Company Registration No. SC240229 (Scotland)

MEMSSTAR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

MEMSSTAR LIMITED

COMPANY INFORMATION

Directors	Mr K Rutter Mr B S Emslie Mr A A Mckie Mr A M Elder Mr F S Hallsworth Mr C P Connock
Secretary	Mr K Rutter
Company number	SC240229
Registered office	Quartermile One 15 Lauriston Place Edinburgh EH3 9EP
Auditor	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE

MEMSSTAR LIMITED

CONTENTS

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Review of the Business

memsstar's principal activities include the remanufacture of semiconductor capital equipment and the manufacture of memsstar's proprietary capital equipment for MEMS (Micro Electrical Mechanical Systems) manufacturers. memsstar primarily services markets in Europe for semiconductor equipment and global markets for MEMS equipment.

Going Concern

The company is funded by cash generated from operations and, historically, by its shareholders. It currently meets its day-to-day working capital requirements through cash reserves. At 31 December 2021 the company reported an available cash position of £2,160,528 (2020: £1,842,180). The company's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the company should continue to be able to operate within the level of existing cash reserves. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Market

The continuing shortage of semiconductors is driving a major expansion in production in Europe and Worldwide. Paradoxically, for memsstar, this tends to reduce the opportunities available to us in remanufacturing due to supply chain shortages in systems and components, thereby impacting our competitiveness. However, some opportunities still arise that give us the opportunity to take business in this area. This situation is expected to continue for at least the next 12 months.

At the same time the advanced MEMS market continued to mature and develop, with increasing acceptance of the advantages that our single wafer processing technology brings when developing and manufacturing advanced MEMS devices.

For memsstar, this has provided opportunities in both our business segments, which we were able to capitalise on. Looking forward, 2022 remains uncertain as to how the market will develop as industry navigates its path out of COVID-19 but our current expectation is a similar market situation to 2021, together with a range of business opportunities that match our product portfolio.

Key Performance Indicators

The board monitors performance of the company by reference to the following financial Key Performance Indicators (KPIs)

KPI	2021	2020	Change (£)	Change (%)
Profit before tax	£621,217	£1,089,835	(£468,618)	(43.0%)
Gross Margin	33.4%	47.1%	-	(13.7%)

In addition, the company utilised other non-financial KPIs, such as staff utilisation, shipment accuracy and costing accuracy.

Principal Risks and Uncertainties

The principal financial risks to which the company is exposed are those relating to customer investment, foreign currency, customer credit and payment terms.

COVID-19

The company has continued to operate the majority of it's business throughout the pandemic. The relaxation of travel restrictions in Europe enabled the company to start to address the backlog of work which required travel, however, the ongoing travel restrictions in Asia continues to impact the business.

Supply Chain Challenges
Due to both COVID effects and industry under capacity, the company continues to face disturbances in its supply chain, with the result that it has had to increase its quoted lead times to customers. Several mitigating actions have been taken, and will continue to be taken throughout 2022.

Customer Investment
As the principal activity of the business is the manufacture and sale of capital equipment to semiconductor and MEMS manufacturers, sales orders are heavily influenced by customer capital investment plans. The nature of our business is high value, low volume orders and as such each customer order can have a significant influence on the overall company results. In order to reduce this risk, the company is implementing plans to further expand its customer base and product portfolio.

Foreign Currency
The majority of sales are denominated in US dollars, as are the significant purchases which relate to these sales. Consequently, there is a natural foreign exchange risk hedge, and hence no need to further mitigate exchange risk.

Customer Credit and Payment Terms
Standard customer payment terms for capital equipment orders include a significant down payment. This down payment provides working capital for the fulfilment of the order and reduce the overall credit risk.

Brexit
Although the company is familiar in dealing with imports and exports out with the EU, Brexit has caused additional disruption, mainly with delays in the movement of goods. To address this the company is establishing a German subsidiary to facilitate the movements of goods to and from its European customers.

The business continues to carefully monitor developments and engaging with all stakeholders to ensure an appropriate and proportionate response to all events that have the potential to adversely impact its customers, suppliers and staff.

On behalf of the board

K. Rutter
....
Mr K Rutter
Director

....
4 July 2022

MEMSSTAR LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities
The principal activity of the company continued to be that of supply of capital equipment and services for microfabrication processing systems.

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

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

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

Mr K Rutter
Mr B S Emslie
Mr A A Mckie
Mr A M Elder
Mr F S Hallsworth
Mr C P Connock

Auditor
The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

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

On behalf of the board

K. R...............
Mr K Rutter
Director

Date: 4 July 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MEMSSTAR LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEMSSTAR LIMITED

Opinion

We have audited the financial statements of memsstar Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

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

We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the 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.

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK GAAP
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of submitted returns, relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MEMSSTAR LIMITED

Use of this report

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

Johnston Carmichael LLP

Irvine Spowart (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor

Date: 5 July 2022

7-11 Melville Street
Edinburgh
EH3 7PE

MEMSSTAR LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	3	7,321,660	6,790,862
Cost of sales		(4,875,194)	(3,594,640)
Gross profit		2,446,466	3,196,222
Administrative expenses		(1,864,235)	(1,981,591)
Other operating income		104,596	125,092
Exceptional item	4	-	(202,335)
Operating profit	5	686,827	1,137,388
Interest payable and similar expenses	9	(65,610)	(47,553)
Profit before taxation		621,217	1,089,835
Tax on profit on ordinary activities	10	(112,932)	(142,519)
Profit for the financial year		508,285	947,316
Total comprehensive income for the year		508,285	947,316

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

MEMSSTAR LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	11		5,626		10,202
Tangible assets	12		710,822		805,705
			716,448		815,907
Current assets					
Stocks	13	733,268		224,149	
Debtors	14	2,001,534		3,933,783	
Cash at bank and in hand		2,160,528		1,842,180	
		4,895,330		6,000,112	
Creditors: amounts falling due within one year	15	(1,399,446)		(3,010,474)	
Net current assets			3,495,884		2,989,638
Total assets less current liabilities			4,212,332		3,805,545
Creditors: amounts falling due after more than one year	16		(157,500)		(227,500)
Provisions for liabilities			-		(20,368)
Deferred income	19		(22,453)		(33,583)
Net assets			4,032,379		3,524,094
Capital and reserves					
Called up share capital	21		50,071		50,071
Capital redemption reserve			43		43
Other reserves			450,000		450,000
Profit and loss reserves			3,532,265		3,023,980
Total equity			4,032,379		3,524,094

The financial statements were approved by the board of directors and authorised for issue on 4 July 2022 and are signed on its behalf by:

K Rutter

Mr K Rutter
Director

Company Registration No. SC240229

MEMSSTAR LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Capital redemption reserve	Other reserves	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 January 2020	50,071	43	450,000	2,076,664	2,576,778
Year ended 31 December 2020:					
Profit and total comprehensive income for the year	-	-	-	947,316	947,316
Balance at 31 December 2020	50,071	43	450,000	3,023,980	3,524,094
Year ended 31 December 2021:					
Profit and total comprehensive income for the year	-	-	-	508,285	508,285
Balance at 31 December 2021	50,071	43	450,000	3,532,265	4,032,379

MEMSSTAR LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	27		604,819		(374,430)
Interest paid			(65,610)		(47,553)
Income taxes (paid)/refunded			(133,971)		4,954
Net cash inflow/(outflow) from operating activities			405,238		(417,029)
Investing activities					
Purchase of tangible fixed assets		(16,235)		(586,368)	
Proceeds on disposal of tangible fixed assets		42		190	
Net cash used in investing activities			(16,193)		(586,178)
Financing activities					
(Repayment) of borrowings		(697)		(195,613)	
Proceeds of new bank loans		-		350,000	
(Repayment) / proceeds of bank loans		(70,000)		(52,500)	
Net cash (used in)/generated from financing activities			(70,697)		101,887
Net increase/(decrease) in cash and cash equivalents			318,348		(901,320)
Cash and cash equivalents at beginning of year			1,842,180		2,743,500
Cash and cash equivalents at end of year			2,160,528		1,842,180

1 Accounting policies

Company information
memsstar Limited is a private company limited by shares incorporated in Scotland. The registered office is Quartermile One, 15 Lauriston Place, Edinburgh, EH3 9EP.

1.1 Accounting convention

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

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

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

1.2 Going concern

The company's business activities, together with the factors likely to affect its future prospects, are discussed in the Strategic Report. After making enquiries, and taking into consideration the sales pipeline and the debt repayment profile, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover for remanufactured semiconductor capital equipment is recognised on a long term contract basis, based on the stage of completion of the specific contract. Turnover from the sale of memsstar's proprietary products, provision of labour and sale of spare parts is recognised when the significant risk and benefits of ownership of the product have transferred to the buyer or the service has been discharged, which may be upon completion of service, delivery to buyer location or collection by the buyer, based on specified contract terms. Turnover is the amount derived from ordinary activities, and stated after trade discounts, other sales taxes and net of VAT.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Intangible fixed assets other than goodwill

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

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

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

Software	20% straight line

1 Accounting policies **(Continued)**

1.6 Tangible fixed assets

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

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

Freehold buildings	4% straight line
Fixtures & Fittings	10 - 33.3% straight line
Plant and machinery	33.3% straight line
Equipment	33.3% straight line
Land	No depreciation is charged on land

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

1.7 Impairment of fixed assets

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recovered.

1.8 Stocks

Raw materials comprise bought in components that are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost comprises acquisition price.

Work in progress represents the refurbishment of machines acquired against specific customer orders, and considered by the directors to be material contracts.

Amounts recoverable at the period end on such contracts, that are included in debtors, are stated at the net sales value of the work done less amounts recovered as progress payment on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingences and anticipated future losses on such contracts are included as contract balances in stock.

Work in progress also includes the company's own brand models that are part way through completion.

1.9 Financial instruments

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

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

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

Basic financial assets

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

1 Accounting policies **(Continued)**

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

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

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

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

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

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

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

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

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

1 Accounting policies **(Continued)**

Other financial liabilities

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

Derecognition of financial liabilities

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

1.10 Equity instruments

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.11 Taxation

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

Current tax

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

Deferred tax

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

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

1 Accounting policies **(Continued)**

1.12 Employee benefits

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

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

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

1.13 Retirement benefits

The company operates a defined contribution scheme in respect of employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to expenses as incurred.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1.14 Leases

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

1.15 Government grants

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

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability. Grants included COVID support measures from the UK government, including Job Retention Scheme.

Revenue grants

Government grants of a revenue nature are credited to the profit and loss account as the related research and development expenditure is incurred.

Capital grants

Government grants in respect of capital expenditure are credited to a deferred income account and released to profit over the expected useful lives of the relevant assets by equal annual instalments.

1.16 Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All differences are taken to the profit and loss account.

1.17 Warranty provision

Warranty provisions are made for remanufactured and own brand models sold by the company. The provisions are based on historic warranty costs to the company for each product type.

1 Accounting policies **(Continued)**

1.18 Share options

The company has considered the requirements of FRS 102. The company issues equity settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity settled share-based payment, where material, is expensed on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition

Where refurbishment projects span more than one financial period, revenue recognised on these projects is estimated based on the judged percentage that the project is complete. Any potential over or under estimate of revenue to be recognised would not have an impact on the overall position of the company but would affect the results of the relevant periods.

Costs to complete projects and warranty provisions

Estimated accruals for costs to come and potential liabilities under warranty agreements have been made in relation to projects that have been completed at the year end. Should the actual costs be higher or lower than the estimated then this would have an adverse/positive effect on the future results of the company.

Stock provision

The company's stock is reviewed regularly for evidence of obsolescence. Management's estimate of the required stock provision is based on the ageing of stock, customer demand and physical inspection.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Sale of remanufactured and proprietary equipment and associated parts	6,770,866	5,600,919
Provision of services	550,794	1,189,943
	7,321,660	6,790,862

3 Turnover and other revenue (Continued)

	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	1,533,857	822,701
Europe	3,878,317	2,048,414
Other	1,909,486	3,919,747
	7,321,660	6,790,862

	2021	2020
	£	£
Other significant revenue		
Grants received	97,144	125,092
Research and development credits	7,450	-

4 Exceptional item

	2021	2020
	£	£
Bad debt provision	-	202,335

A provision for £202,335 has been raised in the prior year relation to a debtor due from WXXZZ Limited that has doubts over its recoverability.

5 Operating profit

	2021	2020
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange losses	28,501	30,731
Government grants	(97,144)	(125,092)
Depreciation of owned tangible fixed assets	111,118	109,231
Profit on disposal of tangible fixed assets	(42)	(190)
Amortisation of intangible assets	4,576	4,575

6 Auditor's remuneration

	2021	2020
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	19,000	15,910
For other services		
Taxation compliance services	3,500	3,500

7 Employees

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

	2021 Number	2020 Number
Admin, sales and R&D	15	15
Direct labour	17	19
Total	32	34

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	1,399,191	1,591,872
Social security costs	151,857	140,659
Pension costs	309,323	274,200
	1,860,371	2,006,731

8 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	394,172	272,569
Company pension contributions to defined contribution schemes	66,021	79,031
	460,193	351,600

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 0 (2020 - 0).

The number of directors who exercised share options during the year was 0 (2020 - 0).

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

	2021 £	2020 £
Remuneration for qualifying services	187,941	134,204
Company pension contributions to defined contribution schemes	40,825	38,962

9 Interest payable and similar expenses

	2021	2020
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	9,656	15,772
Other finance costs:		
Other interest and bank charges	55,954	31,781
	65,610	47,553

10 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	133,300	133,971
Adjustments in respect of prior periods	-	(4,954)
Total current tax	133,300	129,017
Deferred tax		
Origination and reversal of timing differences	(19,058)	118,047
Changes in tax rates	4,573	(10,282)
Adjustment in respect of prior periods	(5,883)	(94,263)
Total deferred tax	(20,368)	13,502
Total tax charge	112,932	142,519

10 Taxation (Continued)

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

	2021	2020
	£	£
Profit before taxation	621,217	1,089,835
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	118,031	207,069
Tax effect of expenses that are not deductible in determining taxable profit	647	39,153
Tax effect of income not taxable in determining taxable profit	(1,416)	-
Adjustments in respect of prior years	-	(4,954)
Effect of change in corporation tax rate	4,573	(10,282)
Deferred tax adjustments in respect of prior years	(5,883)	(94,263)
Fixed asset differences	20,527	5,796
Movement in unrecognised deferred tax	(23,608)	-
Other permanent differences	61	-
Taxation charge for the year	112,932	142,519

11 Intangible fixed assets

	Software
	£
Cost	
At 1 January 2021 and 31 December 2021	35,526
Amortisation and impairment	
At 1 January 2021	25,324
Amortisation charged for the year	4,576
At 31 December 2021	29,900
Carrying amount	
At 31 December 2021	5,626
At 31 December 2020	10,202

12 Tangible fixed assets

	Freehold buildings	Fixtures & Fittings	Plant and machinery	Equipment	Land	Total
	£	£	£	£	£	£
Cost						
At 1 January 2021	432,766	693,719	101,658	62,151	135,000	1,425,294
Additions	-	937	8,500	6,798	-	16,235
Disposals	-	-	(2,850)	(3,025)	-	(5,875)
At 31 December 2021	432,766	694,656	107,308	65,924	135,000	1,435,654
Depreciation and impairment						
At 1 January 2021	17,033	482,467	73,134	46,955	-	619,589
Depreciation charged in the year	17,033	69,917	15,326	8,842	-	111,118
Eliminated in respect of disposals	-	-	(2,850)	(3,025)	-	(5,875)
At 31 December 2021	34,066	552,384	85,610	52,772	-	724,832
Carrying amount						
At 31 December 2021	398,700	142,272	21,698	13,152	135,000	710,822
At 31 December 2020	415,733	211,252	28,524	15,196	135,000	805,705

13 Stocks

	2021	2020
	£	£
Raw materials and consumables	192,030	116,964
Work in progress	541,238	107,185
	733,268	224,149

The above figures are shown net of stock provisions of £92,691 (2020: £79,835).

14 Debtors

	2021	2020
Amounts falling due within one year:	£	£
Trade debtors	584,193	3,279,393
Amounts recoverable on contracts	1,319,923	437,707
Other debtors	29,742	165,419
Prepayments	67,676	51,264
	2,001,534	3,933,783

Trade debtors is shown net of bad debt provision of £nil (2020: £nil). There is a bad debt provision of £202,335 (2020: £202,335) held against amounts owed by group companies, as detailed in note 4.

15 Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans and overdrafts	70,000	70,000
Payments received on account	391,955	1,742,006
Trade creditors	191,560	118,495
Corporation tax	133,300	133,971
Other taxation and social security	31,361	31,706
Shareholders' loan stock	-	697
Accruals	581,270	913,599
	1,399,446	3,010,474

Accruals include £126,756 (2020: £153,500) which relate to expected warranty claims on products sold during the year. The company provides up to 12-24 months warranty provisions as standard on its transactions although longer warranty periods can be purchased by the customer. The level of provision is based on claims history on similar products.

At the year end the bank held a charge over the property at Fleming Road in relation to the bank loan.

16 Creditors: amounts falling due after more than one year

		2021	2020
		£	£
Bank loans and overdrafts	17	157,500	227,500

17 Loans and overdrafts

	2021	2020
	£	£
Bank loans	227,500	297,500
Payable within one year	70,000	70,000
Payable after one year	157,500	227,500

On 28 February 2020 the company signed a loan agreement with Santander to finance the purchase of the property at 1 Fleming Road, Livingston. The drawdown was £350,000 of which £112,500 has been repaid..

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021	Liabilities 2020
Balances:	£	£
Accelerated capital allowances	-	20,368

	2021
Movements in the year:	£
Liability at 1 January 2021	20,368
Credit to profit or loss	(20,368)
Liability at 31 December 2021	-

19 Government grants

	2021	2020
	£	£
Arising from government grants	22,453	33,583

20 Retirement benefit schemes

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	309,323	274,200

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

21 Share capital

	2021 £	2020 £
Ordinary share capital		
Issued and fully paid		
40,517 Ordinary shares of 0.1p each	40	40
49,998 Deferred shares of £1 each	49,998	49,998
32,500 A Ordinary shares of 0.1p each	33	33
	50,071	50,071

The A Ordinary shares and Ordinary shares rank pari passu in respects of voting rights, dividends and residual interests in the company.

Holders of the deferred shares do not have any voting rights or dividend rights in the company. They are entitled to receive a sum equal to the nominal capital paid up or credited as paid up upon a return of capital or liquidation but only after a sum of £10,000,000 in total for ordinary share and A ordinary share has been distributed.

22 Share based payments

In May 2012, options were granted in respect of 1,625 ordinary shares of £0.001 each with an exercise price of £1.31. These options have a maximum life of 10 years and will become exercisable before that date if the company is sold. Upon the change in control of the company these share options were transferred up to the new parent company, memsstar Holdings Limited.

23 Operating lease commitments

Lessee

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

	2021 £	2020 £
Within one year	26,718	36,066
Between two and five years	36,034	37,003
	62,752	73,069

24 Reserves

Profit and loss reserves

Profit and loss reserves are the cumulative net profits in the statement of comprehensive income.

Capital redemption reserves

The capital redemption reserve records the nominal value of shares repurchased and subsequently cancelled by the company.

Other reserves

The other reserves was created due to a £450,000 capital contribution received in the financial year to 31 December 2017.

Movements on these reserves are set out in the statement of changes in equity.

25 Related party transactions

Remuneration of key management personnel

For the purpose of compliance with FRS 102, key management personnel for memsstar Limited have been defined as the directors and therefore disclosure is consistent with note 4 (including employers' national insurance contributions).

Transactions with related parties

The company was charged (incl. VAT) for services to companies over which directors had significant influence a total of £22,537 (2020: £22,941) in the year. At the year end £2,034 (2020: £3,767) was outstanding.

26 Ultimate controlling party

The company's immediate parent company is memsstar Holdings Limited. In the opinion of the directors there is no single controlling party.

27 Cash generated from operations

	2021	2020
	£	£
Profit for the year after tax	508,285	947,316
Adjustments for:		
Taxation charged	112,932	142,519
Finance costs	65,610	47,553
Gain on disposal of tangible fixed assets	(42)	(190)
Amortisation and impairment of intangible assets	4,576	4,575
Depreciation and impairment of tangible fixed assets	111,118	109,231
(Decrease) in deferred income	(11,130)	(11,130)
Movements in working capital:		
(Increase) in stocks	(509,119)	(62,364)
Decrease/(increase) in debtors	1,932,249	(3,137,226)
(Decrease)/increase in creditors	(1,609,660)	1,585,286
Cash generated from/(absorbed by) operations	604,819	(374,430)

28 Analysis of changes in net funds

	1 January 2021	Cash flows	31 December 2021
	£	£	£
Cash at bank and in hand	1,842,180	318,348	2,160,528
Borrowings excluding overdrafts	(298,197)	70,697	(227,500)
	1,543,983	389,045	1,933,028