.

Director's loans (being repayable on demand), trade receivables and trade payables are measured at the undiscounted amount of the cash and other consideration expected to be paid or received.

Forward currency contracts are derivative financial instruments. They are measured at fair value. Gains and losses arising from changes in the fair value of derivative financial instruments are included in profit and loss in the period in which they arise.

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 profit and loss.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES - continued

Critical accounting judgements and sources of estimation uncertainty

In the application of the Company's accounting policies, management make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Estimated useful life and residual value of fixed assets

As described above, depreciation of tangible fixed assets has been based on estimated useful lives and residual values deemed appropriate by the directors. Estimated useful lives and residual values are reviewed annually and revised as appropriate. Revisions take into account estimated useful lives used by other companies operating in the sector and actual asset lives and residual values, as evidenced by disposals during current and prior accounting periods.

3. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounted to 53.39% (2019 - 54.91%). In the opinion of the directors it would be prejudicial to the company's interests to disclose further details.

4. EMPLOYEES AND DIRECTORS

	2020	2019
	£	£
Wages and salaries	3,415,887	3,802,181
Social security costs	305,666	326,503
Other pension costs	111,941	111,067
	<u>3,833,494</u>	<u>4,239,751</u>

The average number of employees during the year was as follows:

	2020	2019
Administration and warehouse	<u>115</u>	<u>123</u>
Directors' remuneration	<u>107,397</u>	<u>215,743</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	2020	2019
	£	£
Hire of plant and machinery	12,508	9,529
Depreciation - owned assets	651,941	655,062
Auditors' remuneration	10,450	10,450
Auditors' remuneration for non audit work	11,725	10,270
Leasing costs	<u>18,258</u>	<u>17,738</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

6. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2020 £	2019 £
Current tax:		
UK corporation tax	408,981	824,340
Deferred tax	<u>(8,612)</u>	<u>(14,513)</u>
Tax on profit	<u>400,369</u>	<u>809,827</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £	2019 £
Profit before tax	<u>1,841,757</u>	<u>3,943,381</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	349,934	749,242
Effects of:		
Permanently disallowed expenses	6,643	5,803
Temporarily disallowed expenses	(257)	12,981
Depreciation on land and buildings of rate	44,049	44,510
Deferred grant income, timing difference	<u>-</u>	<u>(2,709)</u>
Total tax charge	<u>400,369</u>	<u>809,827</u>

7. INTANGIBLE FIXED ASSETS

COST

At 1 January 2020
and 31 December 2020

AMORTISATION

At 1 January 2020
and 31 December 2020

NET BOOK VALUE

At 31 December 2020

At 31 December 2019

Goodwill
£

428,661

428,661

-

-

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

8. TANGIBLE FIXED ASSETS

	Long leasehold £	Plant and machinery £	Fixtures and fittings £
COST			
At 1 January 2020	5,781,613	2,255,536	2,313,526
Additions	-	31,617	69,500
Disposals	-	(15,425)	(36,491)
At 31 December 2020	<u>5,781,613</u>	<u>2,271,728</u>	<u>2,346,535</u>
DEPRECIATION			
At 1 January 2020	1,672,858	1,461,992	1,447,253
Charge for year	233,673	242,897	136,728
Eliminated on disposal	-	(15,425)	(36,491)
At 31 December 2020	<u>1,906,531</u>	<u>1,689,464</u>	<u>1,547,490</u>
NET BOOK VALUE			
At 31 December 2020	<u>3,875,082</u>	<u>582,264</u>	<u>799,045</u>
At 31 December 2019	<u>4,108,755</u>	<u>793,544</u>	<u>866,273</u>

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 January 2020	42,028	476,398	10,869,101
Additions	-	78,449	179,566
Disposals	-	(70,832)	(122,748)
At 31 December 2020	<u>42,028</u>	<u>484,015</u>	<u>10,925,919</u>
DEPRECIATION			
At 1 January 2020	22,746	456,063	5,060,912
Charge for year	9,257	29,386	651,941
Eliminated on disposal	-	(70,832)	(122,748)
At 31 December 2020	<u>32,003</u>	<u>414,617</u>	<u>5,590,105</u>
NET BOOK VALUE			
At 31 December 2020	<u>10,025</u>	<u>69,398</u>	<u>5,335,814</u>
At 31 December 2019	<u>19,282</u>	<u>20,335</u>	<u>5,808,189</u>

9. STOCKS

	2020 £	2019 £
Stocks	<u>5,132,367</u>	<u>7,272,497</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade debtors	2,820,194	5,207,409
Tax	-	160,156
Prepayments	<u>119,789</u>	<u>183,533</u>
	<u>2,939,983</u>	<u>5,551,098</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	1,128,619	2,703,745
Tax	158,981	-
Social security and other taxes	188,696	194,564
VAT	82,808	63,739
Accrued expenses	437,781	591,116
	<u>1,996,885</u>	<u>3,553,164</u>

12. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2020	2019
	£	£
Within one year	3,657	2,245
Between one and five years	46,320	27,530
	<u>49,977</u>	<u>29,775</u>

13. PROVISIONS FOR LIABILITIES

	2020	2019
	£	£
Deferred tax	<u>147,458</u>	<u>156,070</u>

	Deferred tax
	£
Balance at 1 January 2020	156,070
Credit to Income Statement during year	(8,612)
Balance at 31 December 2020	<u>147,458</u>

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2020	2019
Number:	Class:	Nominal value:	£	£
325,000	Ordinary	£1	325,000	325,000
325,000	Redeemable convertible ordinary	£1	325,000	325,000
			<u>650,000</u>	<u>650,000</u>

The redeemable convertible shares became redeemable after the 30 April 2002 and may be converted into ordinary £1 shares. They carry no voting rights. The holders have confirmed that there is currently no intention to redeem the shares.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

15. RESERVES

	Retained earnings £
At 1 January 2020	37,381,974
Profit for the year	<u>1,441,388</u>
At 31 December 2020	<u>38,823,362</u>

16. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £111,941 (2019 - £111,067).

Included in accruals for pension contributions not paid over amounted to £19,963 (2019 - £19,720).

17. ULTIMATE PARENT COMPANY

The ultimate controlling entity is Airtech International Inc., a company incorporated in the U.S.A. Mr W. R. Dahlgren and his wife and family trust hold 100% of the share capital of Airtech International Inc.

18. CONTINGENT LIABILITIES

The company had the following contingent liabilities at 31 December 2020:-

A duty deferment bond to Customs and Excise; facility of £350,000 of which £5,258 was utilised at the year end.

A Customs Comprehensive Guarantee (CCG) facility of £65,000.

19. RELATED PARTY DISCLOSURES

100% of the issued share capital of the company is owned by Airtech International Inc., a company incorporated in the U.S.A. Mr W. R. Dahlgren and his wife and family trust hold 100% of the share capital of Airtech International Inc. Airtech International Inc. are guarantor to the bank up to £625,000.

During the year the company undertook transactions with the holding company and fellow subsidiaries, Airtech Europe SARL and Tianjin Airtech Advanced Materials as follows:-

	Sales £	Purchases £	Expenses recharged £
Tygavac Advanced Materials Ltd. and Airtech Europe SARL	1,971,341	1,680,746	75,000
Tygavac Advanced Materials Ltd. and Airtech International Inc.	388,728	1,218,091	37,210
Tygavac Advanced Materials Ltd. and Tianjin Airtech Advanced Materials	77,660	845,417	nil

At the 31 December 2020 the trading balances were as follows:-

Tygavac Advanced Materials Ltd. owed Airtech Europe SARL £261,444
 Tygavac Advanced Materials Ltd. owed Airtech International Inc. £104,359
 Tygavac Advanced Materials Ltd. owed Tianjin Airtech Advanced Materials £187,570
 Tygavac Advanced Materials Ltd. was owed by Airtech Europe SARL £177,949
 Tygavac Advanced Materials Ltd. was owed by Airtech International £8,286
 Tygavac Advanced Materials Ltd. was owed by Tianjin Airtech Advanced Materials £nil

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

20. GENERAL INFORMATION

Tygavac Advanced Materials Ltd is a limited company incorporated in England. The address of the registered office and principal place of business are disclosed in the directors' report.

The principal activity of the company is the manufacture and distribution of vacuum bagging and composite tooling materials for prepreg/autoclave, resin infusion, and wet lay-up processes up to 395°C (750°F).

The financial statements are presented in Sterling however the functional currency of the holding company is US Dollars.

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