REGISTERED NUMBER: 12414416 (England and Wales)

Group Strategic Report, Report of the Directors and

Consolidated Financial Statements

for the Period 1 February 2021 to 31 August 2021

for

Pegasus Automation Limited

Contents of the Consolidated Financial Statements
for the Period 1 February 2021 to 31 August 2021

Pegasus Automation Limited

Company Information
for the Period 1 February 2021 to 31 August 2021

DIRECTORS:	S A Cullen M Littlewood P Knight P Simmons D J Weatherill
REGISTERED OFFICE:	Combe Wood Combe St. Nicholas Chard Somerset TA20 3NL
REGISTERED NUMBER:	12414416 (England and Wales)

Group Strategic Report
for the Period 1 February 2021 to 31 August 2021

The directors present their strategic report of the company and the group for the period 1 February 2021 to 31 August 2021.

The comparative figures refer to the period 20 January 2020 to 31 January 2021.

STRATEGY AND BUSINESS MODEL
On 12 March 2021 Colin Mear Limited (CML) and its subsidiary Colin Mear Engineering Limited (CME) were acquired by Pegasus Automation Limited (Pegasus), a company formed by the senior management team of these companies, to enable an MBO. The expanded Group now contains these three companies.These financial statements include the results of CML and CME from the date of acquisition.

The group is a designer, manufacturer and installer of packaging and process automation machinery to multiple market sectors.

Our strategy is 3 fold:

- To continue to diversify from Tobacco sector automation to Cannabis, Pharmaceutical and FMCG sector automation to achieve a lower risk portfolio of customers across market sectors.

- To develop a range of standard product offerings across our market sectors to reduce reliance on low volume and bespoke automation products, aimed at highly defensible niches.

- To identify and address opportunities to extend our offerings into service based contracts.

These strategy elements are underpinned by promoting a culture of excellence in product and service innovation, process improvement, and excellence in customer satisfaction.

REVIEW OF BUSINESS
Overall revenue recognised for the period since acquisition is £5.7m. For CME, revenue for the year increased slightly to £12.1m as the pandemic continued to bite across markets globally, causing uncertainty which led to a phasing to the right of demand for new automation spend in our key markets. This also continued to impact aftermarket sales and Installations/support due to global factory closures and travel restrictions which have continued as the COVID-19 pandemic rolled on.

Operating costs are being closely monitored and managed to ensure the business gets the best return for its support activities. PBT for the period was £1.4m.

Group Strategic Report
for the Period 1 February 2021 to 31 August 2021

PRINCIPAL RISKS AND UNCERTAINTIES

The directors have identified the following principle risks and uncertainties affecting the group:

Market Risks

The global Tobacco market continues to shrink at a rate of around 2% per annum, although this trend is bucked in certain geographic and product segments which we are leveraging. All of our other market sectors are growing, but our risk lies in our newness to these markets and where best to apply our efforts combined with our ability to execute the required New Product Development (NPD) effectively.

COVID-19 Risk

In response to the global pandemic, we have taken the necessary medium-term steps to reduce costs, realign operational performance and conserve cash.

The customer decision making process for capital equipment procurement has been extended during the pandemic. We feel customers were waiting to see the impact of the downturn on their businesses, as they do in a recession. This said, sales pipeline activity is now rebounding strongly.

In 2021, the Aftermarket division was almost back to pre-pandemic levels, and is expected to recover fully in 2022, which the results to date are confirming.

The Installation/Support division was again adversely affected by the pandemic, mainly due to the travel restrictions. The division is expected to recover during 2022 as the restrictions ease, this too is being reflected in the 2022 numbers to date.

In conclusion while the business has been affected by the pandemic, we remain sure that the medium to long term outlook for our NPD and market development activities in packaging and process automation is strong.

Supply Chain Risk

The business is ensuring its people are trained and its systems and processes are fit for purpose for the new trade agreement with the EU to ensure there are no delays on Imports and Exports, and unnecessary duties are avoided.

The global shortage of semiconductors is causing pain with our lead times so this is being managed to ensure there are no knock-on effects to our customers delivery dates.

The increased cost of shipping is having a detrimental effect on the GM, although not as material as it could, as this is being managed to ensure we communicate and agree the price changes with our customers, where we can.

Legislative and Regulatory Risk

No legislative or regulatory risk has been identified.

Actions of Competitors

One of the desired outcomes of our growth and diversification strategy is to be exposed to limited competition by aiming our new products at untapped, defensible niches and being first to market. This has the combined effect of limiting competitive impact across our business as a whole.

KEY PERFORMANCE INDICATORS

Apart from those measures identified above in the business review, the directors are of the opinion that no further inclusion of financial and non-financial key performance indicators is necessary for an understanding of the development, performance or position of the company's business.

ON BEHALF OF THE BOARD:

P Knight - Director

27 April 2022

Report of the Directors
for the Period 1 February 2021 to 31 August 2021

The directors present their report with the financial statements of the company and the group for the period 1 February 2021 to 31 August 2021.

DIVIDENDS
The total distribution of dividends for the period ended 31 August 2021 is £279,601.

RESEARCH AND DEVELOPMENT
The group engages in a continuous program of research and development. Research costs are written off to the profit and loss account as incurred and development costs are capitalised. It is the aim of the directors to continue to provide its customers with continually improved services and products.

FUTURE DEVELOPMENTS
We are investing heavily in our peoples skills, diversification into new markets and the innovation process; all of which we see as fundamental to our continued recovery and planned future success.

Our diversification effort now has a healthy pipeline of opportunities as well as dedicated resources throughout the business for the first time, and we have successfully brought to market & sold several new innovative products that have been designed to have applications in multiple market sectors.

We are very confident of our business's future following a year of substantial positive change for CME.

DIRECTORS
P Knight has held office during the whole of the period from 1 February 2021 to the date of this report.

Other changes in directors holding office are as follows:

S A Cullen - appointed 12 March 2021
M Littlewood - appointed 12 March 2021
P Simmons - appointed 12 March 2021
D J Weatherill - appointed 12 March 2021

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
The Board is responsible for safeguarding the assets of the company and hence for taking reasonable steps to manage the company exposure to risk and thereby provide reasonable assurance that:

- Its assets are safeguarded against unauthorised use of disposal;
- Proper records are maintained and financial information used within the company is reliable;
- The company complies with relevant laws and regulations.

The company and group reviews its cash flow and financial costs through its financial reports to the Board of Directors. This strategy is implemented by the Finance Director through the production of monthly management accounts and associated information. The company and group has historically not been exposed to significant credit risk, despite having a substantial export trade, due to the benefits from having its major contracts with group and associated companies of a single major company based within the UK. The company and group have minimised exposure to risk by implementing a policy of stage payments for contracts.

The company and group have a Foreign Exchange policy which has been designed to reduce the exposure of the inherent risk of trading in foreign currencies. Forward contracts are put in place, over the duration of each project contract, to lock in rates to protect margins.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

AUDITORS

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

ON BEHALF OF THE BOARD:

P Knight - Director

27 April 2022

Report of the Independent Auditors to the Members of Pegasus Automation Limited

Opinion
We have audited the financial statements of Pegasus Automation Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 August 2021 which comprise the Consolidated Statement of 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 August 2021 and of the group's profit for the period 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
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the 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.

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 pages four and five, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery, employment law and company legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements of the Group. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the audit engagement team included:
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding of management's internal controls designed to prevent and detect irregularities, and fraud;
- Reviewing the Group's legal costs to check for non-compliance with laws and regulations and fraud;
- Reviewing Board of Directors minutes;
- Review of tax compliance with the involvement of our tax specialists in the audit;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses;
- Testing transactions entered into outside of the normal course of the Group's business; and
- Identifying and testing journal entries, in particular any journal entries with fraud characteristics such as journals with round numbers.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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.

Fiona Westwood (Senior Statutory Auditor)
for and on behalf of Monahans
Statutory Auditor
Chartered Accountants
Blackdown House
Blackbrook Park Avenue
Taunton
Somerset
TA1 2PX

28 April 2022

Consolidated Statement of Comprehensive Income for the Period 1 February 2021 to 31 August 2021

	Notes	Period 1.2.21 to 31.8.21 £	£	Period 20.1.20 to 31.1.21 £	£
TURNOVER	4		5,690,481		-
Cost of sales			3,181,739		-
GROSS PROFIT			2,508,742		-
Distribution costs		310,827		-	
Administrative expenses		628,916		-	
			939,743		-
			1,568,999		-
Other operating income			19,485		-
OPERATING PROFIT	6		1,588,484		-
Interest receivable and similar income			282		-
			1,588,766		-
Interest payable and similar expenses	7		159,526		-
PROFIT BEFORE TAXATION			1,429,240		-
Tax on profit	8		81,536		-
PROFIT FOR THE FINANCIAL PERIOD			1,347,704		-
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			1,347,704		-
Profit attributable to:					
Owners of the parent			1,347,704		-
Total comprehensive income attributable to:					
Owners of the parent			1,347,704		-

The notes form part of these financial statements

Pegasus Automation Limited (Registered number: 12414416)

Consolidated Balance Sheet
31 August 2021

	Notes	2021 £	2021 £	2021 £	2021 £
FIXED ASSETS					
Intangible assets	11		342,186		-
Tangible assets	12		903,044		-
Investments	13		-		-
			1,245,230		-
CURRENT ASSETS					
Stocks	14	1,027,638		-	
Debtors	15	6,764,430		1	
Cash at bank and in hand		811,857		-	
		8,603,925		1	
CREDITORS					
Amounts falling due within one year	16	4,358,968		-	
NET CURRENT ASSETS			4,244,957		1
TOTAL ASSETS LESS CURRENT LIABILITIES			5,490,187		1
CREDITORS					
Amounts falling due after more than one year	17		(3,451,890)		-
PROVISIONS FOR LIABILITIES	21		(270,194)		-
NET ASSETS			1,768,103		1
CAPITAL AND RESERVES					
Called up share capital	22		700,000		1
Retained earnings	23		1,068,103		-
SHAREHOLDERS' FUNDS			1,768,103		1

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2022 and were signed on its behalf by:

P Knight - Director

S A Cullen - Director

Pegasus Automation Limited (Registered number: 12414416)

Company Balance Sheet
31 August 2021

	Notes	2021 £	£	2021 £	£
FIXED ASSETS					
Intangible assets	11		-		-
Tangible assets	12		-		-
Investments	13		5,561,663		-
			5,561,663		-
CURRENT ASSETS					
Debtors	15	19,391		1	
Cash at bank		18		-	
		19,409		1	
CREDITORS					
Amounts falling due within one year	16	1,813,218		-	
NET CURRENT (LIABILITIES)/ASSETS			(1,793,809)		1
TOTAL ASSETS LESS CURRENT LIABILITIES			3,767,854		1
CREDITORS					
Amounts falling due after more than one year	17		2,840,000		-
NET ASSETS			927,854		1
CAPITAL AND RESERVES					
Called up share capital	22		700,000		1
Retained earnings	23		227,854		-
SHAREHOLDERS' FUNDS			927,854		1
Company's profit for the financial year			507,455		-

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2022 and were signed on its behalf by:

P Knight - Director

The notes form part of these financial statements

Consolidated Statement of Changes in Equity for the Period 1 February 2021 to 31 August 2021

	Called up share capital £	Retained earnings £	Total equity £
Changes in equity			
Issue of share capital	1	-	1
Balance at 31 January 2021	1	-	1
Changes in equity			
Issue of share capital	699,999	-	699,999
Dividends	-	(279,601)	(279,601)
Total comprehensive income	-	1,347,704	1,347,704
Balance at 31 August 2021	700,000	1,068,103	1,768,103

The notes form part of these financial statements

Company Statement of Changes in Equity for the Period 1 February 2021 to 31 August 2021

	Called up share capital £	Retained earnings £	Total equity £
Changes in equity			
Issue of share capital	1	-	1
Balance at 31 January 2021	1	-	1
Changes in equity			
Issue of share capital	699,999	-	699,999
Dividends	-	(279,601)	(279,601)
Total comprehensive income	-	507,455	507,455
Balance at 31 August 2021	700,000	227,854	927,854

The notes form part of these financial statements

Pegasus Automation Limited (Registered number: 12414416)

Consolidated Cash Flow Statement
for the Period 1 February 2021 to 31 August 2021

	Notes	Period 1.2.21 to 31.8.21 £	Period 20.1.20 to 31.1.21 £
Cash flows from operating activities			
Cash generated from operations	1	(3,500,847)	-
Interest paid		(155,794)	-
Interest element of hire purchase payments paid		(3,732)	-
Net cash from operating activities		(3,660,373)	-
Cash flows from investing activities			
Purchase of intangible fixed assets		(96,985)	-
Purchase of tangible fixed assets		(4,631)	-
Cash on acquisition		399,093	-
Interest received		282	-
Net cash from investing activities		297,759	-
Cash flows from financing activities			
New loans in year		3,807,500	-
Loan repayments in year		(7,031)	-
Capital repayments in year		(45,342)	-
Amount withdrawn by directors		(1,055)	-
Share issue		700,000	-
Equity dividends paid		(279,601)	-
Net cash from financing activities		4,174,471	-
Increase in cash and cash equivalents		811,857	-
Cash and cash equivalents at beginning of period	2	-	-
Cash and cash equivalents at end of period	2	811,857	-

The notes form part of these financial statements

Notes to the Consolidated Cash Flow Statement
for the Period 1 February 2021 to 31 August 2021

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

	Period 1.2.21 to 31.8.21	Period 20.1.20 to 31.1.21
	£	£
Profit before taxation	1,429,240	-
Depreciation charges	278,824	-
Net liabilities on acquisition	(1,459,660)	-
Movement in warranty provisions	33,969	-
Finance costs	159,526	-
Finance income	(282)	-
	441,617	-
Increase in stocks	(1,027,638)	-
Increase in trade and other debtors	(6,874,241)	-
Increase in trade and other creditors	3,959,415	-
Cash generated from operations	(3,500,847)	-

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:

Period ended 31 August 2021

	31.8.21	1.2.21
	£	£
Cash and cash equivalents	811,857	-

Period ended 31 January 2021

	31.1.21	20.1.20
	£	£

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.2.21	Cash flow	At 31.8.21
	£	£	£
Net cash			
Cash at bank and in hand	-	811,857	811,857
	-	811,857	811,857
Debt			
Finance leases	-	(50,974)	(50,974)
Debts falling due within 1 year	-	(377,532)	(377,532)
Debts falling due after 1 year	-	(3,422,937)	(3,422,937)
	-	(3,851,443)	(3,851,443)
Total	-	(3,039,586)	(3,039,586)

1. **STATUTORY INFORMATION**

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

The presentation currency of the financial statements is the Pound Sterling (£).

2. **STATEMENT OF COMPLIANCE**

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.

3. **ACCOUNTING POLICIES**

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention.

Based on their assessment of the group and company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for at least the next twelve months. Thus the group and company adopt the going concern basis of preparation for the financial statements.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Consolidation has been performed on the acquisition basis of accounting. Uniform accounting policies are adopted throughout the group.

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

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

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

Trade and other receivables - the allowance for doubtful accounts involves significant management judgement and review of individual receivables based on individual customer creditworthiness and credit history.

Amounts recoverable on contracts - significant estimates are involved in the determination of the amounts recoverable on contracts which are based upon the estimate stage of completion of each contract. Provision is made for losses on a contract by contract basis where anticipated.

Warranty provision - a warranty provision is provided based upon a certain percentage of the level of sales made in the year that attract a warranty.

Stock provision - provisions are estimated using data based on expected levels and demand.

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3. **ACCOUNTING POLICIES - continued**

Turnover
Turnover is measured at the fair value of the consideration received or receivable. Turnover is reduced for customer returns, rebates or other similar allowances and is net of value added taxes. Turnover includes revenue earned from the sale of goods and from the rendering of services.

Turnover from the sale of goods such as spare parts is recognised upon delivery of goods to customers.

Turnover from the sale of machinery is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is measured by comparing costs incurred for work performed to date to the total estimated contract costs. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

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.

Development costs are being amortised evenly over their estimated useful life of ten years.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 2% on straight line basis
Plant and machinery	- 33% on straight line basis, 20% on straight line basis and 15% on reducing balance
Motor vehicles	- 25% on reducing balance

Tangible fixed assets are stated at cost less accumulated depreciation. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Impairment of non financial assets
At each reporting date, the company reviews the carrying amounts of its plant and equipment to determine whether there is any indication that any items of plant and equipment have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss.

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

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

Stocks are valued on a first-in, first-out basis, at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those direct and indirect overheads that have been incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. All stocks are classified as current as it is expected that they will be used in the Group's operating cycle, regardless of whether this is expected to be within 12 months of the balance sheet date.

continued...

3. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, 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 period 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.

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.

Hire purchase and leasing commitments

Assets that are held by the company under leases which transfer to the company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the company are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

Financial instruments

The company has chosen to adopt the requirements of sections 11 and 12 of FRS 102 in respect of the measurement and disclosure of financial instruments.

Debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

At the end of each reporting period, financial assets are assessed for impairment. Impairments and reversals of impairments are recognised in profit and loss.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings or current liabilities.

continued...

3. **ACCOUNTING POLICIES - continued**

Provisions
Provisions are recognised when the company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4. **TURNOVER**

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

An analysis of turnover by geographical market for the period ended 31 August 2021 is given below:

	£
United Kingdom	1,359,000
Overseas	4,331,481
	5,690,481

This analysis is not considered to be applicable to the period ended 31 January 2021.

5. **EMPLOYEES AND DIRECTORS**

	Period 1.2.21 to 31.8.21	Period 20.1.20 to 31.1.21
	£	£
Wages and salaries	3,366,031	-
Social security costs	344,441	-
Other pension costs	152,087	-
	3,862,559	-

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

	Period 1.2.21 to 31.8.21	Period 20.1.20 to 31.1.21
Number of production staff	50	-
Number of distribution staff	6	-
Number of office & admin staff	39	-
	95	-

	Period 1.2.21 to 31.8.21	Period 20.1.20 to 31.1.21
	£	£
Directors' remuneration	41,746	-
Directors' pension contributions to money purchase schemes	13,975	-

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	5	-

Before Pegasus Automation Limited acquired Colin Mear Limited, the directors were paid by Colin Mear Engineering Limited.

continued...

6. OPERATING PROFIT

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

	Period 1.2.21 to 31.8.21	Period 20.1.20 to 31.1.21
	£	£
Hire of plant and machinery	2,047	-
Other operating leases	28,730	-
Depreciation - owned assets	176,195	-
Depreciation - assets on hire purchase contracts	47,497	-
Development costs amortisation	55,132	-
Auditor's remuneration - audit of the group and subsidiaries	25,000	-
Foreign exchange differences	(181,900)	-

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	Period 1.2.21 to 31.8.21	Period 20.1.20 to 31.1.21
	£	£
Loan interest	155,794	-
Hire purchase	3,732	-
	159,526	-

8. TAXATION

Analysis of the tax charge
The tax charge on the profit for the period was as follows:

	Period 1.2.21 to 31.8.21	Period 20.1.20 to 31.1.21
	£	£
Current tax:		
UK corporation tax	110,866	-
Deferred tax	(29,330)	-
Tax on profit	81,536	-

continued...

8. **TAXATION - continued**

Reconciliation of total tax charge included in profit and loss
The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1.2.21 to 31.8.21 £
Profit before tax	1,429,240
Profit multiplied by the standard rate of corporation tax in the UK of 19 %	271,556
Effects of:	
Expenses not deductible for tax purposes	152
Depreciation in excess of capital allowances	49,908
Deferred tax	(29,330)
R&D credits	(3,491)
Other timing differences	(122,637)
EMI Share options	(84,622)
Total tax charge	81,536

9. **INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME**

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.

10. **DIVIDENDS**

	Period 1.2.21 to 31.8.21 £	Period 20.1.20 to 31.1.21 £
Ordinary A shares shares of £1 each		
Final	75,424	-
Ordinary B shares shares of £1 each		
Final	159,000	-
Ordinary C shares shares of £1 each		
Final	45,177	-
	279,601	-

 continued...

11. INTANGIBLE FIXED ASSETS

Group

	Development costs £
COST	
Additions	96,985
Reclassification/transfer	454,336
At 31 August 2021	551,321
AMORTISATION	
Amortisation for period	55,132
Reclassification/transfer	154,003
At 31 August 2021	209,135
NET BOOK VALUE	
At 31 August 2021	342,186

12. TANGIBLE FIXED ASSETS

Group

	Freehold property £	Plant and machinery £	Motor vehicles £	Totals £
COST				
Additions	-	4,631	-	4,631
Transfer on acquisition	630,000	1,887,206	24,549	2,541,755
At 31 August 2021	630,000	1,891,837	24,549	2,546,386
DEPRECIATION				
Charge for period	12,600	207,000	4,092	223,692
Transfer on acquisition	50,400	1,357,021	12,229	1,419,650
At 31 August 2021	63,000	1,564,021	16,321	1,643,342
NET BOOK VALUE				
At 31 August 2021	567,000	327,816	8,228	903,044

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £
COST	
Transfer on acquisition	202,757
At 31 August 2021	202,757
DEPRECIATION	
Charge for period	47,497
Transfer on acquisition	76,693
At 31 August 2021	124,190
NET BOOK VALUE	
At 31 August 2021	78,567

continued...

13. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
Additions	5,561,663
At 31 August 2021	5,561,663
NET BOOK VALUE	
At 31 August 2021	5,561,663

The company's subsidiaries at the balance sheet date included in the consolidated accounts are the following:

Company name	Nature of business	Class of shares held	% Held
Subsidiaries			
Colin Mear Limited	Property holding company	Ordinary	100%
Colin Mear Engineering Ltd	Design and production of machinery	Ordinary	100%

All subsidiaries noted above are registered at the address of the parent company.

14. STOCKS

	Group	
	2021	2021
	£	£
Raw materials	542,492	-
Work-in-progress	485,146	-
	1,027,638	-

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021	2021	2021	2021
	£	£	£	£
Trade debtors	1,727,459	-	-	-
Amounts recoverable on contract	3,790,825	-	-	-
Other debtors	781,288	-	-	-
Directors' current accounts	1,055	-	1,055	-
Tax	18,221	-	-	-
VAT	18,336	-	18,336	-
Called up share capital not paid	-	1	-	1
Prepayments and accrued income	427,246	-	-	-
	6,764,430	1	19,391	1

continued...

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2021	2021	2021	2021
	£	£	£	£
Other loans (see note 18)	377,532	-	360,000	-
Hire purchase contracts (see note 19)	22,021	-	-	-
Payments on account	103,404	-	-	-
Trade creditors	1,782,787	-	2,762	-
Amounts owed to group undertakings	-	-	914,063	-
Social security and other taxes	166,706	-	2,099	-
Other creditors	561,974	-	519,520	-
Accruals and deferred income	1,344,544	-	14,774	-
	4,358,968	-	1,813,218	-

The company operates a defined contribution pension scheme and at the year end £21,930 (2020: £nil) of contributions were outstanding.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2021	2021	2021	2021
	£	£	£	£
Other loans (see note 18)	3,422,937	-	2,840,000	-
Hire purchase contracts (see note 19)	28,953	-	-	-
	3,451,890	-	2,840,000	-

18. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2021	2021	2021	2021
	£	£	£	£
Amounts falling due within one year or on demand:				
Other loans	377,532	-	360,000	-
Amounts falling due between one and two years:				
Other loans - 1-2 years	378,511	-	360,000	-
Amounts falling due between two and five years:				
Other loans - 2-5 years	1,502,145	-	1,440,000	-
Amounts falling due in more than five years:				
Repayable by instalments				
Other loans more 5yrs instal	1,542,281	-	1,040,000	-

continued...

19. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Hire purchase contracts	
	2021	2021
	£	£
Net obligations repayable:		
Within one year	22,021	-
Between one and five years	28,953	-
	50,974	-

20. SECURED DEBTS

The following secured debts are included within creditors:

	Group	
	2021	2021
	£	£
Hire purchase contracts	50,974	-

Hire purchase liabilities are secured upon the assets to which they relate.

The company's bank, Lloyds, hold a deposit agreement dated 12 February 2020 incorporating a fixed charge over the cash assets of the company.

Sme Platform UK Lending No.1 Dac hold an unlimited debenture dated 12 March 2021 incorporating a fixed and floating charge over the assets of the company.

21. PROVISIONS FOR LIABILITIES

	Group	
	2021	2021
	£	£
Deferred tax		
Accelerated Capital Allowances	127,784	-
Other timing differences	(2,901)	-
	124,883	-
Other provisions		
Warranty provision	145,311	-
Aggregate amounts	270,194	-

Group

	Deferred tax	Warranty
	£	£
Provided during period	29,330	111,342
Transfer in on acquisition	95,553	33,969
Balance at 31 August 2021	124,883	145,311

A provision is recognised for expected warranty claims on products sold during the last 2 years. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years of the balance sheet date.

continued...

22. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £	2021 £
420,000	Ordinary A shares	£1	420,000	1
210,000	Ordinary B shares	£1	210,000	-
70,000	Ordinary C shares	£1	70,000	-
			700,000	1

The following shares were allotted and fully paid for cash at par during the period:

419,999 Ordinary A shares shares of £1 each
210,000 Ordinary B shares shares of £1 each
70,000 Ordinary C shares shares of £1 each

All shares issued are non-redeemable and rank equally in terms of voting rights, to participate in all approved dividend distributions for that class of share and to participate in any capital distribution on winding up.

23. RESERVES

Group

	Retained earnings £
Profit for the period	1,347,704
Dividends	(279,601)
At 31 August 2021	1,068,103

Company

	Retained earnings £
Profit for the period	507,455
Dividends	(279,601)
At 31 August 2021	227,854

24. RELATED PARTY DISCLOSURES

During the period, a total of key management personnel compensation of £ 55,721 was paid.

25. ULTIMATE CONTROLLING PARTY

No single individual has control of the group.

continued...

26. **ACQUISITION OF SUBSIDIARY**

On 12 March 2021 the group acquired Colin Mear Limited (CML) and its subsidiary Colin Mear Engineering Limited (CME) for a consideration of £5,314,003 (including deferred consideration of £519,520) in cash. The net assets of the CML group at acquisition was £6,430,435, resulting in negative goodwill of £1,116,432.

Net assets at date of acquisition:

Book value of CML group	Revaluation adjustments	Fair value
£	£	£
6,430,435	-	6,430,435

The negative goodwill mainly relates to adjustments to the capital structure of group subsidiaries done as part of the management buyout. As no subsequent periods are expected to benefit from this balance, the amount has been recognised in full this period.