

Company Registration No. 09473112 (England and Wales)

THE ENGINEERING TECHNOLOGY GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



THE ENGINEERING TECHNOLOGY GROUP LIMITED

COMPANY INFORMATION

Directors	M J Doyle J A Temple Mr A Maher
Company number	09473112
Registered office	Wellesbourne Distribution Park Unit 16, Loxley Road Wellesbourne Warwick Warwickshire CV35 9JY
Auditor	Burgis & Bullock 23-25 Waterloo Place Warwick Street Leamington Spa Warwickshire CV32 5LA
Bankers	Santander Corporate Banking West Midlands Regional Business Centre 1 Cornwall Street Birmingham B3 2DX
Solicitors	BHW Solicitors 1 Smith Way Grove Park Enderby Leicestershire LE19 1SX

THE ENGINEERING TECHNOLOGY GROUP LIMITED

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THE ENGINEERING TECHNOLOGY GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Fair review of the business

Throughout 2020 and continuing into 2021 the COVID-19 virus has had a worldwide impact on businesses, economies and individuals. The Group has inevitably experienced a disruption to its trading performance, particularly in respect to machine sales, where the company has witnessed many customers deferring capital projects.

With the country in lockdown for the majority of 2020, demand for Capital Goods, Service, and consumable tooling, was significantly reduced in the Groups core sectors. The effect on turnover was a reduction of 28.8% and Gross Margin fell by 24.9%.

A strong and decisive management took steps to reduce costs and overheads whilst maintaining core skills and experience within the Group then focusing on strengthening the Groups Balance Sheet. Proactive action to reduce costs in the early stages on the pandemic, recognising the gravity of the situation early, coupled with utilisation of the Central Government's Coronavirus Job Retention Scheme meant that the Group maintained a positive EBITDA, generated sufficient cash, and preserved know how within the business preparing it to emerge from the pandemic with greater efficiency.

Following its acquisition in 2019, the HK Group of businesses were fully integrated into the ETG Group during 2020 and made a healthy contribution to the Group both financially and through cross fertilisation of skills. The additional products have proven to give further strength and depth to the Groups portfolio of technology enhancing its turnkey capability.

The Group continues to secure Turnkey Projects with an increasing focus on automation with average order values increasing year over year as more companies seek to focus on productivity as a result of both Covid-19 and the availability of labour post Brexit. As the economy and manufacturing recover the Group is well placed to capitalise on this given its expertise in delivering high productivity turnkey equipment.

Focusing on the Groups traditional KPI's, compared to the prior year turnover reduced by 28.8% and Gross Margin reduced by 24.9%, both a direct result of the impact of the pandemic.

The shift in the mix of revenue streams meant that Gross Margin as a % of sales increased by 1.6 percentage points from 29.1% (2019) to 30.7% due to a lower proportionate content of machines compared to aftercare and workholding sales.

Comparatively overheads were lower by 12.5%, this differential leading to a drop in EBITDA by 92.1% but very importantly remaining positive.

Conversely the Groups comprehensive income for the period increased by £1,184,527 to £98,386 (2019 – Loss of £1,086,191) as a result of the Groups focus on debt reduction and its Balance Sheet restructure.

As part of a package of measures taken during 2020 the Group secured additional medium-term funding from its bank, converted £2,583,723 of shareholder loans to equity, with loan note holders waiving £1,320,188 of accumulated unpaid interest.

A significant portion of the additional medium-term funding secured in 2020 had been repaid by December 2020. In September 2021 the Group entered into a new banking facility with its incumbent bank and rescheduled the balance of the original loan over a new 5 year term. This effectively means that £2.5m of the December 2020 current liabilities has now been deferred to longer term debt.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

The Group continues to invest in its Sales and Support functions across its Machine and Workholding divisions, as well enhancing its core brands, further strengthening and developing its Turnkey solution capability.

Principal risks and uncertainties

The principal short term risk and uncertainty continues to relate to the general economic environment with the Covid-19 situation remaining for 2021. The longer term principal risks to the Company remain the general fluctuations in the UK manufacturing economy and fluctuations in major currencies which may have an adverse effect on machine costs. These risks are mitigated by maintaining its current diversified spread of revenue between its Capital Equipment, Operations, and Manufacturing divisions, and increasing its diversification amongst the industries within the manufacturing sector. Exchange rate fluctuations would impact primarily on the Capital Equipment division. Currency movements are closely monitored with any fluctuations having a similar effect on the primary competitors which offers some mitigation. The risk is further mitigated through the use of currency sharing agreements with some key suppliers, as well as the Groups' concentration on added value services sourced in the UK.

At the time of approving the accounts the world continues to be adversely affected by the impact of COVID-19. In such an uncertain world manufacturing needs shift from sector to sector. The dynamic and balanced sectorial nature of the Group is such that resources can be deployed to focus on areas of the business with demand and the Group can adapt to new environments quickly which can mitigate such risks to a certain extent.

Future developments

The Directors are not expecting to make any significant changes in the nature of the business in the near future. At the time of approving the financial statements the global economy is exposed to the affects of the COVID-19 pandemic. Whilst by the nature of the business the Group has operated throughout it has experienced a significant decline in demand for it's product. Due to the dynamic structure of the Group resources are allocated to the companies with demand. The Directors will continue to monitor the performance of the Company and to ensure that cost control measures are implemented and that eligible Government supports are introduced to support the Company.

On behalf of the board

Martin Doyle

.Mr.Martin.Doyle.(Oct.16, 2021, 10:43am)

M J Doyle

Director 16 Oct 2021

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THE ENGINEERING TECHNOLOGY GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Company is that of a holding Company.

The Group provides bespoke turnkey solutions for UK and Irish manufacturers of aerospace, automotive, medical and defence components and related sectors. Through its subsidiaries Chiron Werke UK Ltd, Turning Technologies UK Ltd, ETG Bridgeport UK Ltd, HK Technologies, HK 3D Solutions, and HK Laser, the business supplies ranges of globally recognised premium brand machine tools, automation, and software as the basis for these turnkey solutions. The Group also has an engineering support division, ETG Engineering Solutions Ltd, which designs and implements the turnkey solutions. To complete the full turnkey package the Group is able to offer bespoke workholding solutions through its subsidiary Hyfore Workholding Ltd, which designs and manufactures these complementary products as part of a turnkey machining solution as well standalone solutions to improve the productivity and efficiency of its customers existing equipment.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M J Doyle

J A Temple

Mr A Maher

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

The Group's financial risk management objective is to seek to make neither profit nor loss from exposure to interest rate risks. Its policy is to finance working capital through a combination of retained earnings and fixed and variable rate borrowings, and to finance fixed assets through rate borrowings over a term broadly expected to match the useful economic life of the asset.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

Auditor

The auditor, Burgis & Bullock, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Group's 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. They 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the Company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the Company is aware of that information.

On behalf of the board

Martin Doyle

Mr Martin Doyle (Oct 16, 2021, 10:43am)

M J Doyle

Director 16 Oct 2021

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THE ENGINEERING TECHNOLOGY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE ENGINEERING TECHNOLOGY GROUP LIMITED

Opinion

We have audited the financial statements of The Engineering Technology Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's 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 group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

THE ENGINEERING TECHNOLOGY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE ENGINEERING TECHNOLOGY GROUP LIMITED

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and 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, 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 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 company or to cease operations, or have no realistic alternative but to do so.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE ENGINEERING TECHNOLOGY GROUP 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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Based on our understanding of the group, company and industry we identified that the principal risk of non-compliance with laws and regulations related to breaches of Companies Act 2006, UK Tax Legislation and UK Employment Law. We also evaluated management incentive and opportunities for fraudulent manipulations of the financial statements.

Audit procedures performed included:

- Making enquiries of management as to any instances of non-compliance with laws and regulations
- Reviewing returns made to Companies House and HMRC
- Identifying and assessing the design effectiveness of controls in management have in place to prevent and detect fraud
- Challenging assumptions and judgments made by management in their significant accounting estimates and assessing if these indicate evidence of management bias
- Reviewing the accounting records for large and unusual transactions and testing any identified and in particular the rationale for any transactions outside the company's normal course of business
- Testing a sample of debit entries in the profit and loss account to check they are bona-fide costs of the business
- Testing a sample of bank payments to source documentation
- Reviewing a sample of redundancy calculations and coronavirus job retention scheme claims.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE ENGINEERING TECHNOLOGY GROUP LIMITED

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

W A Hubbard

Wende Hubbard (Oct 16, 2021, 11:57am)

Wende Hubbard FCCA (Senior Statutory Auditor)
For and on behalf of Burgis & Bullock

16 Oct 2021

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Chartered Accountants
Statutory Auditor

23-25 Waterloo Place
Warwick Street
Leamington Spa
Warwickshire
CV32 5LA

THE ENGINEERING TECHNOLOGY GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	18,383,157	25,834,809
Cost of sales		(12,744,489)	(18,324,044)
Gross profit		5,638,668	7,510,765
Administrative expenses (excluding depreciation and amortisation)		(6,761,778)	(6,514,155)
Other operating income		1,215,555	177,495
Earnings before interest, taxation, depreciation and amortisation		92,445	1,174,105
Amortisation		(661,468)	(1,302,406)
Depreciation		(304,279)	(328,201)
Operating loss	5	(873,302)	(456,502)
Interest receivable and similar income	10	28	1,255
Interest payable and similar expenses	9	961,163	(778,136)
Profit/(loss) before taxation		87,889	(1,233,383)
Taxation	11	899	157,938
Profit/(loss) for the financial year		88,788	(1,075,445)
Other comprehensive income			
Currency translation differences		9,598	(10,746)
Total comprehensive income for the year		98,386	(1,086,191)

Profit/(loss) for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£	£	£	£
Fixed assets					
Goodwill	13		962,390		1,294,980
Other intangible assets	13		-		388,666
			962,390		1,683,646
Total intangible assets			962,390		1,683,646
Tangible assets	14		569,757		756,923
			1,532,147		2,440,569
Current assets					
Stocks	18	4,793,077		7,208,350	
Debtors	19	2,713,164		4,211,643	
Cash at bank and in hand		200,447		197,344	
			7,706,688		11,617,337
Creditors: amounts falling due within one year	20	(10,650,555)		(17,655,611)	
			(2,943,867)		(6,038,274)
Net current liabilities			(2,943,867)		(6,038,274)
Total assets less current liabilities			(1,411,720)		(3,597,705)
Creditors: amounts falling due after more than one year	21		(90,804)		(389,506)
Provisions for liabilities	24		(157,904)		(355,426)
			(1,660,428)		(4,342,637)
Net liabilities			(1,660,428)		(4,342,637)
Capital and reserves					
Called up share capital	28		3,225,285		641,462
Profit and loss reserves			(4,885,713)		(4,984,099)
			(1,660,428)		(4,342,637)
Total equity			(1,660,428)		(4,342,637)

The financial statements were approved by the board of directors and authorised for issue on ...16 Oct 2021..... and are signed on its behalf by:

Martin Doyle

M Martin Doyle (Oct 16, 2021,
M Doyle

Director

THE ENGINEERING TECHNOLOGY GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£	£	£	£
Fixed assets					
Investments	15		7,631,962		7,171,755
Current assets					
Debtors	19	59,586		369,115	
Creditors: amounts falling due within one year	20	(9,195,010)		(13,153,532)	
Net current liabilities			(9,135,424)		(12,784,417)
Net liabilities			(1,503,462)		(5,612,662)
Capital and reserves					
Called up share capital	28		3,225,285		641,462
Profit and loss reserves			(4,728,747)		(6,254,124)
Total equity			(1,503,462)		(5,612,662)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,525,377 (2019 - £544,959 loss).

The financial statements were approved by the board of directors and authorised for issue on 16 Oct 2021..... and are signed on its behalf by:

Martin Doyle

Mr. Martin Doyle (Oct 16, 2021, 10:43am)

M J Doyle

Director

Company Registration No. 09473112

THE ENGINEERING TECHNOLOGY GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019		641,462	(3,897,908)	(3,256,446)
Year ended 31 December 2019:				
Loss for the year		-	(1,075,445)	(1,075,445)
Other comprehensive income:				
Currency translation differences		-	(10,746)	(10,746)
Total comprehensive income for the year		-	(1,086,191)	(1,086,191)
Balance at 31 December 2019		641,462	(4,984,099)	(4,342,637)
Year ended 31 December 2020:				
Profit for the year		-	88,788	88,788
Other comprehensive income:				
Currency translation differences		-	9,598	9,598
Total comprehensive income for the year		-	98,386	98,386
Issue of share capital	28	100	-	100
Conversion of loan to shares	28	2,583,723	-	2,583,723
Balance at 31 December 2020		3,225,285	(4,885,713)	(1,660,428)

THE ENGINEERING TECHNOLOGY GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019		641,462	(5,709,165)	(5,067,703)
Year ended 31 December 2019:				
Loss and total comprehensive income for the year		-	(544,959)	(544,959)
Balance at 31 December 2019		641,462	(6,254,124)	(5,612,662)
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	1,525,377	1,525,377
Issue of share capital	28	100	-	100
Conversion of loan to shares	28	2,583,723	-	2,583,723
Balance at 31 December 2020		<u>3,225,285</u>	<u>(4,728,747)</u>	<u>(1,503,462)</u>

THE ENGINEERING TECHNOLOGY GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019	
Notes	£	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	33	2,349,733		142,126	
Interest paid		(228,724)		(216,053)	
Income taxes refunded		160,644		278,056	
		2,281,653		204,129	
Investing activities					
Payment of deferred consideration on purchase of business		(1,032,126)		86,417	
Purchase of tangible fixed assets		(121,581)		(85,257)	
Proceeds on disposal of tangible fixed assets		11,949		590,243	
Interest received		28		1,255	
		(1,141,730)		592,658	
Financing activities					
Repayment of debentures		(60,000)		(105,170)	
Repayment of borrowings		(618,568)		146,771	
Proceeds of new bank loans		1,500,000		-	
Repayment of bank loans		(1,000,000)		(1,118,599)	
Payment of finance leases obligations		(335,230)		(112,391)	
		(513,798)		(1,189,389)	
Net increase/(decrease) in cash and cash equivalents					
		626,125		(392,602)	
Cash and cash equivalents at beginning of year		(621,200)		(218,242)	
Effect of foreign exchange rates		8,773		(10,356)	
		13,698		(621,200)	
Relating to:					
Cash at bank and in hand		200,447		197,344	
Bank overdrafts included in creditors payable within one year		(186,749)		(818,544)	
		13,698		(621,200)	

THE ENGINEERING TECHNOLOGY GROUP LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	35		(127,710)		160,703
Interest paid			(129,118)		(143,465)
			<hr/>		<hr/>
Net cash (outflow)/inflow from operating activities			(256,828)		17,238
Investing activities					
Purchase of subsidiaries		(1,032,126)		(80,810)	
Proceeds on disposal of subsidiaries		-		147,934	
			<hr/>		<hr/>
Net cash (used in)/generated from investing activities			(1,032,126)		67,124
Financing activities					
Repayment of debentures		(60,000)		(105,170)	
Proceeds from borrowings		848,954		1,139,407	
Proceeds of new bank loans		1,500,000		-	
Repayment of bank loans		(1,000,000)		(1,118,599)	
			<hr/>		<hr/>
Net cash generated from/(used in) financing activities			1,288,954		(84,362)
Net increase in cash and cash equivalents			-		-
Cash and cash equivalents at beginning of year			-		-
			<hr/>		<hr/>
Cash and cash equivalents at end of year			-		-
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THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

The Engineering Technology Group Limited ("the Company") is a private Company, limited by shares, domiciled and incorporated in England and Wales. The registered office is Wellesbourne Distribution Park, Unit 16, Loxley Road, Wellesbourne, Warwickshire, CV35 9JY.

The Group consists of The Engineering Technology Group Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of The Engineering Technology Group Limited and all of its subsidiaries (ie entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. Joint ventures are accounted for on a proportional basis.

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring the accounting policies used into line with those used by other members of the Group.

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

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.3 Going concern

Throughout 2020 and continuing into 2021 the COVID-19 virus has had a worldwide impact on businesses, economies and individuals. The Group has operated and traded throughout offering support to 'essential' businesses, particularly in the medical sector and suppliers to the medical sector. The Group has inevitably experienced a disruption to its trading performance, particularly in respect to machine sales, where the Group has witnessed many customers deferring capital projects.

Whilst this disruption meant that we could not always use the full services of our workforce during the year, the Group mitigated the situation through use of Central Government's Coronavirus Job Retention Scheme to support furloughed members of staff. The Directors also took steps to reduce costs and overheads and maximise cash generation through the liquidation of stocks.

The 2020 financial statements show Group net current liabilities of £2,943,867 (2019 - £6,038,274). During 2020 the Group secured additional medium-term funding from its bank and had already repaid a significant portion of this by December 2020, with the remaining balance of this debt being repaid in Q3 2021. The bank has continued to offer its support to the Group and on 12 October 2021 new banking facilities were agreed and implemented.

The new facilities include the rescheduling of the balance of the original bank debt over a five year period from March 2022. This effectively means that £2.5m of the December 2020 current liabilities has now been deferred to longer term debt.

Also included in the December 2020 current liabilities is an amount of £500k relating to director/shareholder loan notes and, as part of the new banking facilities, the holder has agreed to not seek repayment within the next 12 months. The loan note holder has already evidenced his support for the business by converting the majority of his loan notes to share capital during 2020 as referred to in note 31.

The future of the Group, as in any business, is dependent on continuing to trade profitably in the medium to long term with short term ebbs and flows in profitability expected and manageable due to the project nature of the business.

A five year forecast has been prepared which shows that the Group is able to operate within its new banking facilities and covenant requirements with available headroom on the assumption that the return to profitability is maintained. On this basis the directors are confident that the Group will be able to continue to operate for the foreseeable future and that the going concern basis of preparation remains appropriate.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Vendor relationships	Over 5 years
Customer relationships	Over 5 years
Tradename/marks	Over 5 years

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line
Short leasehold land and buildings	Over the life of the lease
Plant and equipment	20-33.33% straight line
Fixtures and fittings	25% straight line
Computers	33.33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Company holds a long-term interest and where the Company has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the Company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the Group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.9 Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the 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 an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.12 Financial instruments

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

Financial instruments are recognised in the Group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Group's contractual obligations expire or are discharged or cancelled.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.13 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

1.14 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.16 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.17 Employee benefits

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

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.18 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.19 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.20 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to income or expenditure are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.21 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements 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 about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Warranties

The Group estimates the warranty provision based on the terms of warranties given in the year and historical costs incurred.

Stocks

In relation to potentially obsolete stocks, the directors have made key assumptions regarding the provision to be included within the financial statements. Stock included on the balance sheet is net of any provision.

Goodwill and other intangible assets

Goodwill with a remaining net book value of £962,390 relates to the acquisition of the HK Group in the previous year which is being amortised over 5 years. The directors have made key assumptions over the future profitability of the HK group and its amortisation period and, despite experiencing and forecasting a downturn in trade for 2020 and 2021 due to the ongoing Covid-19 pandemic, they remain confident that the anticipated returns will match or exceed the purchase price and the goodwill valuation.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2020	2019
	£	£
Turnover analysed by class of business		
Machine sales	10,238,602	16,482,774
Engineering and spares	5,529,664	5,860,558
Workholding	2,614,891	3,491,477
	<u>18,383,157</u>	<u>25,834,809</u>
	2020	2019
	£	£
Other significant revenue		
Interest income	28	1,255
Grants received	1,156,254	118,194
	<u>1,156,282</u>	<u>119,449</u>

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Turnover and other revenue	(Continued)	
	2020	2019
	£	£
Turnover analysed by geographical market		
UK	15,368,274	22,384,879
Europe	2,977,364	3,224,877
Rest of world	37,519	225,053
	18,383,157	25,834,809
	18,383,157	25,834,809
4 Other operating income	2020	2019
	£	£
Government grants		
Coronavirus Job Retention Scheme (CJRS)	1,149,950	-
Temporary Wage Subsidy Scheme (TWSS)	42,708	-
Employment Wage Subsidy Scheme (EWSS)	22,897	-
	1,215,555	-
	1,215,555	-

The Coronavirus Job Retention Scheme (CJRS), is a government scheme set up to cover certain employment costs for employees who have been unable to work due to COVID-19.

The Temporary Wage Subsidy Scheme (TWSS) and Employment Wage Subsidy Scheme (EWSS) are Irish government schemes set up to cover certain employment costs for employees who have been unable to work due to COVID-19.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Operating loss

	2020	2019
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(51,871)	17,239
Government grants	(1,156,254)	(118,194)
Depreciation of owned tangible fixed assets	287,136	273,112
Depreciation of tangible fixed assets held under finance leases	17,143	55,089
Profit on disposal of tangible fixed assets	(6,656)	(219,611)
Amortisation of intangible assets	661,468	1,302,406
Stocks impairment losses recognised or reversed	30,000	115,380
Operating lease charges	572,979	383,464
	<u> </u>	<u> </u>

6 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	16,500	20,000
	<u> </u>	<u> </u>

7 Employees

The average monthly number of persons (including directors) employed by the Group and Company during the year was:

	Group		Company	
	2020	2019	2020	2019
	Number	Number	Number	Number
Sales, engineering and administration	100	112	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Employees **(Continued)**

Their aggregate remuneration comprised:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Wages and salaries	4,449,841	4,537,752	-	-
Social security costs	408,050	414,496	-	-
Pension costs	246,372	296,120	-	-
	<u>5,104,263</u>	<u>5,248,368</u>	<u>-</u>	<u>-</u>

The average number of employees employed by undertakings that are proportionately consolidated is nil (2019 - nil).

8 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	402,976	423,361
Company pension contributions to defined contribution schemes	11,172	19,426
	<u>414,148</u>	<u>442,787</u>

Directors remuneration was paid by a subsidiary.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019 - 3).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020	2019
	£	£
Remuneration for qualifying services	179,800	179,800
Company pension contributions to defined contribution schemes	-	1,003
	<u>179,800</u>	<u>180,803</u>

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Interest payable and similar expenses

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	302,524	291,670
Interest on invoice finance arrangements	-	153
	302,524	291,823
Other finance costs:		
Interest on finance leases and hire purchase contracts	56,501	22,128
Interest waived on loan notes	(1,320,188)	464,185
	(961,163)	778,136
Total finance costs	(961,163)	778,136

10 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	28	606
Other interest income	-	649
	28	1,255
Total income	28	1,255

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	28	606
	28	606

11 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	4,392	-
Adjustments in respect of prior periods	(2,597)	(151,327)
	1,795	(151,327)
Total current tax	1,795	(151,327)

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Taxation	(Continued)	
Deferred tax		
Origination and reversal of timing differences	5,042	(48,029)
Changes in tax rates	(8,419)	-
Previously unrecognised tax loss, tax credit or timing difference	683	-
Adjustment in respect of prior periods	-	(16,768)
Other adjustments	-	58,186
	(2,694)	(6,611)
	(899)	(157,938)

The actual credit for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Profit/(loss) before taxation	87,889	(1,233,383)
	87,889	(1,233,383)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	16,699	(234,343)
Tax effect of expenses that are not deductible in determining taxable profit	138,058	232,594
Tax effect of utilisation of tax losses not previously recognised	-	15,903
Change in unrecognised deferred tax assets	(120,697)	27,784
Adjustments in respect of prior years	(2,597)	(151,327)
Effect of change in corporation tax rate	(39,526)	3,695
Group relief	3,559	(115)
Deferred tax adjustments in respect of prior years	683	(16,768)
Fixed asset differences	2,922	(35,361)
	(899)	(157,938)
	(899)	(157,938)

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2020 £	2019 £
In respect of:			
Stocks	18	30,000	115,380
		<u>30,000</u>	<u>115,380</u>
Recognised in:			
Cost of sales		30,000	115,380
		<u>30,000</u>	<u>115,380</u>

13 Intangible fixed assets

Group	Goodwill £	Vendor relationships £	Customer relationships £	Tradenname/ marks £	Total £
Cost					
At 1 January 2020	2,374,547	3,563,000	1,806,000	461,023	8,204,570
Additions	7,583	-	-	-	7,583
	<u>2,382,130</u>	<u>3,563,000</u>	<u>1,806,000</u>	<u>461,023</u>	<u>8,212,153</u>
At 31 December 2020	2,382,130	3,563,000	1,806,000	461,023	8,212,153
	<u>2,382,130</u>	<u>3,563,000</u>	<u>1,806,000</u>	<u>461,023</u>	<u>8,212,153</u>
Amortisation and impairment					
At 1 January 2020	1,079,567	3,325,467	1,685,600	430,290	6,520,924
Amortisation charged for the year	272,802	237,533	120,400	30,733	661,468
Transfers	67,371	-	-	-	67,371
	<u>1,419,740</u>	<u>3,563,000</u>	<u>1,806,000</u>	<u>461,023</u>	<u>7,249,763</u>
At 31 December 2020	1,419,740	3,563,000	1,806,000	461,023	7,249,763
	<u>1,419,740</u>	<u>3,563,000</u>	<u>1,806,000</u>	<u>461,023</u>	<u>7,249,763</u>
Carrying amount					
At 31 December 2020	962,390	-	-	-	962,390
	<u>962,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>962,390</u>
At 31 December 2019	1,294,980	237,533	120,400	30,733	1,683,646
	<u>1,294,980</u>	<u>237,533</u>	<u>120,400</u>	<u>30,733</u>	<u>1,683,646</u>

The Company had no intangible fixed assets at 31 December 2020 or 31 December 2019.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Tangible fixed assets

Group	Freehold land and buildings	Short leasehold land and buildings	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£	£
Cost						
At 1 January 2020	16,822	198,145	1,656,877	280,176	411,940	2,563,960
Additions	-	15,784	60,633	40,823	4,341	121,581
Disposals	-	-	(14,826)	-	-	(14,826)
Exchange adjustments	901	-	1,786	1,437	1,232	5,356
At 31 December 2020	<u>17,723</u>	<u>213,929</u>	<u>1,704,470</u>	<u>322,436</u>	<u>417,513</u>	<u>2,676,071</u>
Depreciation and impairment						
At 1 January 2020	16,822	80,466	1,139,086	221,539	349,124	1,807,037
Depreciation charged in the year	-	31,942	237,540	23,015	11,782	304,279
Eliminated in respect of disposals	-	-	(9,533)	-	-	(9,533)
Exchange adjustments	901	-	1,268	1,240	1,122	4,531
At 31 December 2020	<u>17,723</u>	<u>112,408</u>	<u>1,368,361</u>	<u>245,794</u>	<u>362,028</u>	<u>2,106,314</u>
Carrying amount						
At 31 December 2020	<u>-</u>	<u>101,521</u>	<u>336,109</u>	<u>76,642</u>	<u>55,485</u>	<u>569,757</u>
At 31 December 2019	<u>-</u>	<u>117,679</u>	<u>517,791</u>	<u>58,637</u>	<u>62,816</u>	<u>756,923</u>

The Company had no tangible fixed assets at 31 December 2020 or 31 December 2019.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Plant and equipment	28,571	221,380	-	-
Computers	-	29,940	-	-
	<u>28,571</u>	<u>251,320</u>	<u>-</u>	<u>-</u>

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	16	-	-	7,631,962	7,171,755

Movements in fixed asset investments

Company

**Shares in
subsidiaries
£**

Cost or valuation

At 1 January 2020

9,267,008

Additions

7,583

At 31 December 2020

9,274,591

Impairment

At 1 January 2020

2,095,253

Impairment losses

(452,624)

At 31 December 2020

1,642,629

Carrying amount

At 31 December 2020

7,631,962

At 31 December 2019

7,171,755

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Subsidiaries (Continued)

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Chiron Werke UK Limited	UK	Sales and servicing of high speed, high technology multi-axis machining centres	Ordinary	100.00
ETG Bridgeport UK Limited	UK	Sales of high speed, high technology	Ordinary	100.00
ETG CNC Machinery Limited	Republic of Ireland	Sales and servicing of high speed, high technology twin spindle turning centres	Ordinary	100.00
ETG Engineering Solutions Limited	UK	Sales of engineering services	Ordinary	100.00
ETG Finance Limited	UK	Dormant	Ordinary	100.00
Hyfore Workholding Limited	UK	Manufacture of high quality, bespoke work holding solutions for metal cutting, welding and assembly applications	Ordinary	100.00
Turning Technologies UK Limited	UK	Sales and servicing of high speed, high technology twin spindle turning centres	Ordinary	100.00
H K (Holdings) Limited	UK	Holding company	Ordinary	100.00
H K Laser Services Limited*	UK	Laser services	Ordinary	100.00
H K 3D Solutions Limited*	UK	Sale of 3D printing machinery	Ordinary	100.00
H K Technologies Limited*	UK	Sales and servicing of machinery	Ordinary	100.00
Hahn & Kolb (Great Britain) Limited**	UK	Dormant	Ordinary	100.00

* Shares are held by H K (Holdings) Limited

** Shares are held by H K Technologies Limited

The registered office of all UK subsidiaries apart from H yfore Workholding Limited is Unit 16, Wellesbourne Distribution Park Loxley Road, Wellesbourne, Warwick, England, CV35 9JY, UK.

The registered office of Hyfore Workholding Limited is Unit 2, 67 Blackhorse Road, Longford, Coventry, West Midlands, England, CV6 6DP, UK.

The registered office of ETG CNC Machinery Limited is Unit 17, Newbridge Industrial Estate, Athgarvan, Newbridge, Co. Kildare, EH28 8PJ, Republic of Ireland.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17 Joint ventures

Details of joint ventures at 31 December 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Advanced Manufacturing Training Centre Ltd***	UK	Training centre	Ordinary	50

*** Shares are held by Hyfore Workholding Limited

Joint ventures are accounted for by proportional consolidation. Advanced Manufacturing Training Centre Limited has a financial year end of 31 March, the results and balance sheet have been included based on management accounts for the year ended 31 December.

The registered office of Advanced Manufacturing Training Centre Ltd is 12 Vigo Place Aldridge, Walsall, West Midlands, United Kingdom, WS9 8UG

18 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Raw materials and consumables	408,792	162,496	-	-
Work in progress	84,944	176,574	-	-
Finished goods and goods for resale	4,299,341	6,869,280	-	-
	<u>4,793,077</u>	<u>7,208,350</u>	<u>-</u>	<u>-</u>

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

19 Debtors

	Group		Company	
	2020	2019	2020	2019
Amounts falling due within one year:	£	£	£	£
Trade debtors	2,013,438	2,828,028	-	-
Corporation tax recoverable	14,590	175,064	14,591	14,591
Amounts owed by group undertakings	-	-	-	165,484
Other debtors	335,297	207,055	44,995	78,734
Prepayments and accrued income	244,142	887,402	-	-
	<u>2,607,467</u>	<u>4,097,549</u>	<u>59,586</u>	<u>258,809</u>
Deferred tax asset (note 25)	105,697	114,094	-	110,306
	<u>2,713,164</u>	<u>4,211,643</u>	<u>59,586</u>	<u>369,115</u>

20 Creditors: amounts falling due within one year

		Group		Company	
	Notes	2020	2019	2020	2019
		£	£	£	£
Debenture loans	23	500,000	3,939,783	500,000	3,939,783
Bank loans and overdrafts	23	3,059,212	3,092,845	2,872,463	2,274,301
Obligations under finance leases	22	70,081	152,445	-	-
Other borrowings	23	242,207	860,775	-	-
Trade creditors		2,901,846	4,032,976	-	-
Amounts owed to group undertakings		-	-	5,779,601	5,346,131
Corporation tax payable		1,964	-	-	-
Other taxation and social security		1,400,217	1,039,951	42,946	42,946
Deferred income	26	1,618,734	1,706,629	-	-
Other creditors		91,673	1,664,254	-	1,550,371
Accruals and deferred income		764,621	1,165,953	-	-
		<u>10,650,555</u>	<u>17,655,611</u>	<u>9,195,010</u>	<u>13,153,532</u>

The bank loans were repayable in full as of 30 September 2021 and therefore shown in current liabilities however new banking facilities were agreed on 12 October 2021 which effectively means that £2.5m of the December 2020 current liabilities has now been deferred to longer term debt.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Creditors: amounts falling due after more than one year

		Group 2020	2019	Company 2020	2019
	Notes	£	£	£	£
Obligations under finance leases	22	30,516	283,382	-	-
Deferred income	26	8,260	62,125	-	-
Other creditors		52,028	43,999	-	-
		<u>90,804</u>	<u>389,506</u>	<u>-</u>	<u>-</u>

22 Finance lease obligations

		Group 2020	2019	Company 2020	2019
		£	£	£	£
Future minimum lease payments due under finance leases:					
Within one year		70,081	152,445	-	-
In two to five years		30,516	283,382	-	-
		<u>100,597</u>	<u>435,827</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the Company or Group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Loans and overdrafts

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Loan notes	500,000	3,939,783	500,000	3,939,783
Bank loans	2,872,463	2,274,301	2,872,463	2,274,301
Bank overdrafts	186,749	818,544	-	-
Other loans	242,207	860,775	-	-
	3,801,419	7,893,403	3,372,463	6,214,084
	3,801,419	7,893,403	3,372,463	6,214,084
Payable within one year	3,801,419	7,893,403	3,372,463	6,214,084
	3,801,419	7,893,403	3,372,463	6,214,084

The bank loans were repayable in full as of 30 September 2021 and therefore shown in current liabilities however new banking facilities were agreed on 12 October 2021 which effectively means that £2.5m of the December 2020 current liabilities has now been deferred to longer term debt.

The bank loans and overdrafts are secured by a debenture over all the assets and undertakings of the Group, together with cross corporate guarantees with all UK subsidiary companies.

The loan notes are secured by a debenture over all the assets and undertakings of the Group, no interest is payable on the Loan Notes.

The senior bank loan was repayable in monthly instalments at a current rate of interest of 3.5% + LIBOR.

The growth capital bank loan was repayable in monthly instalments at a current rate of interest of 5% + LIBOR.

The RCF bank facility was repayable in less than one year at a current rate of interest of 3.75% + LIBOR

No interest is payable on the Loan Notes.

Other loans are secured by a charge over trade debtors.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 Provisions for liabilities

		Group 2020 £	2019 £	Company 2020 £	2019 £
Other		127,155	246,215	-	-
Deferred tax liabilities	25	30,749	109,211	-	-
		157,904	355,426	-	-
		157,904	355,426	-	-

Movements on other provisions:

	£
Group	
At 1 January 2020	246,215
Additional provisions in the year	160,270
Utilisation of provision	(279,330)
	127,155
At 31 December 2020	127,155

Other provisions relate to future warranty costs anticipated to be incurred in relation to goods sold up to the balance sheet date.

25 Deferred taxation

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Group				
ACAs	34,212	44,938	-	-
Tax losses	-	-	105,697	3,788
Other provisions	-	(3,097)	-	-
Fair value adjustment	(3,463)	67,370	-	110,306
	30,749	109,211	105,697	114,094
	30,749	109,211	105,697	114,094

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Deferred taxation

(Continued)

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Company				
Fair value adjustment	-	-	-	110,306
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
			Group 2020 £	Company 2020 £
Movements in the year:				
Asset at 1 January 2020			(4,883)	(110,306)
(Credit)/charge to profit or loss			(2,694)	110,306
Other			(67,371)	-
			<u> </u>	<u> </u>
Asset at 31 December 2020			<u>(74,948)</u>	<u> </u>

The deferred tax liability set out above relates predominantly to fair value adjustments that are expected to reverse in line with the goodwill accounting policy.

26 Deferred income

	Group 2020 £	2019 £	Company 2020 £	2019 £
Arising from government grants	62,125	178,458	-	-
Other deferred income	1,564,869	1,590,296	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,626,994</u>	<u>1,768,754</u>	<u> </u>	<u> </u>

Deferred income is included in the financial statements as follows:

Current liabilities	1,618,734	1,706,629	-	-
Non-current liabilities	8,260	62,125	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,626,994</u>	<u>1,768,754</u>	<u> </u>	<u> </u>

Government grants were recognised in the year for the purchase of capital assets.

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

27 Retirement benefit schemes

	2020	2019
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	246,372	296,120
	<u>246,372</u>	<u>296,120</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

At the year end, contributions amounting to £24,728 (2019 - £22,646) were payable and are included within other creditors.

28 Share capital

	Group and company	
	2020	2019
Ordinary share capital	£	£
Issued and fully paid		
269,372 A Ordinary of £1 each	269,372	269,372
371,990 B Ordinary of £1 each	371,990	371,990
2,583,723 (2019: 0) C Ordinary of £1 each	2,583,723	-
100 (2019: 0) D Ordinary of £1 each	100	-
	<u>3,225,185</u>	<u>641,362</u>
Preference share capital		
Issued and fully paid		
100 Preference of £1 each	100	100
	<u>100</u>	<u>100</u>
Preference shares classified as equity	100	100
	<u>100</u>	<u>100</u>
Total equity share capital	<u>3,225,285</u>	<u>641,462</u>

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

28 Share capital

(Continued)

During the year 2,583,723 C Ordinary Shares were issued. These shares are non-voting, other than in relation to any proposed change of class rights and have no dividend entitlement. On any sale or return of capital the C Ordinary Shares as a class are entitled to a varying % of total equity consideration received based on certain thresholds of consideration being achieved.

During the year the company also issued 100 new D Ordinary Shares, which are non-voting, other than in relation to any proposed change of class rights and have no dividend entitlement. On any sale or return of capital the D Ordinary Shares as a class are entitled to a varying % of total equity consideration received based on certain thresholds of consideration being achieved. Their entitlement to consideration also varies depending on whether the return is within 5 years of the date of issue of the shares or thereafter.

Any equity proceeds not allocated to the C and D Ordinary Shares will be distributed to the holders of the A and B Ordinary Shares pro rata to their holdings as currently set out in the Articles of Association.

The preference shareholders are not entitled to dividends or to vote other than in relation to any proposed change of class rights and the shares are redeemable at par value on exit only. The preference shareholders are entitled to participate in a distribution on a return of capital, on liquidation or capital reduction of the company following the payment of any unpaid arrears of dividends declared but not paid to the holders of Ordinary shares.

29 Financial commitments, guarantees and contingent liabilities

Group

As at 31 December 2020 the Group had entered into short-term forward foreign currency exchange contracts amounting to £1,589,912 (2019 - £2,865,663).

There is a contingent liability in respect of a guarantee given by Santander UK PLC to HMRC for £100,000 (2019 - £100,000) with recourse to the Group under counter indemnity.

The directors have given a personal indemnity in favour of the Group's bankers in respect for any potential losses on the Company's invoice discounting agreement.

At 31 December 2020 the Group had committed to make further payments for machine stock to suppliers of £225,724 (2019 - nil).

Company

An unlimited debenture has been given by the Company in favour of the Group's bankers in respect of loans and overdrafts due by Group undertakings. The balance on these bank loans and overdrafts at the year end was £184,446 (2019 - £818,544).

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the Group for properties and motor vehicles.

There are two property leases the first being for a term of ten years with an option to break after five years, the other being for a term of ten years expiring in 2020. The vehicle rentals are predominantly fixed for three years.

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Within one year	446,022	356,035	-	-
Between two and five years	1,176,811	831,866	-	-
In over five years	1,044,013	191,667	-	-
	<u>2,666,846</u>	<u>1,379,568</u>	<u>-</u>	<u>-</u>

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

31 Related party transactions

During a previous period 10% secured A Loan notes of £3,083,723 were issued to J Temple, a director of the Company. On 17 September 2020 J Temple waived his entitlement to receive interest (including any unpaid accrued interest which at 31 December 2019 amounted to £1,321,888) on these notes and A Loan Notes of £2,583,723 were converted in to C Ordinary Shares of the same nominal value.

As at 31 December 2020 £500,000 (2019 - £4,405,611) was owed to J Temple.

During a previous period 10% unsecured B Loan notes of £165,170 were issued to G T W Morrow, previously a director of the Company. They were repaid in the year. As at 31 December 2020 £nil (2019 - £60,000) was owed to G T W Morrow.

During the previous year the Group made a loan of £45,000 to a director, interest was charged at the beneficial rate of 2.5% - 3% and £46,048 (2019 - £46,048) was outstanding at the year end. There is no fixed date for repayment.

32 Controlling party

The controlling party is Mr M J Doyle.

33 Cash generated from group operations

	2020	2019
	£	£
Profit/(loss) for the year after tax	88,787	(1,075,445)
Adjustments for:		
Taxation credited	(899)	(157,938)
Finance costs	(961,163)	778,136
Investment income	(28)	(1,255)
Gain on disposal of tangible fixed assets	(6,656)	(219,611)
Amortisation and impairment of intangible assets	661,468	1,302,406
Depreciation and impairment of tangible fixed assets	304,279	328,202
Decrease in provisions	(119,060)	(15,144)
Movements in working capital:		
Decrease/(increase) in stocks	2,415,273	(2,833,316)
Decrease/(increase) in debtors	1,295,869	(478,242)
(Decrease)/increase in creditors	(1,186,377)	1,032,309
(Decrease)/increase in deferred income	(141,760)	1,482,024
Cash generated from operations	2,349,733	142,126

THE ENGINEERING TECHNOLOGY GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

34 Analysis of changes in net debt - group

	1 January 2020 £	Cash flows £	Market value movements £	Exchange rate movements £	31 December 2020 £
Cash at bank and in hand	197,344	(5,670)	-	8,773	200,447
Bank overdrafts	(818,544)	631,795	-	-	(186,749)
	<u>(621,200)</u>	<u>626,125</u>	<u>-</u>	<u>8,773</u>	<u>13,698</u>
Borrowings excluding overdrafts	(7,074,859)	3,362,027	98,162	-	(3,614,670)
Obligations under finance leases	(435,827)	335,230	-	-	(100,597)
	<u>(8,131,886)</u>	<u>4,323,382</u>	<u>98,162</u>	<u>8,773</u>	<u>(3,701,569)</u>

35 Cash generated from operations - company

	2020 £	2019 £
Profit/(loss) for the year after tax	1,525,377	(544,959)
Adjustments for:		
Taxation charged	110,306	114
Finance costs	(1,060,769)	705,548
Reveral of impairment	(452,624)	-
Movements in working capital:		
(Decrease) in creditors	(250,000)	-
Cash (absorbed by)/generated from operations	<u>(127,710)</u>	<u>160,703</u>

36 Analysis of changes in net debt - company

	1 January 2020 £	Cash flows £	Market value movements £	31 December 2020 £
Borrowings excluding overdrafts	(6,214,084)	2,743,459	98,162	(3,372,463)