

Company Registration Number: 04525184 (England and Wales)

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AAC CYROMA LIMITED

ANNUAL REPORT

31 MARCH 2020

AAC CYROMA LIMITED

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AAC CYROMA LIMITED

Company Information

DIRECTORS: Mr N Ricketts
Mr C M Leigh

COMPANY SECRETARY: Mr C M Leigh

REGISTERED OFFICE: Versarien
2, Chosen View Road
Cheltenham
Gloucestershire
GL51 9LT

REGISTERED NUMBER: 04525184 (England and Wales)

INDEPENDENT AUDITORS: PricewaterhouseCoopers LLP
2 Glass Wharf
Bristol
BS2 0FR
United Kingdom

BANKERS: Santander UK PLC
Bristol Corporate Business Centre
One Glass Wharf
Avon Street
Bristol
BS2 0ZX

AAC CYROMA LIMITED

Report of the Directors for the Year Ended 31 March 2020

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

PRINCIPAL ACTIVITIES

The principal activities of the company continue to be the design, manufacture and sale of vacuum formed and injection moulded plastic industrial products.

REVIEW OF BUSINESS

The results for the year are on page 8 of the financial statements. The position at the year ended 31 March 2020 was satisfactory.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £86,109 (2019 : £93,176)

The directors do not recommend the payment of a dividend leaving a profit for the financial year of £86,109 (2019: £nil dividend was recommended) to be transferred to reserves.

FUTURE DEVELOPMENTS

The Company will continue its efforts to develop its moulded industrial products and have now created samples with graphene incorporated into them for testing with Customers.

GOING CONCERN

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate as the Company meets its day-to-day working capital requirements through careful cash management and the use of its invoice discounting facilities.

The projections contain certain assumptions about the sales performance as a result of the Covid-19 pandemic. There is therefore a risk that trading performance could be below expectations, however the company is part of the Versarien Group which has confirmed in writing its intention to provide ongoing support to the company for a period of at least 12 months from the date of signature of these financial statements. Having considered the ability of the Versarien Group to provide that support, and based on the confirmation received, the directors believe that the company is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statement.

DIRECTORS

The directors who have held office during the year to the date of this report are as follows:-

Mr N Ricketts
Mr C M Leigh

AAC CYROMA LIMITED

Report of the Directors for the Year Ended 31 March 2020 (cont'd)

FINANCIAL RISK MANAGEMENT

(a) Capital risk management

The Company's objectives for managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to manage the cost of capital. There were no changes in the Group's approach to capital management during the year.

(b) Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies. The Company is exposed to the changes in foreign currency exchange rates between a number of different currencies but the Company's primary exposures relate to the Euro.

The Company's policy is not to hedge its exposure using financial instruments, but to mitigate exposure by natural hedges as far as possible.

(c) Interest rate risk

The Company currently uses some invoice discounting advances to fund working capital requirements. Interest rate risks are not hedged.

(d) Credit risk

The Company's credit risk is primarily attributable to its trade receivables and other current assets. The amounts recognised in the balance sheet are net of expected credit losses. Trade receivables are subject to credit limits. Credit risk associated with cash balances is managed by transacting with financial institutions of high quality.

The maximum exposure to credit risk for trade receivables and other current assets is represented by their carrying amount.

(e) Liquidity risk

The Company seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews regularly available cash to ensure there are sufficient resources for working capital requirements and to meet the Company's financial commitments.

At 31 March 2020 and 31 March 2019 all amounts shown in the Statement of Financial Position under current assets and current liabilities mature for payment within one year.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

AAC CYROMA LIMITED

Report of the Directors for the Year Ended 31 March 2020 (cont'd)

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

The Independent Auditors, PricewaterhouseCoopers LLP, who were appointed by the Board for the year have indicated their willingness to be reappointed for another term.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

BY ORDER OF THE BOARD



Mr C M Leigh
Company secretary
16 November 2020

AAC CYROMA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AAC CYROMA LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, AAC Cyroma Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 March 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with *International Standards on Auditing (UK)* ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 company'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

AAC CYROMA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AAC CYROMA LIMITED

(continued)

Reporting on other information (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

AAC CYROMA LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AAC CYROMA LIMITED

(continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Report of the Directors; and take advantage of the small companies exemption from preparing a strategic report.

We have no exceptions to report arising from this responsibility.

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Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
17 November 2020

AAC CYROMA LIMITED

Statement of Comprehensive income for the Year Ended 31 March 2020

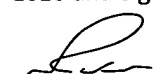
| | Note | Year Ended 31 March 2020 | Year Ended 31 March 2019 |
|--|------|-----------------------------|-----------------------------|
| | | £ | £ |
| CONTINUING OPERATIONS | | | |
| Revenue | 3 | 3,821,753 | 4,701,469 |
| Cost of Sales | | (2,605,062) | (3,415,459) |
| Gross profit | | 1,216,691 | 1,286,010 |
| Administrative expenses | 5 | (1,078,761) | (1,168,719) |
| OPERATING PROFIT | 5 | 137,930 | 117,291 |
| Finance costs | | (51,821) | (24,115) |
| PROFIT BEFORE TAXATION | | 86,109 | 93,176 |
| Tax on profit | 6 | - | - |
| PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR | | 86,109 | 93,176 |

The notes on pages 11 to 24 form part of these financial statements

AAC CYROMA LIMITED**Registered Number: 04525184****STATEMENT OF FINANCIAL POSITION AS AT 31 March 2020**

| | Note | 31 March 2020 £ | 31 March 2019 £ |
|--|------|-----------------------|-----------------------|
| ASSETS | | | |
| FIXED ASSETS | | | |
| Property, plant and equipment | 7 | 970,746 | 600,545 |
| CURRENT ASSETS | | | |
| Inventories | 8 | 428,376 | 247,070 |
| Trade and other receivables | 9 | 1,884,587 | 1,625,132 |
| Cash and cash equivalents | 10 | 163,133 | 37,441 |
| | | <u>2,476,096</u> | <u>1,909,643</u> |
| TOTAL ASSETS | | <u>3,446,482</u> | <u>2,510,188</u> |
| EQUITY | | | |
| Called up share capital | 13 | 100 | 100 |
| Profit and loss account | | <u>1,081,046</u> | <u>994,937</u> |
| TOTAL SHAREHOLDERS' FUNDS | | <u>1,081,146</u> | <u>995,037</u> |
| Creditors: Amounts falling due within one year | 11 | 1,987,190 | 1,360,018 |
| Creditors: Amounts falling due after more than one year | 12 | 378,146 | 155,133 |
| TOTAL LIABILITIES | | <u>2,365,336</u> | <u>1,515,151</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>3,446,482</u> | <u>2,510,188</u> |

The financial statements on pages 8 to 24 were approved by the Board of Directors on 16 November 2020 and signed on its behalf by:-



Mr N Ricketts
Chief Executive Officer



Mr C M Leigh
Chief Financial Officer

The notes on pages 11 to 24 form part of these financial statements

AAC CYROMA LIMITED**STATEMENT OF CHANGES IN EQUITY for the Year Ended 31 March 2020**

| | Called up Share Capital | Profit & Loss Account | Total Shareholders' Funds |
|--|------------------------------------|--------------------------------------|--|
| Balance as at 1 April 2018 | 100 | 901,761 | 901,861 |
| Profit for the financial year and total comprehensive income for the financial year | - | 93,176 | 93,176 |
| Balance as at 31 March 2019 | <u>100</u> | <u>994,937</u> | <u>995,037</u> |
| Balance as at 1 April 2019 | 100 | 994,937 | 995,037 |
| Profit for the financial year and total comprehensive income for the financial year | - | 86,109 | 86,109 |
| Balance as at 31 March 2020 | <u>100</u> | <u>1,081,046</u> | <u>1,081,146</u> |

The notes on pages 11 to 24 form part of these financial statements.

AAC CYROMA LIMITED

Notes to the Financial Statements for the Year Ended 31 March 2020

1 ACCOUNTING POLICIES

General information

AAC Cyroma Limited is a private company limited by shares, it is domiciled and incorporated in the United Kingdom under the Companies Act 2006 and registered in England. The address of the registered office is Unit 2 Chosen View Road, Cheltenham, Gloucestershire, GL51 9LT.

These financial statements are presented in pounds sterling as the currency of the primary economic environment in which the company operates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' consistently and the accounting policies have been applied consistently, other than where new policies have been adopted. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed later in note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of the financial statements in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurements of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - i. paragraph 79(a)(iv) of IAS 1
 - ii. paragraph 73(e) of IAS 16 Property, plant and equipment
 - iii. paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)

AAC CYROMA LIMITED

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 10(f) (a statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
- 16 (statement of compliance with all IFRS)
- 38A (requirement for minimum of two primary statements, including cash flow statements)
- 38B-D (additional comparative information)
- 40A-D (requirements for a third statement of financial position)
- 111 (cash flow statement information), and
- 134-136 capital management disclosures
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or members of a group.

New standard, amendments and interpretations

The Company adopted IFRS 16 "Leases" using the modified retrospective approach from 1 April 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet of 1 April 2019.

On adoption of IFRS16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5%.

For leases previously classified as operating leases the Company recognised the carrying amount of the lease asset and lease liability as at 1 April 2019 as the carrying amount of the right of use asset and the lease liability at the date of the initial application.

The measurement principles of IFRS 16 are only applied after that date. There is no measurement adjustment for variable leases payments related to revenue or payment increases based on an index or rate.

(I) Practical Expedients Applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonable similar characteristics; and
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

AAC CYROMA LIMITED**Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New standard, amendments and interpretations (continued)****(I) Measurement of Lease Liabilities**

| | £ |
|---|----------------|
| Operating lease commitments disclosed as at 31 March 2019 | 659,328 |
| Decrease to lease commitments based on updated leases | (328) |
| Updated commitments | 659,000 |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | 587,199 |
| Lease liability recognised as at 1 April 2019 | 587,199 |
| Of which are: | |
| Current lease liabilities | 143,280 |
| Non-current lease liabilities | 443,919 |
| | 587,199 |

The net impact on retained earnings on 1 April 2019 was £nil.

The change in accounting policies affected the following items in the statement of the financial position on 1 April 2019:

| | £ |
|---|----------------|
| Additional recognition of right-of-use asset: | |
| Right of use asset – increase by | 587,199 |
| | 587,199 |
| Lease liabilities – increased by | 587,199 |
| Transfer of finance lease under IAS 17 to right-of-use asset: | |
| Plant cost | 2,493,705 |
| Plant depreciation | (1,941,748) |
| | 551,957 |

There are no other IFRSs or IFRS Interpretations Committee (IFRS IC) interpretations that are not yet effective that would be expected to have a material impact on Company.

AAC CYROMA LIMITED

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern

The Directors consider it appropriate to prepare the financial statements on a going concern basis. As a result of the Covid-19 pandemic, there is a risk that trading performance could be below expectations, however the company is part of the Versarien Group which has confirmed in writing its intention to provide ongoing support to the company for a period of at least 12 months from the date of signature of these financial statements.

Revenue recognition

The revenue recognised in any reporting period are based on the contracted delivery of performance obligations and an assessment of when control is transferred to the customer. To be recognised as a contract, there must be appropriate approval from both parties and clear identification of each party's rights under the agreement. The payment terms should be evident, with collection of consideration probable.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities and is shown net of value-added-tax, returns, rebates and discounts.

Revenue is recognised when the performance obligation in the contract has been performed and the control has been passed ('point in time' recognition). The customer gains the right of control at the time the product has been delivered.

Property, plant and equipment

In accordance with IAS 16, property, plant and equipment costs are recognised as a capital item in the Statement of Financial Position when it is considered the item will help generate a future economic benefit to the company.

The capitalisation of such items are based on the cost to purchase and bring the item to working condition. The depreciation rates for the relevant capital classifications are as follows

| | |
|---------------------|-----------------|
| Land and Buildings | 3 - 20 years |
| Plant and Machinery | 3 - 20 years |
| Other intangibles | 3 - 20 years |
| Right of use asset: | |
| Land and Buildings | over lease term |
| Plant and Machinery | 3-20 years |

FINANCIAL ASSETS

Financial assets are classified into 'financial assets at FVTPL' and 'financial assets at amortised cost'. The classification is determined at the time of initial recognition and depends on the Company's business model for managing the financial assets and whether the contractual cash flow represent solely payments of principal and interest.

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. These contracts are marked to market by re-measuring them to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

AAC CYROMA LIMITED

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at amortised cost

Assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and where the contractual cash flows represent solely payments of principal and interest. The Company's financial assets at amortised cost comprise 'trade and other receivables excluding prepayments' and 'cash and cash equivalents'.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets at amortised cost or at FVTPL. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. For trade receivables and contract assets, the Company recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'. For all other financial instruments, the Company recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers an actual or expected significant deterioration in the financial instrument's external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument e.g. a significant increase in the credit spread or the credit default swap prices for the debtor, indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Current tax

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position 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.

Financial risk management

(a) Capital risk management

The Company's objectives for managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to manage the cost of capital. There were no changes in the Group's approach to capital management during the year.

AAC CYROMA LIMITED**Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial risk management (cont'd)****(b) Foreign currency risk**

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies. The Company is exposed to the changes in foreign currency exchange rates between a number of different currencies but the Company's primary exposures relate to the Euro.

The Company's policy is not to hedge its exposure using financial instruments, but to mitigate exposure by natural hedges as far as possible.

(c) Interest rate risk

The Company currently uses some invoice discounting advances to fund working capital requirements. Interest rate risks are not hedged.

(d) Credit risk

The Company's credit risk is primarily attributable to its trade receivables and other current assets. The amounts recognised in the balance sheet are net of expected credit losses. Trade receivables are subject to credit limits. Credit risk associated with cash balances is managed by transacting with financial institutions of high quality.

The maximum exposure to credit risk for trade receivables and other current assets is represented by their carrying amount.

(e) Liquidity risk

The Company seeks to manage liquidity risk to ensure sufficient liquidity is available to meet the requirements of the business and to invest cash assets safely and profitably. The Board reviews regularly available cash to ensure there are sufficient resources for working capital requirements and to meet the Company's financial commitments.

At 31 March 2020 and 31 March 2019 all amounts shown in the Statement of Financial Position under current assets and current liabilities mature for payment within one year.

Trade and other receivables

Trade and other receivables are stated at cost less impairment, which approximates fair value given the short-term nature of these assets and liabilities. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other payables

These amounts represent liabilities for services provided to the company prior to the end of the financial year which are unpaid.

Share capital

Ordinary shares are classified as equity. Any excess above the par value of shares received upon issuance of is credited to share premium.

AAC CYROMA LIMITED**Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Leases**

As explained above, the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described in note 15. Until 31 March 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payment made under operating leases were charged to the profit and loss on a straight-line basis over the period of the lease. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases'. These liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 April 2019.

Tangible fixed assets which were acquired under finance leases and hire purchase agreements have been reclassified on adoption of IFRS 16 which has resulted in an increase to property, plant and equipment and liabilities.

Inventories

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

Pensions

The company contributes to the personal pension scheme of 26 (2019: 29) employees. Costs are charged to the profit and loss account as they become payable.

Key sources of estimation and uncertainty

The preparation of the financial statements requires the Company to make estimates, judgments and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Useful economic lives of tangible assets

In relation to the Company's finite life of plant and equipment, useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to potential impairment of the carrying value of such assets. See note 9 for the carrying amounts of property, plant and equipment.

AAC CYROMA LIMITED**Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)****3 REVENUE**

Turnover and profit on ordinary activities before taxation is wholly attributable to the principal activity of the company. An analysis of turnover by geographical location is given below:

| | 2020 £ | 2019 £ |
|----------------|------------------|------------------|
| United Kingdom | 3,549,972 | 4,071,835 |
| Rest of Europe | 267,338 | 613,162 |
| Other | 4,443 | 16,472 |
| | <u>3,821,753</u> | <u>4,701,469</u> |

4 EMPLOYEES AND DIRECTORS

The aggregate payroll costs were as follows:

| | 2020 £ | 2019 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 718,575 | 774,141 |
| Social security costs | 62,413 | 62,325 |
| Other pension costs | <u>26,108</u> | <u>33,435</u> |
| | <u>807,096</u> | <u>869,901</u> |

The average monthly number of persons employed by the company (excluding directors) during the year was as follows:

| | 2020 No | 2019 No |
|-------------------------|------------|------------|
| Research and production | <u>30</u> | <u>33</u> |

The total number of directors serving the company during the year amounted to 2 (2019:2). The remuneration of the directors was paid by and is dealt with in the financial statements of Versarien Plc. It is not practicable to allocate their remuneration between their services as directors of Versarien Plc and their services as directors of other companies within the Versarien Plc group. The directors are considered to be the key management.

AAC CYROMA LIMITED**Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)****5 OPERATING PROFIT BEFORE INCOME TAX**

| | 2020 £ | 2019 £ |
|---|-----------|----------------|
| Profit before taxation is stated after charging: | | |
| Fees payable to the auditors | | |
| - Audit of these financial statements pursuant to legislation | 17,107 | 13,839 |
| Depreciation of tangible fixed assets- owned | 263,074 | 114,917 |
| Operating lease payments- land and building | <u>-</u> | <u>196,887</u> |

6 TAX ON PROFIT**Analysis of the charge**

No liability to UK corporation tax arose for the year (2019: £nil)

Factors affecting the tax charge

| | 2020 £ | 2019 £ |
|---|-----------------|-----------------|
| Profit before tax | <u>86,109</u> | <u>93,176</u> |
| Effects of: | | |
| Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%) | 16,361 | 17,703 |
| Depreciation in excess of capital allowances | 8,325 | 15,880 |
| Non-deductible expenditure | 20 | - |
| Group relief | <u>(24,706)</u> | <u>(33,583)</u> |
| | <u>-</u> | <u>-</u> |

AAC CYROMA LIMITED

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

7 PROPERTY PLANT AND EQUIPMENT

| | ROU Asset £ | Land & Buildings £ | Plant & Machinery £ | Other Intangibles £ | Total £ |
|-------------------------------------|-------------------|--------------------------|---------------------------|---------------------------|------------|
| Cost | | | | | |
| At 1 April 2019 | - | 16,305 | 2,712,635 | 177,878 | 2,906,818 |
| Adjustment on transition to IFRS 16 | 3,080,904 | - | (2,493,705) | - | 587,199 |
| Additions | 42,361 | - | 3,715 | - | 46,076 |
| Disposals | - | - | (24,950) | - | (24,950) |
| At 31 March 2020 | 3,123,265 | 16,305 | 197,695 | 177,878 | 3,515,143 |
| Accumulated depreciation | | | | | |
| At 1 April 2019 | - | 9,782 | 2,142,844 | 153,647 | 2,306,273 |
| Adjustment on transition to IFRS 16 | 1,941,748 | - | (1,941,748) | - | - |
| Disposals | - | - | (24,950) | - | (24,950) |
| Charge for the year | 247,028 | 1,630 | 4,988 | 9,428 | 263,074 |
| At 31 March 2020 | 2,188,776 | 11,412 | 181,134 | 163,075 | 2,544,397 |
| Net book value | | | | | |
| At 31 March 2020 | 934,489 | 4,893 | 16,561 | 14,803 | 970,746 |
| At 31 March 2019 | - | 6,523 | 569,791 | 24,231 | 600,545 |

Under IFRS 16 the right of use assets for the Company are as follows:

| | Plant and equipment | Buildings | Total |
|--------------------------|------------------------|-----------|-------------|
| Cost | 2,536,066 | 587,199 | 3,123,265 |
| Accumulated depreciation | (2,024,098) | (164,678) | (2,188,776) |
| Net book value | 511,968 | 422,521 | 934,489 |

In the prior year, leases under HP were classified as plant and equipment; however under IFRS 16 they have now been classified as ROU asset with other leases.

AAC CYROMA LIMITED**Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)****8 INVENTORIES**

| | 2020 | 2019 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Raw materials, consumables and WIP | 375,927 | 214,430 |
| Finished goods | <u>52,449</u> | <u>32,640</u> |
| | <u>428,376</u> | <u>247,070</u> |

Inventories are stated after provision for impairment of £14,000 (2019: £12,000)

Stock recognised in cost of sales during the year as an expenses was £1,442,872 (2019: £2,012,420).

9 TRADE AND OTHER RECEIVABLES

| | 2020 | 2019 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 1,066,941 | 858,706 |
| Amounts owed by group undertakings | 689,273 | 669,788 |
| Other debtors | <u>128,373</u> | <u>96,638</u> |
| | <u>1,884,587</u> | <u>1,625,132</u> |

Trade debtors are stated after provision for impairment of £10,000 (2019: £nil)

10 CASH AND CASH EQUIVALENTS

| | 2020 | 2019 |
|---------------|----------------|---------------|
| | £ | £ |
| Bank accounts | <u>163,133</u> | <u>37,441</u> |

11 CREDITORS: Amounts falling due within one year

| | 2020 | 2019 |
|------------------------------|------------------|------------------|
| | £ | £ |
| Trade creditors | 726,542 | 442,837 |
| Lease liabilities | 150,460 | - |
| Taxation and social security | 108,106 | 108,490 |
| Invoice Discounting | 794,841 | 521,828 |
| Other creditors | <u>207,241</u> | <u>286,863</u> |
| | <u>1,987,190</u> | <u>1,360,018</u> |

Included within other creditors are obligations under hire purchase of £105,197 (2019: £134,221)

AAC CYROMA LIMITED**Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)****12 CREDITORS: Amounts falling due after more than one year**

| | 2020 | 2019 |
|-------------------|----------------|----------------|
| | £ | £ |
| Lease liabilities | 293,460 | - |
| Other creditors | <u>84,686</u> | <u>155,133</u> |
| | <u>378,146</u> | <u>155,133</u> |

Included within other creditors are obligations under hire purchase of £84,686 (2019: £155,133)

13 CALLED UP SHARE CAPITAL

Allotted, authorized, issued and fully paid

| Number | Class | Nominal value | 2020 | 2019 |
|-----------------|----------|---------------|------------|------------|
| | | | £ | £ |
| 100 (2019: 100) | Ordinary | £1 | <u>100</u> | <u>100</u> |

14 PENSION COMMITMENTS

The company contributed to the personal pension scheme of 26 (2019: 29) employees. Costs are charged to the profit and loss account as they become payable.

The pension charge for the year represents contributions payable by the company to the scheme and amounted to £26,108 (2019 - £33,435). There were outstanding contributions of £4,087 (2019: £4,002) to the scheme at the end of the financial year.

15 LEASING

In 2019, prior to implementation of IFRS16, the group's commitments for property leases and some plant, equipment and vehicles were accounted for as non-cancellable operating leases. All payments made for these commitments were credited to the profit and loss account as they became due.

Disclosure of the minimum lease commitments payable each year under those leases was disclosed by way of a note as below:

| | Land and Buildings | |
|----------------------------------|--------------------|---------|
| | 2020 | 2019 |
| | £ | £ |
| Payable within one year | - | 172,000 |
| Payable within two to five years | - | 487,328 |

From 1 April 2019, leases are recognised as a right of use asset and a corresponding liability.

The Company leases land and buildings on which the factories they operate are located, and assets acquired under hire purchase which have now been reclassified under IFRS16. Land and buildings lease contracts are typically for standard lease commercial periods.

AAC CYROMA LIMITED**Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)****15 LEASING (continued)**

Leases typically include a monthly payment. As at 1st April 2019 the Company has recognised a right to use asset and a leasing liability based on these payments.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate the individual lease would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses recent third-party financing received by the individual as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received. The Company had a range of borrowing rates from 4% to 6%. The Company believes that any reasonably possible change in the weighted average incremental borrowing rate would not cause the carrying value of lease liabilities or the lease interest payable charged to the Income Statement to be materially different.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are depreciated over the lease term on a straight line basis.

The total cash outflow for leases in 2020 was £200,721.

The right of use asset recognised includes leases and hire purchase agreements. The leasing liabilities are included as follows in the statement of financial position:

| | 2020 |
|--|----------------|
| | £ |
| Creditors: Amounts falling due within one year | |
| Lease liability | 150,460 |
| Other creditors | 105,197 |
| Creditors: Amounts falling due after more than one year | |
| Lease liability | 293,460 |
| Other creditors | 84,686 |
| | <u>633,803</u> |

The amounts below represent the minimum future lease payments:

| | 2020 | 2019 |
|---------------------------------|----------------|------|
| | £ | £ |
| Net obligations payable: | | |
| Within one year | 255,657 | - |
| Between one and five years | 378,146 | - |
| | <u>633,803</u> | - |

AAC CYROMA LIMITED

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

16 ULTIMATE PARENT UNDERTAKING

The Company's immediate and ultimate parent company is Versarien Plc which is incorporated in the United Kingdom and listed on AIM. Versarien PLC is considered the company's controlling party and in the opinion of the directors' there is no ultimate controlling party. The smallest and largest group in which the results of the company are consolidated is that headed by Versarien Plc. Copies of Versarien Plc consolidated financial statements can be obtained from its registered office at 2 Chosen View Road, Cheltenham, Gloucestershire, GL51 9LT.

17 RELATED PARTY TRANSACTIONS

The company takes the exemption under FRS 101 to not disclose transactions with other group companies.