

Group Strategic Report, Report of the Directors and
Consolidated Financial Statements for the Year Ended 31 December 2019
for
Newton Technology Group plc



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for the Year Ended 31 December 2019

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Newton Technology Group plc
Company Information
for the Year Ended 31 December 2019

DIRECTORS:

I McNulty
R G McInnes

SECRETARY:

Mrs C McNulty

REGISTERED OFFICE:

Newton Hall
Newton
Cambridgeshire
CB22 7ZE

REGISTERED NUMBER:

00620459 (England and Wales)

AUDITORS:

Hardcastle Burton LLP
Lake House
Market Hill
Royston
Hertfordshire
SG8 9JN

Group Strategic Report
for the Year Ended 31 December 2019

The directors present their strategic report of the company and the group for the year ended 31 December 2019.

REVIEW OF BUSINESS

The group designs and builds equipment used by manufacturers of optical fibre and by research institutions worldwide. The company and group also conduct research and development in the fields of optical fibre manufacturing techniques and advanced gas handling.

During 2019 the group processed existing orders for its optical fibre manufacturing equipment and continued to win work for research institutes. However, due to international trade constraints, new orders for manufacturing equipment were reduced. Consequently, activity, as measured by sales turnover, was muted, falling from £12.4m in 2018 to £7.4m in 2019. Margins continue to be suppressed by price constraints and the Sterling exchange rate.

The directors and management are closely involved in the day to day operations of the group and are very aware of the group's cash flows.

Key financial indicators both financially and non financially continue to be reviewed in line with budgets to ensure that risk and uncertainty within the business are effectively managed.

Key financial statistics

	2019	2018
	£'000	£'000
Turnover	7,423	12,379
Gross profit	2,199	3,139
Net profit before tax	448	1,326
Net assets	4,979	4,572

At 31 December 2019 the group had cash resources of £2,552k (2018: £1,571k).

Group Strategic Report
for the Year Ended 31 December 2019

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

The overall aim of the group's financial risk management policy is to minimise potential adverse effects on financial performance and net assets. In the course of the business, the group is exposed primarily to liquidity risk, interest risk, currency risk and credit risk.

The key uncertainty for the business is the level of international demand in the field of optical fibre manufacturing equipment. To mitigate the effects of this, the group actively pursues all sales enquiries and monitors forward activity from its order book, adjusting the cost base to match.

This environment has continued into 2020, with the added constraint of the Covid 19 pandemic frustrating the work in installing and commissioning equipment already delivered. The company remains, however, fully operational and in a strong position to resume higher levels of activity when demand recovers.

The group manages the principal financial risk within policies and operating parameters approved by the Board of Directors. The group does not enter into speculative transactions.

Liquidity - liquidity risk arises from the group's management of working capital and is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. It is policy to ensure the group will have sufficient cash to allow it to meet its liabilities when they fall due. The directors and management review cash flow and projections on a regular basis.

Currency risk - the group achieves a natural hedge with having currency revenues and costs. The directors also regularly reviews foreign exchange rates and can forward buy/sell sterling or currency funds to further mitigate against foreseeable currency risk.

Credit risk - This is the risk associated with trade debtors. The directors mitigate this risk by ensuring procedures are in place to limit credit facilities to customers based on credit searches and trading history. Trading within these limits and related terms are monitored on a regular basis.

Interest rate risk - The group's exposure to interest rate risk is currently minimal due to the cash resources within the group.

FUTURE DEVELOPMENTS AND RESEARCH AND DEVELOPMENT

We will continue to develop our existing activities and are in a strong position to increase capacity when the demand arises.

We continue to invest in research and development for the optical fibre industry.

ON BEHALF OF THE BOARD:



.....
I McNulty - Director

Date: 26 JUNE 2020
.....

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the manufacture and supply of production equipment to the compound semi-conductor and optical fibre industries, together with the provision of design and engineering services to associated businesses and third parties.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

I McNulty
R G McInnes

DISCLOSURE IN THE STRATEGIC REPORT

The company has chosen in accordance with the Companies Act 2006, s.414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the directors' report. It has done so in respect of principal risks, and financial instruments.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group 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 the group 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;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group 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 group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

Report of the Directors
for the Year Ended 31 December 2019

AUDITORS

The auditors, Hardcastle Burton LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
I McNulty - Director

Date: 26 JUNE 2020
.....

Report of the Independent Auditors to the Members of
Newton Technology Group plc

Opinion

We have audited the financial statements of Newton Technology Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated 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 group's and of the parent company affairs as at 31 December 2019 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Group 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 Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**Report of the Independent Auditors to the Members of
Newton Technology Group plc**

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 Group 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 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 Statement of Directors' Responsibilities set out on page four, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

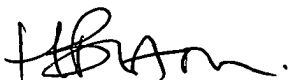
Auditors' responsibilities for the audit of the financial statements

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.

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.

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.



Denise Lindsell FCA (Senior Statutory Auditor)
for and on behalf of Hardcastle Burton LLP
Lake House
Market Hill
Royston
Hertfordshire
SG8 9JN

Date: 26/6/2020

Consolidated Income Statement
for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
TURNOVER	3	7,422,699	12,379,250
Cost of sales		5,223,775	9,240,734
GROSS PROFIT		2,198,924	3,138,516
Administrative expenses		1,754,730	1,817,327
		444,194	1,321,189
Other operating income	4	4,260	5,936
OPERATING PROFIT	6	448,454	1,327,125
Interest receivable and similar income	7	4	4
		448,458	1,327,129
Interest payable and similar expenses	8	528	1,040
PROFIT BEFORE TAXATION		447,930	1,326,089
Tax on profit	9	41,091	(8,167)
PROFIT FOR THE FINANCIAL YEAR		406,839	1,334,256
Profit attributable to: Owners of the parent		406,839	1,334,256

The notes form part of these financial statements

Consolidated Other Comprehensive Income
for the Year Ended 31 December 2019

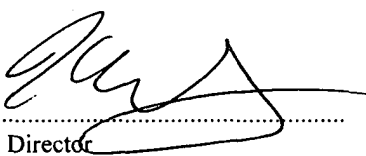
	Notes	31.12.19 £	31.12.18 £
PROFIT FOR THE YEAR		406,839	1,334,256
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>406,839</u>	<u>1,334,256</u>
Total comprehensive income attributable to: Owners of the parent		<u>406,839</u>	<u>1,334,256</u>

The notes form part of these financial statements

Consolidated Balance Sheet
31 December 2019

	Notes	31.12.19 £	£	31.12.18 £	£
FIXED ASSETS					
Intangible assets	11		-		-
Tangible assets	12		289,567		365,453
Investments	13		-		-
			<u>289,567</u>		<u>365,453</u>
CURRENT ASSETS					
Stocks	14	693,237		351,134	
Debtors	15	2,129,762		6,853,951	
Cash at bank and in hand		2,552,274		1,570,615	
		<u>5,375,273</u>		<u>8,775,700</u>	
CREDITORS					
Amounts falling due within one year	16	685,908		4,569,060	
NET CURRENT ASSETS			<u>4,689,365</u>		<u>4,206,640</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,978,932</u>		<u>4,572,093</u>
CAPITAL AND RESERVES					
Called up share capital	18		233,400		233,400
Revaluation reserve	19		1,960		2,306
Capital reserve	19		276,597		276,597
Retained earnings	19		4,466,975		4,059,790
SHAREHOLDERS' FUNDS			<u>4,978,932</u>		<u>4,572,093</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2020 and were signed on its behalf by:

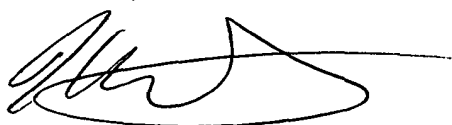

I McNulty - Director

Company Balance Sheet
31 December 2019

	Notes	31.12.19 £	£	31.12.18 £	£
FIXED ASSETS					
Intangible assets	11		-		-
Tangible assets	12		43,454		56,923
Investments	13		230,402		230,402
			<u>273,856</u>		<u>287,325</u>
CURRENT ASSETS					
Debtors	15	1,501,265		1,407,840	
Cash at bank		<u>250,259</u>		<u>358,981</u>	
		1,751,524		1,766,821	
CREDITORS					
Amounts falling due within one year	16	<u>86,270</u>		<u>94,800</u>	
NET CURRENT ASSETS			<u>1,665,254</u>		<u>1,672,021</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u><u>1,939,110</u></u>		<u><u>1,959,346</u></u>
CAPITAL AND RESERVES					
Called up share capital	18		233,400		233,400
Retained earnings			<u>1,705,710</u>		<u>1,725,946</u>
SHAREHOLDERS' FUNDS			<u><u>1,939,110</u></u>		<u><u>1,959,346</u></u>
Company's loss for the financial year			<u><u>(20,236)</u></u>		<u><u>(4,113)</u></u>

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

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2020 and were signed on its behalf by:



I McNulty - Director

The notes form part of these financial statements

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Revaluation reserve £	Capital reserve £	Total equity £
Balance at 1 January 2018	233,400	2,725,127	2,713	276,597	3,237,837
Changes in equity					
Total comprehensive income	-	1,334,663	(407)	-	1,334,256
Balance at 31 December 2018	233,400	4,059,790	2,306	276,597	4,572,093
Changes in equity					
Total comprehensive income	-	407,185	(346)	-	406,839
Balance at 31 December 2019	233,400	4,466,975	1,960	276,597	4,978,932

The notes form part of these financial statements

Company Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	233,400	1,730,059	1,963,459
Changes in equity			
Total comprehensive income	-	(4,113)	(4,113)
Balance at 31 December 2018	233,400	1,725,946	1,959,346
Changes in equity			
Total comprehensive income	-	(20,236)	(20,236)
Balance at 31 December 2019	233,400	1,705,710	1,939,110

The notes form part of these financial statements

Consolidated Cash Flow Statement
for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
Cash flows from operating activities			
Cash generated from operations	1	988,783	1,730,143
Interest paid		(528)	(1,040)
Net cash from operating activities		<u>988,255</u>	<u>1,729,103</u>
 Cash flows from investing activities			
Purchase of tangible fixed assets		(6,600)	(40,314)
Sale of tangible fixed assets		-	1,150
Interest received		4	4
Net cash from investing activities		<u>(6,596)</u>	<u>(39,160)</u>
 Increase in cash and cash equivalents		<u>981,659</u>	<u>1,689,943</u>
Cash and cash equivalents at beginning of year	2	1,570,615	(119,328)
 Cash and cash equivalents at end of year	2	<u><u>2,552,274</u></u>	<u><u>1,570,615</u></u>

The notes form part of these financial statements

Notes to the Consolidated Cash Flow Statement
for the Year Ended 31 December 2019

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

	31.12.19	31.12.18
	£	£
Profit before taxation	447,930	1,326,089
Depreciation charges	82,486	50,102
Profit on disposal of fixed assets	-	(1,150)
Finance costs	528	1,040
Finance income	(4)	(4)
	<hr/>	<hr/>
	530,940	1,376,077
Increase in stocks	(342,103)	(114,338)
Decrease/(increase) in trade and other debtors	4,683,098	(2,195,919)
(Decrease)/increase in trade and other creditors	(3,883,152)	2,664,323
	<hr/>	<hr/>
Cash generated from operations	988,783	1,730,143
	<hr/> <hr/>	<hr/> <hr/>

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 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	2,552,274	1,570,615
	<hr/>	<hr/>

Year ended 31 December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	1,570,615	13,666
Bank overdrafts	-	(132,994)
	<hr/>	<hr/>
	1,570,615	(119,328)
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3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.19	Cash flow	At 31.12.19
	£	£	£
Net cash			
Cash at bank and in hand	1,570,615	981,659	2,552,274
	<hr/>	<hr/>	<hr/>
	1,570,615	981,659	2,552,274
	<hr/>	<hr/>	<hr/>
Total	1,570,615	981,659	2,552,274
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The notes form part of these financial statements

Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2019

1. STATUTORY INFORMATION

Newton Technology Group plc is a private company, limited by shares, in England and Wales. The company's registered number and registered office address can be found on the General 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 as modified by the revaluation of certain assets.

The accounts have been drawn up on the going concern basis which assumes that continued financial support for the group, currently provided by the directors and related parties who are also the shareholders, continues.

On the date of signing these financial statements, there was a world-wide pandemic. Whilst the directors have prepared revised cash flow forecasts, it is currently unknown how long the pandemic will last and the lasting impact that it will have on the trading activity of the company. The directors believe that the company will continue to be profitable and will have adequate cash resources in order to pay all of its creditors as they fall due for the foreseeable future and for at least 12 months from the date of signing of these financial statements.

The directors will continue to monitor cashflow carefully over the next twelve months to ensure that actions are taken in the best interests of the group. The directors have drawn up the accounts on a going concern basis which assumes that the group can continue to trade within agreed level of borrowings (taking into account support from the directors, shareholders and related parties) over the next twelve months.

The company's functional and presentational currency is British Pound Sterling rounded to the nearest pound.

Basis of consolidation

The consolidated accounts include the company and its subsidiaries. The results of the subsidiaries acquired during the year are included in the consolidated profit and loss account from the date of their acquisition. Intra group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

The difference between the net asset value and the purchase price of the subsidiary company at the date of acquisition is included in the consolidated balance sheet as either reserves arising on consolidation or goodwill.

Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions which impact on the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Turnover and long term contracts

When the group enters into long term contracts with customers, turnover is accounted for on a "percentage of completion method" to determine the appropriate amount to be recognised in a given period. The stage of completion is measured by reference to the value attributed to the stage of completion at the balance sheet date as a percentage of the total contract value. Costs incurred in the period in connection with future activity on a contract are excluded from contract costs in the determining the stage of completion. They are presented as stock and work in progress.

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed amounts invoiced. Amounts invoiced which are not yet paid by customers and retentions are included within debtors.

The group presents as a liability the gross amount due to customers from contract work for all contracts in progress for which amounts received exceed costs incurred plus recognised profits (less recognised losses).

When the outcome of a contract cannot be estimated reliably, contract turnover is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a contract can be estimated reliably, and it is probable that the contract will be profitable, contract turnover is recognised over the period of the contract. When it is probable the total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Other goods sold are recognised as turnover when title passes to the customer.

Goodwill

In 2003, 50% of the goodwill was written off due to a downturn in demand for the group's products. The original estimation of the useful economic life of 20 years has been changed to 5 years from 1 January 2003.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of nil years.

Tangible fixed assets

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

Improvements to property	- 20% on reducing balance and 4% on cost
Plant and machinery	- 25% on reducing balance, 20% on reducing balance and 10% on cost
Fixtures and fittings	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- Straight line over 3 years, 25% on reducing balance and 20% on reducing balance

Stocks and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors, 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.

Basic financial liabilities

Basic financial liabilities, including creditors and loans 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.

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.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated 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

Development costs have been incurred on various specific projects. These costs are either capitalised or written off dependant on the directors view of the useful economic life of the project.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet and depreciated over their estimated useful lives.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

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

Pension costs and other post-retirement benefits

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

Investments

Investments are included at their historical cost taking into account permanent diminution in value.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by class of business is given below:

	31.12.19	31.12.18
	£	£
Fibre optical engineering	7,308,423	12,257,740
Precision engineering	105,936	120,239
Semi-conductor spares	8,340	1,271
	<u>7,422,699</u>	<u>12,379,250</u>

An analysis of turnover by geographical market is given below:

	31.12.19	31.12.18
	£	£
United Kingdom	424,597	272,193
Asia	6,502,406	11,526,968
Europe	72,391	19,393
Rest of World	423,305	560,696
	<u>7,422,699</u>	<u>12,379,250</u>

4. OTHER OPERATING INCOME

	31.12.19	31.12.18
	£	£
Sundry receipts	<u>4,260</u>	<u>5,936</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

5. EMPLOYEES AND DIRECTORS

	31.12.19	31.12.18
	£	£
Wages and salaries	1,977,035	2,189,260
Social security costs	193,635	217,185
Other pension costs	43,486	27,244
	<u>2,214,156</u>	<u>2,433,689</u>

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

	31.12.19	31.12.18
Administration	5	3
Direct wages	47	56
	<u>52</u>	<u>59</u>

The average number of employees by undertakings that were proportionately consolidated during the year was NIL (2018 - NIL).

	31.12.19	31.12.18
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.12.19	31.12.18
	£	£
Hire of plant and machinery	8,797	32,073
Depreciation - owned assets	82,486	50,102
Profit on disposal of fixed assets	-	(1,150)
Auditors' remuneration	27,000	24,000
Foreign exchange gain	<u>(9,479)</u>	<u>4,689</u>

The Research and Development expenditure is included in the accounts as an expense.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.19	31.12.18
	£	£
Interest on corporation tax	<u>4</u>	<u>4</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.19	31.12.18
	£	£
Bank interest	<u>528</u>	<u>1,040</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

9. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit for the year was as follows:

	31.12.19 £	31.12.18 £
Current tax:		
UK corporation tax	(68,725)	(8,167)
Deferred tax	109,816	-
Tax on profit	<u>41,091</u>	<u>(8,167)</u>

UK corporation tax has been charged at 19%.

Reconciliation of total tax charge/(credit) included in profit and loss

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

	31.12.19 £	31.12.18 £
Profit before tax	<u>447,930</u>	<u>1,326,089</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	85,107	251,957
Effects of:		
Expenses not deductible for tax purposes	5,976	1,805
Utilisation of tax losses	(700)	(89,990)
R and D enhanced expenditure	(189,884)	(176,250)
R and D tax credit	21,332	2,533
Unprovided deferred tax	9,444	1,778
Write off of deferred tax asset	109,816	-
Total tax charge/(credit)	<u>41,091</u>	<u>(8,167)</u>

There is no tax due for the year due to the surrender of group relief of the taxable losses of other companies within the group and the Research and Development relief claim.

10. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

11. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Patents and licences £	Totals £
COST			
At 1 January 2019 and 31 December 2019	865,251	2,101,000	2,966,251
AMORTISATION			
At 1 January 2019 and 31 December 2019	865,251	2,101,000	2,966,251
NET BOOK VALUE			
At 31 December 2019	-	-	-
At 31 December 2018	-	-	-

Company

	Goodwill £	Patents and licences £	Totals £
COST			
At 1 January 2019 and 31 December 2019	865,251	2,101,000	2,966,251
AMORTISATION			
At 1 January 2019 and 31 December 2019	865,251	2,101,000	2,966,251
NET BOOK VALUE			
At 31 December 2019	-	-	-
At 31 December 2018	-	-	-

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

12. TANGIBLE FIXED ASSETS

Group

	Improvements to property £	Plant and machinery £	Fixtures and fittings £
COST OR VALUATION			
At 1 January 2019	952,589	1,289,699	465,090
Additions	-	6,600	-
At 31 December 2019	952,589	1,296,299	465,090
DEPRECIATION			
At 1 January 2019	769,400	1,157,392	465,090
Charge for year	22,900	44,442	-
At 31 December 2019	792,300	1,201,834	465,090
NET BOOK VALUE			
At 31 December 2019	160,289	94,465	-
At 31 December 2018	183,189	132,307	-
	Motor vehicles £	Computer equipment £	Totals £
COST OR VALUATION			
At 1 January 2019	58,215	17,080	2,782,673
Additions	-	-	6,600
At 31 December 2019	58,215	17,080	2,789,273
DEPRECIATION			
At 1 January 2019	8,258	17,080	2,417,220
Charge for year	15,144	-	82,486
At 31 December 2019	23,402	17,080	2,499,706
NET BOOK VALUE			
At 31 December 2019	34,813	-	289,567
At 31 December 2018	49,957	-	365,453

Cost or valuation at 31 December 2019 is represented by:

	Improvements to property £	Plant and machinery £	Fixtures and fittings £
Valuation in 1992	-	53,000	-
Valuation in 2000	-	151,520	3,500
Cost	952,589	1,091,779	461,590
	952,589	1,296,299	465,090

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

12. TANGIBLE FIXED ASSETS - continued

Group

	Motor vehicles £	Computer equipment £	Totals £
Valuation in 1992	-	-	53,000
Valuation in 2000	-	-	155,020
Cost	58,215	17,080	2,581,253
	<u>58,215</u>	<u>17,080</u>	<u>2,789,273</u>

If plant and machinery had not been revalued it would have been included at the following historical cost:

	31.12.19 £	31.12.18 £
Cost	394,772	394,772
Aggregate depreciation	<u>287,041</u>	<u>258,653</u>

Company

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 January 2019	63,760	7,000	369,283	56,715	496,758
Additions	-	6,600	-	-	6,600
At 31 December 2019	<u>63,760</u>	<u>13,600</u>	<u>369,283</u>	<u>56,715</u>	<u>503,358</u>
DEPRECIATION					
At 1 January 2019	61,715	2,079	369,283	6,758	439,835
Charge for year	2,045	2,880	-	15,144	20,069
At 31 December 2019	<u>63,760</u>	<u>4,959</u>	<u>369,283</u>	<u>21,902</u>	<u>459,904</u>
NET BOOK VALUE					
At 31 December 2019	<u>-</u>	<u>8,641</u>	<u>-</u>	<u>34,813</u>	<u>43,454</u>
At 31 December 2018	<u>2,045</u>	<u>4,921</u>	<u>-</u>	<u>49,957</u>	<u>56,923</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

13. FIXED ASSET INVESTMENTS

Company	Other Investments £
COST	
At 1st January 2019	
and 31st December 2019	230,402
NET BOOK VALUE	
At 31st December 2019	230,402
At 31st December 2018	230,402

The group or the company's investment at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

Delta Design & Engineering Limited

Registered Office: Newton Hall
Newton
Cambridgeshire
CB22 7ZE

Nature of business: Engineering

Class of shares: % holding
£1 Ordinary 100.00%

S G Controls Limited

Registered Office: Newton Hall
Newton
Cambridgeshire
CB22 7ZE

Nature of business: Optical Fibre

Class of shares: % holding
£1 Ordinary 100.00%

Metals Research Limited

Registered Office: Newton Hall
Newton
Cambridgeshire
CB22 7ZE

Nature of business: Semiconductor

Class of shares: % holding
£1 Ordinary 100.00%

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

Newton Technical Services Limited

Registered Office: Newton Hall
Newton
Cambridgeshire
CB22 7ZE

Nature of business: Fibre Optic Engineering

Class of shares: % holding
£1 Ordinary 100.00%

The principal country of operation of the above companies is the United Kingdom, and they are all registered in England. All companies have an accounting period to 31 December 2019.

The activities of the subsidiary undertakings are principally the manufacture and supply of production equipment to the semi-conductor and fibre-optic industries, together with precision engineering and laser robotic applications.

14. STOCKS

	31.12.19	31.12.18
	£	£
Stock	613,946	302,324
Work in progress	79,291	48,810
	<u>693,237</u>	<u>351,134</u>

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.19	31.12.18	31.12.19	31.12.18
	£	£	£	£
Trade debtors	404,486	1,521,861	-	-
Amounts owed by group undertakings	-	-	1,368,250	1,125,563
Other debtors	94,303	264,719	93,083	263,551
Amounts owed by related undertakings	267,830	149,564	-	-
Amounts recoverable on contracts	1,150,990	4,223,710	-	-
Tax	76,888	8,167	-	-
Deferred tax asset	-	109,812	-	-
Prepayments and accrued income	135,265	576,118	39,932	18,726
	<u>2,129,762</u>	<u>6,853,951</u>	<u>1,501,265</u>	<u>1,407,840</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.19	31.12.18	31.12.19	31.12.18
	£	£	£	£
Trade creditors	83,335	1,735,435	14,081	29,021
Other creditors	21,066	161,424	-	-
Customer advances	330,201	1,513,884	-	-
Social security and other taxes	45,896	65,051	6,811	8,314
Sundry creditors	3,184	2,730	1,530	1,080
Amounts due to related undertakings	20,115	846,027	20,115	19,662
Loans from related undertakings	-	52,408	-	-
Accrued expenses	182,111	192,101	43,733	36,723
	<u>685,908</u>	<u>4,569,060</u>	<u>86,270</u>	<u>94,800</u>

17. SECURED DEBTS

There is a cross guarantee and debenture with Newton Technology Group Plc dated 29 November 2016 securing all monies and liabilities, now or in the future, due to Barclays, against all assets of the companies.

In addition to this on 24 May 2017 a fixed charge was registered with Barclays by SG Controls Limited in relation to future credit balances

There is a limited guarantee of £30,000 provided by Mr Ian McNulty and Mr Randolph Graham McInnes dated 22 June 2017.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.19	31.12.18
			£	£
700,200	Ordinary	£0.33	<u>233,400</u>	<u>233,400</u>

19. RESERVES

Group				
	Retained earnings	Revaluation reserve	Capital reserve	Totals
	£	£	£	£
At 1 January 2019	4,059,790	2,306	276,597	4,338,693
Profit for the year	406,839			406,839
Adjustment for year	346	(346)	-	-
At 31 December 2019	<u>4,466,975</u>	<u>1,960</u>	<u>276,597</u>	<u>4,745,532</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

20. PENSION COMMITMENTS

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £43,486 (2018: £27,244). There was £8,395 (2018 - £6,340) outstanding contributions at the year end which included both employer and employee contributions and are included in creditors.

21. OTHER FINANCIAL COMMITMENTS

Customer advances (see note 16) have arisen in conjunction with advance payment guarantee commitments given by the company's bankers. The bank has recourse to the company in the event that the company does not fulfil its obligations on delivery of goods to the customers.

22. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

All transactions with other related parties are under normal market conditions. The value of transactions with other related parties in 2019 are £144,000 (2018: £144,000).

The controlling party is I McNulty.