
CAMBUSTION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2021

CAMBUSTION LIMITED

COMPANY INFORMATION

DIRECTORS

Mr G Inman
Dr M Peckham
Mr K Reavell
Mr B Campbell
Dr J Symonds
Mr C D Nickolaus

COMPANY SECRETARY

Mr G D Inman

REGISTERED NUMBER

02127427

REGISTERED OFFICE

J6 The Paddocks
347 Cherry Hinton Road
Cambridge
CB1 8DH

INDEPENDENT AUDITORS

Peters Elworthy & Moore
Chartered Accountants & Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

BANKERS

Handelsbanken
Building 2020, Cambourne Business Park
Cambourne
Cambridge
CB22 6DW

Barclays Bank plc
9/11 St Andrews Street
Cambridge
CB2 3AA

SOLICITORS

HCR Hewitsons
Shakespeare House
42 Newmarket Road
Cambridge
CB5 8EP

CAMBUSTION LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2021**

INTRODUCTION

The directors present their strategic report and business review for the year ended 30 April 2021.

PRINCIPAL ACTIVITIES

The company's principal activities are the development and production of scientific instruments and the provision of engineering services.

Cambustion instruments are used in a range of scientific applications including automotive engine emissions, medical device development, fire safety testing, drug delivery, ambient pollution monitoring and process control. Engineering services are primarily aimed at automotive powertrain development and testing.

REVIEW OF THE BUSINESS

After an initial reduction in sales for all business streams at the beginning of the COVID-19 pandemic, there has been a recovery to levels similar to those pre-pandemic.

The end of the Transition Period and implementation of the EU–UK Trade and Cooperation Agreement (TCA) on 1 January 2021 caused some disruption to our trade with the EU initially. While the disruption has reduced to some extent, increased shipping times and costs will continue to negatively impact our trade with the EU going forward.

POSITION AT THE YEAR END

Given the background of a global pandemic - this has been a good year for Cambustion with results from all business areas exceeding expectations.

Return on capital employed and PE ratio (our financial key performance indicators) are in line with targets for the year.

The company's non-financial key performance indicators are encapsulated in our quality and environmental management systems, and include customer satisfaction indicators as well as metrics associated with our corrective action performance. These were also in line with expectations for the year.

Expansion of our Cambridge based testing facilities to exploit the opportunities associated with the worldwide rollout of electric vehicle is proceeding well. Although, this involves significant capital expenditure, the company's cash position remains strong and this will allow dividend returns to shareholders in the short and medium term.

CAMBUSTION LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2021**

PRINCIPAL RISKS AND UNCERTAINTIES

Actions to mitigate the impact of COVID-19 on the business and our staff have been successful to date. These actions are under constant review but some uncertainty relating to the future course of the pandemic globally remains. The longer term effects of the inevitable reduction in to face-to-face marketing activity during the pandemic are unknown.

The company continues to be exposed to risks associated with global economic conditions in general and with the automotive Internal Combustion Engine (ICE) R&D sector in particular. However, our diversification plans, initiated some time ago, are already proving successful and will continue.

This report was approved by the board and signed on its behalf by:

Mr G Inman
Director

Date: 24 September 2021

CAMBUSTION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2021

The directors present their report and the financial statements for the year ended 30 April 2021.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £3,167,281 (2020 - £2,825,254).

Dividends of £2,900,000 were paid during the period (2020 - £2,500,000).

DIRECTORS

The directors who served during the year were:

Dr C Dailly (resigned 31 August 2020)
Mr G Inman
Dr M Peckham
Mr K Reavell
Mr B Campbell
Dr J Symonds
Mr C D Nickolaus

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

FUTURE DEVELOPMENTS

Recent developments of our products and accessories have supported our initiative to expand further into international markets. In the coming year, we will continue strategic developments in both products and engineering services which we hope will continue this trend.

CAMBUSTION LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2021**

RESEARCH AND DEVELOPMENT ACTIVITIES

We continue to conduct ambitious R&D projects into future analyser products.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

Under section 487(2) of the Companies Act 2006, Peters Elworthy & Moore will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf by:

Mr G Inman
Director

Date: 24 September 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMBUSTION LIMITED

OPINION

We have audited the financial statements of Cambustion Limited (the 'Company') for the year ended 30 April 2021, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 Company's affairs as at 30 April 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMBUSTION LIMITED (CONTINUED)

OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

OPINION 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 set out on page 3, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMBUSTION LIMITED (CONTINUED)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience;
- we obtained an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- we obtained an understanding of the company's policies and procedures on compliance with laws and regulations, including documentation of any instances of non-compliance;
- we identified which laws and regulations were significant in the context of the company; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships; and
- performed audit work 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 accounting estimates for bias.

In response to the risk of irregularities, including fraud and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing minutes of meetings of those charged with governance; and
- reviewing correspondence with relevant regulators and the company's legal advisors (where applicable).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMBUSTION LIMITED (CONTINUED)

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

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 Auditors' Report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

Stephen Peak (Senior Statutory Auditor)

for and on behalf of
Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

28 September 2021

CAMBUSTION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2021**

	Note	2021 £	2020 £
Turnover	4	11,462,005	11,512,361
Cost of sales		<u>(4,947,396)</u>	<u>(5,433,950)</u>
GROSS PROFIT		6,514,609	6,078,411
Administrative expenses		<u>(3,303,545)</u>	<u>(3,315,857)</u>
Other operating income	5	<u>242,670</u>	<u>177,238</u>
OPERATING PROFIT	6	3,453,734	2,939,792
Interest receivable and similar income	10	<u>7,972</u>	<u>19,226</u>
PROFIT BEFORE TAX		3,461,706	2,959,018
Tax on profit	11	<u>(294,425)</u>	<u>(133,764)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>3,167,281</u>	<u>2,825,254</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,167,281</u>	<u>2,825,254</u>

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 12 to 25 form part of these financial statements.

CAMBUSTION LIMITED
REGISTERED NUMBER: 02127427

BALANCE SHEET
AS AT 30 APRIL 2021

	Note	2021 £	2020 £
FIXED ASSETS			
Tangible assets	13	1,463,206	743,049
		<u>1,463,206</u>	<u>743,049</u>
CURRENT ASSETS			
Stocks	14	3,048,524	3,466,741
Debtors	15	1,964,674	2,473,016
Cash at bank and in hand	16	5,372,225	4,667,628
		<u>10,385,423</u>	<u>10,607,385</u>
Creditors: amounts falling due within one year	17	(1,403,215)	(1,285,674)
NET CURRENT ASSETS		<u>8,982,208</u>	<u>9,321,711</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,445,414</u>	<u>10,064,760</u>
PROVISIONS FOR LIABILITIES			
Deferred tax	18	(160,371)	(46,998)
		<u>(160,371)</u>	<u>(46,998)</u>
NET ASSETS		<u><u>10,285,043</u></u>	<u><u>10,017,762</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	17,007	17,007
Share premium account	20	573,886	573,886
Capital redemption reserve	20	13,440	13,440
Profit and loss account	20	9,680,710	9,413,429
		<u>10,285,043</u>	<u>10,017,762</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr G Inman
Director

Date: 24 September 2021

The notes on pages 12 to 25 form part of these financial statements.

CAMBUSTION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2021**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
AT 1 MAY 2019]	17,007	573,886	13,440	9,088,175	9,692,508
Profit for the year	-	-	-	2,825,254	2,825,254
Dividends	-	-	-	(2,500,000)	(2,500,000)
AT 1 MAY 2020	17,007	573,886	13,440	9,413,429	10,017,762
Profit for the year	-	-	-	3,167,281	3,167,281
Dividends	-	-	-	(2,900,000)	(2,900,000)
AT 30 APRIL 2021	<u>17,007</u>	<u>573,886</u>	<u>13,440</u>	<u>9,680,710</u>	<u>10,285,043</u>

The notes on pages 12 to 25 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021

1. **GENERAL INFORMATION**

Cambustion Limited is a company limited by shares, incorporated in England and Wales. Its registered office is J6 The Paddocks, 347 Cherry Hinton Road, Cambridge, CB1 8DH.

2. **ACCOUNTING POLICIES**

2.1 **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 **FOREIGN CURRENCY TRANSLATION**

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.3 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 OPERATING LEASES

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.5 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.6 INTEREST INCOME

Interest income is recognised in profit or loss using the effective interest method.

2.7 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.8 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.9 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.9 TANGIBLE FIXED ASSETS (CONTINUED)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Plant & machinery	-	over six years
Fixtures & fittings	-	over three years
Computer equipment	-	over three years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.14 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.15 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

CAMBUSTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

2. ACCOUNTING POLICIES (CONTINUED)

2.16 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3.

JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make sufficient judgements and estimates. The items in the financial statements where these judgements and estimates have been made

include:

Depreciation - the charge in the year is based on the policies outlined in accounting policy 2.9.

Warranty provision - a specific provision has been made in the year for the anticipated repair costs on product sales, the movement in the provision reflects our knowledge of the industry, changes in technology and our expectations of claims in future years.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Sales	9,810,015	9,627,660
Spares and service	1,651,990	1,884,701
	<u>11,462,005</u>	<u>11,512,361</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	4,811,481	5,056,017
Rest of Europe	2,277,828	3,683,641
Rest of the world	4,372,696	2,772,703
	<u>11,462,005</u>	<u>11,512,361</u>

CAMBUSTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

5. OTHER OPERATING INCOME

	2021	2020
	£	£
R&D expenditure credit	180,929	169,387
Government grants receivable	61,741	7,851
	<u>242,670</u>	<u>177,238</u>

Government grants represent amounts receivable under the Coronavirus Job Retention Scheme (CJRS) to cover salaries of furloughed staff.

6. OPERATING PROFIT

The operating profit is stated after charging:

	2021	2020
	£	£
Exchange differences	68,852	6,086
Other operating lease rentals	<u>408,882</u>	<u>417,182</u>

7. AUDITORS' REMUNERATION

	2021	2020
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>8,000</u>	<u>7,600</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

CAMBUSTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	3,277,519	3,328,586
Social security costs	365,551	373,648
Cost of defined contribution scheme	402,194	326,433
	<u>4,045,264</u>	<u>4,028,667</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Employees	<u>69</u>	<u>69</u>

9. DIRECTORS' REMUNERATION

	2021 £	2020 £
Directors' emoluments	600,634	705,756
Company contributions to defined contribution pension schemes	133,058	105,535
	<u>733,692</u>	<u>811,291</u>

During the year retirement benefits were accruing to 6 directors (2020 - 7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £101,119 (2020 - £108,270).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,888 (2020 - £9,094).

CAMBUSTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

10. INTEREST RECEIVABLE

	2021	2020
	£	£
Other interest receivable	7,972	19,226
	<u>7,972</u>	<u>19,226</u>

11. TAXATION

	2021	2020
	£	£
CORPORATION TAX		
Current tax on profits for the year	239,825	144,885
Adjustments in respect of previous periods	(58,773)	1,031
TOTAL CURRENT TAX	<u>181,052</u>	<u>145,916</u>
DEFERRED TAX		
Origination and reversal of timing differences	113,373	(12,152)
TOTAL DEFERRED TAX	<u>113,373</u>	<u>(12,152)</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>294,425</u>	<u>133,764</u>

CAMBUSTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

11. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>3,461,706</u>	<u>2,959,018</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	657,724	562,213
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,337	6,379
Capital allowances for year in excess of depreciation	(114,326)	18,758
Adjustments to tax charge in respect of prior periods	-	1,031
Other timing differences leading to an increase (decrease) in taxation	-	353
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(245,261)	(231,959)
Patent box additional deduction	(119,422)	(165,884)
Share schemes	-	(44,975)
Movement in deferred tax provision	<u>113,373</u>	<u>(12,152)</u>
TOTAL TAX CHARGE FOR THE YEAR	<u>294,425</u>	<u>133,764</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The closing deferred tax position has been calculated at 19% (2020 - 19%) in accordance with the rates enacted at the statement of financial position date. In the UK Budget Statement on 3 March 2021, the Chancellor announced the intention for corporation tax to rise to a headline rate of 25% from 1 April 2023, which was subsequently enacted into law when the Finance Act 2021 was given Royal Assent on 10 June 2021. This change will not have a material impact on the Company's net deferred tax liability.

12. DIVIDENDS

	2021 £	2020 £
Paid during the year	<u>2,900,000</u>	2,500,000
	<u>2,900,000</u>	<u>2,500,000</u>

CAMBUSTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

13. TANGIBLE FIXED ASSETS

	Plant & machinery £	Fittings, equipment and computer equipment £	Assets in course of construction £	Total £
COST OR VALUATION				
At 1 May 2020	6,285,877	933,865	104,727	7,324,469
Additions	186,089	60,559	816,857	1,063,505
Disposals	(31,903)	(43,517)	-	(75,420)
Transfers between classes	877,834	-	(877,834)	-
At 30 April 2021	<u>7,317,897</u>	<u>950,907</u>	<u>43,750</u>	<u>8,312,554</u>
DEPRECIATION				
At 1 May 2020	5,811,468	769,952	-	6,581,420
Charge for the year on owned assets	233,594	104,952	-	338,546
Disposals	(27,102)	(43,516)	-	(70,618)
At 30 April 2021	<u>6,017,960</u>	<u>831,388</u>	<u>-</u>	<u>6,849,348</u>
NET BOOK VALUE				
At 30 April 2021	<u>1,299,937</u>	<u>119,519</u>	<u>43,750</u>	<u>1,463,206</u>
At 30 April 2020	<u>474,409</u>	<u>163,913</u>	<u>104,727</u>	<u>743,049</u>

14. STOCKS

	2021 £	2020 £
Raw materials and consumables	<u>3,048,524</u>	3,466,741
	<u>3,048,524</u>	<u>3,466,741</u>

An impairment loss of £35,458 (2020 - £56,922) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

CAMBUSTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

15. DEBTORS

	2021 £	2020 £
Trade debtors	1,728,190	1,754,261
Amounts owed by group undertakings	113,808	113,808
Other debtors	8,069	87,711
Prepayments and accrued income	114,607	517,236
	<u>1,964,674</u>	<u>2,473,016</u>

16. CASH AND CASH EQUIVALENTS

	2021 £	2020 £
Cash at bank and in hand	5,372,225	4,667,628
	<u>5,372,225</u>	<u>4,667,628</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade creditors	211,226	394,018
Corporation tax	123	-
Other taxation and social security	263,197	114,991
Other creditors	60,000	60,000
Accruals and deferred income	868,669	716,665
	<u>1,403,215</u>	<u>1,285,674</u>

CAMBUSTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

18. DEFERRED TAXATION

	2021 £	2020 £
At beginning of year	46,998	59,150
Charged to profit or loss	113,373	(12,152)
AT END OF YEAR	160,371	46,998

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	171,771	58,398
Short term timing differences	(11,400)	(11,400)
	160,371	46,998

19. SHARE CAPITAL

	2021 £	2020 £
ALLOTTED, CALLED UP AND FULLY PAID		
170,065 (2020 - 170,065) Ordinary shares of £0.1 each	<u>17,007</u>	<u>17,007</u>

20. RESERVES

Share premium account

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Capital redemption reserve

The capital redemption reserve includes amounts transferred following the redemption or purchase of a company's own shares.

Profit & loss account

The profit and loss account includes all current and prior periods retained profit and losses.

CAMBUSTION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021**

21. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme and contributes to the personal pension plans of for the employees. The assets of the schemes are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £402,194 (2020 - £326,433). No contributions (2020 - none) were payable to the fund at the balance sheet date.

22. COMMITMENTS UNDER OPERATING LEASES

At 30 April 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	287,793	288,082
Later than 1 year and not later than 5 years	1,315,920	1,327,625
Later than 5 years	4,101,704	4,378,178
	<u>5,705,417</u>	<u>5,993,885</u>

23. RELATED PARTY TRANSACTIONS

The parent company prepares consolidated group accounts and, accordingly, the Company has taken advantage of the exemptions contained within FRS 102 paragraph 33.1A not to disclose transactions with wholly owned group undertakings.

24. CONTROLLING PARTY

The Company's immediate parent company and controlling party is Fidion Limited, a company incorporated in England and Wales.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.