

Company Registration No. SC261888 (Scotland)

TRIG AVIONICS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020



COMPANIES HOUSE

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TRIG AVIONICS LIMITED

COMPANY INFORMATION

Directors	Andrew Davis Martin Gray William Ritchie Alan Fraser Colin Gove
Secretary	Andrew Davis
Company number	SC261888
Registered office	Building 1 Heriot Watt Research Park Riccarton Edinburgh United Kingdom EH14 4AP
Auditor	RSM UK Audit LLP Chartered Accountants First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG
Bankers	Bank of Scotland New Ueberior House 1st Floor 11 Earl Grey Street Edinburgh EH3 9BN

TRIG AVIONICS LIMITED

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

2020 was a year dominated by the impact of COVID-19. The avionics market was not immune and we faced an exceedingly difficult year. The company's focus was on maintaining profitability, preserving cash, strengthening the balance sheet and managing trade creditors. I am pleased to report, that despite a drop of 33% in revenues from 2019, the company emerged from 2020 with a small operating profit and a stronger balance sheet.

COVID-19 also had a significant impact on our supply chain putting pressure on our ability to meet channel and private label orders. Detailed inventory management by our staff in Edinburgh and Amerfoort enabled us to meet our orders without increasing inventory levels.

The 2020 results did come at a cost. Staffing levels were reduced by a third, preserving our ability to manufacture and distribute our products, but severely curtailing our work on new product development. The company utilised the UK government's furlough scheme and benefitted from the Dutch NOW scheme, as well as securing a £50,000 Business Bounce-back Loan.

We went into 2021 with the same key objectives of profitability and strengthening the balance sheet. We are maintaining the progress we made in 2020 and have started to restore investment in product development. As a result, we plan to bring two new products to market by the end of 2021.

The outlook for 2021 and 2022 remains uncertain as the ongoing impact of COVID-19 on our markets will depend on how the virus spreads and on the success of the vaccines. We will also face uncertainties due to the current worldwide shortages of electronic components. That said, we look forward with some confidence. Our markets have held up better than we had forecast and feedback from our channels supports sales growth in 2021 and beyond. As trade creditors return to normal levels, we will be able to invest our profits and cash in growing the business.

We continue to enjoy the support of our major suppliers and our shareholders. We have been working closely with our suppliers on credit levels and supply agreements. In 2019, £420,012 was raised through shareholder loans to finance working capital. In February 2021, all of the shareholder loans were converted to equity. This is shown in the notes to the accounts as a post balance sheet event.

Credit for our achievements must go to our management and staff. With reduced resources and increased pressure, it has been a "backs to the wall" effort to dig out these results. The company has been remarkably resilient over the last two years. Despite having to cope with both Brexit and COVID-19, it has come out of a period of operating losses and is now making operating profits, and it has made significant progress in strengthening its balance sheet. With two new products in the pipeline, we should be in a very good position to get back to high growth following the end of this pandemic.

.....
Martin Ritchie

Chairman

29/09/2021



TRIG AVIONICS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company and group continued to be that of design, development and manufacture of avionics products.

Directors

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

Andrew Davis
Martin Gray
William Ritchie
Alan Fraser
Colin Gove

Results and dividends

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

Auditor

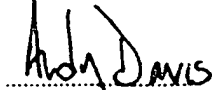
RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

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, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



Andrew Davis
Director

Date: 28/9/21

TRIG AVIONICS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing 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 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIG AVIONICS LIMITED

Opinion

We have audited the financial statements of Trig Avionics Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, and company statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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 group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIG AVIONICS LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the directors' report.

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

Auditor's 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIG AVIONICS LIMITED (CONTINUED)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to Civil Aviation Authority (CAA) and European Aviation Safety Agency (EASA). We performed audit procedures to inquire of management whether the group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business.

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

RSM UK Audit LLP

Claire Monaghan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG
30/09/2021

TRIG AVIONICS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Turnover	5,642,576	8,409,185
Cost of sales	(3,463,099)	(5,278,390)
Gross profit	2,179,477	3,130,795
Research and development costs	(662,907)	(1,185,514)
Sales and marketing expenses	(479,992)	(592,501)
Administrative expenses	(1,429,815)	(1,826,190)
Other operating income	3 421,500	81,178
Operating profit/(loss)	28,263	(392,232)
Interest receivable and similar income	-	50
Interest payable and similar expenses	(74,393)	(68,090)
Loss before taxation	(46,130)	(460,272)
Tax on loss	11,079	471,694
(Loss)/profit for the financial year	(35,051)	11,422
Other comprehensive income net of taxation		
Currency translation differences	41,352	(33,177)
Total comprehensive income for the year	6,301	(21,755)

(Loss)/profit for the financial year is all attributable to the owners of the parent company.

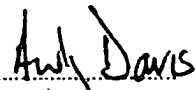
Total comprehensive income for the year is all attributable to the owners of the parent company.

TRIG AVIONICS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	6		230,806		291,369
Current assets					
Stocks		1,443,504		1,498,177	
Debtors	9	938,286		1,677,884	
Cash at bank and in hand		122,463		79,645	
		<u>2,504,253</u>		<u>3,255,706</u>	
Creditors: amounts falling due within one year	10	<u>(2,024,212)</u>		<u>(2,451,603)</u>	
Net current assets			480,041		804,103
Total assets less current liabilities			<u>710,847</u>		<u>1,095,472</u>
Creditors: amounts falling due after more than one year	11		(50,000)		(420,012)
Provisions for liabilities	12		<u>(322,738)</u>		<u>(347,643)</u>
Net assets			<u>338,109</u>		<u>327,817</u>
Capital and reserves					
Called up share capital	13		200,729		200,729
Share premium account			1,181,976		1,181,976
Profit and loss reserves			<u>(1,044,596)</u>		<u>(1,054,888)</u>
Total equity			<u>338,109</u>		<u>327,817</u>

These financial statements have been prepared in accordance with the provisions applicable to groups and companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 28/9/21 and are signed on its behalf by:


 Andrew Davis
 Director

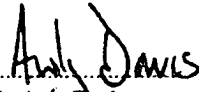
TRIG AVIONICS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	6		101,869		125,946
Investments	7		875		875
			<u>102,744</u>		<u>126,821</u>
Current assets					
Stocks		860,153		986,451	
Debtors	9	1,335,803		2,656,922	
Cash at bank and in hand		-		988	
			<u>2,195,956</u>	<u>3,644,361</u>	
Creditors: amounts falling due within one year	10	<u>(1,993,236)</u>		<u>(2,383,718)</u>	
Net current assets			<u>202,720</u>		<u>1,260,643</u>
Total assets less current liabilities			<u>305,464</u>		<u>1,387,464</u>
Creditors: amounts falling due after more than one year	11		(50,000)		(420,012)
Provisions for liabilities	12		<u>(322,738)</u>		<u>(347,643)</u>
Net (liabilities)/assets			<u>(67,274)</u>		<u>619,809</u>
Capital and reserves					
Called up share capital	13		200,729		200,729
Share premium account			1,181,976		1,181,976
Profit and loss reserves			<u>(1,449,979)</u>		<u>(762,896)</u>
Total equity			<u>(67,274)</u>		<u>619,809</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £691,074 (2019 - £140,032 loss).

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

The financial statements were approved by the board of directors and authorised for issue on 28/9/21 and are signed on its behalf by:


Andrew Davis
Director

TRIG AVIONICS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2019		200,729	1,181,976	(1,036,126)	346,579
Year ended 31 December 2019:					
Profit for the year		-	-	11,422	11,422
Other comprehensive income net of taxation:					
Currency translation differences		-	-	(33,177)	(33,177)
Total comprehensive income for the year		-	-	(21,755)	(21,755)
Credit to equity for equity settled share-based payments	5	-	-	2,993	2,993
Balance at 31 December 2019		200,729	1,181,976	(1,054,888)	327,817
Year ended 31 December 2020:					
Loss for the year		-	-	(35,051)	(35,051)
Other comprehensive income net of taxation:					
Currency translation differences		-	-	41,352	41,352
Total comprehensive income for the year		-	-	6,301	6,301
Credit to equity for equity settled share-based payments	5	-	-	3,991	3,991
Balance at 31 December 2020		200,729	1,181,976	(1,044,596)	338,109

TRIG AVIONICS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2019		200,729	1,181,976	(625,857)	756,848
Year ended 31 December 2019:					
Loss and total comprehensive income for the year		-	-	(140,032)	(140,032)
Credit to equity for equity settled share-based payments	5	-	-	2,993	2,993
Balance at 31 December 2019		200,729	1,181,976	(762,896)	619,809
Year ended 31 December 2020:					
Loss and total comprehensive income for the year		-	-	(691,074)	(691,074)
Credit to equity for equity settled share-based payments	5	-	-	3,991	3,991
Balance at 31 December 2020		200,729	1,181,976	(1,449,979)	(67,274)

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Trig Avionics Limited ("the company") is a private company limited by shares and is registered and incorporated in Scotland. The registered office is Building 1, Heriot Watt Research Park, Riccarton, Edinburgh, United Kingdom, EH14 4AP.

The group consists of Trig Avionics Limited and its subsidiary, Trig Avionics Europe B.V., incorporated in the Netherlands.

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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate those of Trig Avionics Limited and its subsidiary, Trig Avionics Europe B.V. (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Going concern

The directors have prepared detailed group forecasts to December 2022, which include cash flow forecasts. In September 2021, the Group secured third party loan funding of £150,000 which is included in these forecasts. The forecasts indicate that the group has the ability to continue to operate throughout the forecast period.

The directors have considered the prior year material uncertainties disclosed in the accounts to December 2019, and believe these uncertainties have been removed. The prior year forecasts included a number of uncertainties:

- The company's overdraft facility was to be withdrawn from March 2021. This took place and the company has secured a new £150,000 loan facility. Forecasts prepared to December 2022 show the group operate within this loan facility with no requirement for additional funding.
- The forecasts included a HMRC payment for a R&D claim, the timing of which was uncertain. This was received in February 2021.
- The company had exceeded trading terms with a key supplier. Terms were agreed with that supplier to pay down the balance over an extended period. The company has met all repayment dates and the forecasts include the final payments due which will see the balance cleared in full by November 2021.

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

- Shareholder loan notes of £420,012 were due for repayment or conversion to ordinary shares in February 2021 and it was assumed the loan notes would convert to ordinary shares. The loan notes were converted to fully paid ordinary shares in February 2021 and accrued interest paid to noteholders at this date (see note 15).

The coronavirus pandemic results in ongoing uncertainty however the directors, with reference to the secured loan finance and cash flow forecasts, which take account of historic and current trends, believe that downturns in forecast trading levels could be managed. As such, the directors continue to adopt the going concern basis of accounting in preparing the financial statements. In making their assessment, the directors have considered a period of at least 12 months from the date of authorisation of these financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Tangible fixed assets

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

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

Leasehold land and buildings	Over the period of the lease
Plant and equipment	Over 3-5 years straight line
Fixtures and fittings	Over 5 years straight line
Computer equipment	Over 3 years straight line

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.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Financial instruments

The group 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 when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

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.

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

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 group 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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and bank overdrafts 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.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

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

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 leased asset are consumed.

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.

The company made use of the government Coronavirus Job Retention Scheme in the year. Amounts relating to these grants have been treated as other operating income and are not set off against staff costs. The amounts are recognised in the same period as the staff costs that the grant was intended to compensate.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Warranty provisions

Management has made an estimation of expected warranty claims on products sold during the last two financial years. This estimate is calculated at 3% of the monthly costs of units sold and reviewed with reference to historic warranty costs. This balance is included within provisions for liabilities.

3 Other operating income

Included within other operating income is grant income of £417,764 (2019: £33,678) which is broken down as follows:

- £222,597 (2019: £nil) of this was support received as part of the Coronavirus Job Retention Scheme
- £123,380 (2019: £33,678) was received from Scottish Enterprise
- £58,205 (2019: £nil) was received from the Netherlands' UWV scheme
- £13,582 (2019: £nil) receivable in respect of research and development expenditure credits

4 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Total	37	56	31	51

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

5 Share-based payment transactions	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Expenses recognised in the year				
Arising from equity settled share based payment transactions	3,991	2,993	3,991	2,993
	<u>3,991</u>	<u>2,993</u>	<u>3,991</u>	<u>2,993</u>

The company operates a share option scheme for the benefit of its employees.

Employees shall only be entitled to exercise the option if,

- at the time of serving the Option Notice, the Grantee is an employee, director or consultant of the company (unless an Investor Majority and the Board shall agree otherwise);
- in the event that at any time prior to exercise of the Option, the Grantee ceases to be an employee, director or consultant of the company, this Option shall lapse (unless an Investor Majority and the Board shall agree otherwise).

In the event of the death of the Grantee and provided that, at the date of death, the Grantee was an employee, director or consultant of the company, this Option shall remain exercisable by the executors or personal representatives of the Grantee for a period of one year after the death of the Grantee subject to terms and conditions contained in the share option agreement with the Grantee.

In the event that all the exercising conditions are met, there is no time limit for the share option granted to the employee.

Amounts relating to share based payments are recorded as an expense and as a credit to reserves. No separate share based payment reserve is operated.

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

6 Tangible fixed assets

Group	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 January 2020	273,830	753,490	1,027,320
Additions	3,337	48,945	52,282
Other changes	11,360	1,380	12,740
At 31 December 2020	288,527	803,815	1,092,342
Depreciation and impairment			
At 1 January 2020	123,786	612,165	735,951
Depreciation charged in the year	41,745	80,316	122,061
Other changes	2,975	549	3,524
At 31 December 2020	168,506	693,030	861,536
Carrying amount			
At 31 December 2020	120,021	110,785	230,806
At 31 December 2019	150,044	141,325	291,369

The net book value of other tangible fixed assets includes £22,474 (2019: £39,330) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £16,856 (2019: £16,856) for the year.

Company	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 January 2020	77,916	729,698	807,614
Additions	-	47,689	47,689
At 31 December 2020	77,916	777,387	855,303
Depreciation and impairment			
At 1 January 2020	77,916	603,752	681,668
Depreciation charged in the year	-	71,766	71,766
At 31 December 2020	77,916	675,518	753,434
Carrying amount			
At 31 December 2020	-	101,869	101,869
At 31 December 2019	-	125,946	125,946

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

6 Tangible fixed assets (Continued)

The net book value of other tangible fixed assets includes £22,474 (2019: £39,330) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £16,856 (2019: £16,856) for the year.

7 Fixed asset investments

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Investment	-	-	875	875

8 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Trig Avionics Europe BV	Hardwareweg 3 3821 BL Amersfoort Netherlands	Manufacture and sale of avionics	Ordinary	100.00

9 Debtors

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	517,409	1,159,541	436,368	1,079,237
Corporation tax recoverable	191,440	202,401	191,440	202,401
Amounts owed by group	-	-	472,847	784,281
Other debtors	229,437	315,942	195,657	294,428
	<u>938,286</u>	<u>1,677,884</u>	<u>1,296,312</u>	<u>2,360,347</u>
Amounts falling due after more than one year:				
Amounts owed by group	-	-	39,491	296,575
	<u>-</u>	<u>-</u>	<u>39,491</u>	<u>296,575</u>
Total debtors	<u>938,286</u>	<u>1,677,884</u>	<u>1,335,803</u>	<u>2,656,922</u>

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Creditors: amounts falling due within one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank loans and overdrafts	69,795	491,214	69,795	491,214
Trade creditors	1,354,294	1,852,593	1,343,085	1,795,412
Taxation and social security	41,667	60,001	30,091	55,403
Other creditors	558,456	47,795	550,265	41,689
	<u>2,024,212</u>	<u>2,451,603</u>	<u>1,993,236</u>	<u>2,383,718</u>

Bank loans, overdrafts and credit cards for which security has been given in the form of a bond and floating charge amounted to £69,795 (2019: £491,214). Included in bank loans and overdrafts is an invoice discounting balance of £48,380 (2019: £440,124).

Other creditors includes hire purchase liabilities of £nil (2019: £9,399), secured over the asset to which it related to.

Other creditors includes shareholder loan notes of £420,012 (2019: £nil) and were repayable in February 2021. Post year end these were converted to ordinary shares (see note 15). Interest is charged at a rate of 15% per annum. The shareholder loan notes include £100,008 subscribed to by a director.

11 Creditors: amounts falling due after more than one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank loans and overdrafts	50,000	-	50,000	-
Other creditors	-	420,012	-	420,012
	<u>50,000</u>	<u>420,012</u>	<u>50,000</u>	<u>420,012</u>

Other creditors of £nil (2019: £420,012) represent shareholder loan notes repayable in February 2021. Interest is charged at a rate of 15% per annum. Included in other creditors last year are shareholder loan notes of £100,008 subscribed to by a director.

Bank loans and overdrafts include £50,000 in relation to a loan that is payable over 6 years ending June 2026, with interest payable at a rate of 2.5% per annum.

12 Provisions for liabilities

	Group 2020 £	2019 £	Company 2020 £	2019 £
Warranties	287,938	317,643	287,938	317,643
Dilapidations	34,800	30,000	34,800	30,000
	<u>322,738</u>	<u>347,643</u>	<u>322,738</u>	<u>347,643</u>

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12 Provisions for liabilities (Continued)

A provision has been recognised for expected warranty claims on products sold during the last two financial years.

A provision has been recognised for expected costs to return the leasehold premises to its original condition at the end of the company's lease term.

Movements on provisions:

Group	Warranties	Dilapidations	Total
	£	£	£
At 1 January 2020	317,643	30,000	347,643
Additional provisions in the year	115,170	4,800	119,970
Utilisation of provision	(144,875)	-	(144,875)
At 31 December 2020	<u>287,938</u>	<u>34,800</u>	<u>322,738</u>

Company	Warranties	Dilapidations	Total
	£	£	£
At 1 January 2020	317,643	30,000	347,643
Additional provisions in the year	115,170	4,800	119,970
Utilisation of provision	(144,875)	-	(144,875)
At 31 December 2020	<u>287,938</u>	<u>34,800</u>	<u>322,738</u>

13 Share capital

	Group and Company			
	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>200,729</u>	<u>200,729</u>	<u>200,729</u>	<u>200,729</u>

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

14 Operating lease commitments

Lessee

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

	Group 2020 £	2019 £	Company 2020 £	2019 £
Within one year	139,308	145,760	93,548	100,000
Between one and five years	557,234	583,040	374,194	400,000
In over five years	305,142	463,267	179,302	291,667
	<u>1,001,684</u>	<u>1,192,067</u>	<u>647,044</u>	<u>791,667</u>

15 Events after the reporting date

On 18 February 2021, £420,012 of Convertible Loan Notes were converted to 23,000 £1 ordinary shares. The interest accrued on the Convertible Loan Notes was paid to the loan note holders at this date.

In September 2021, the Company secured £150k third party loan finance. The loan has a three year term and attracts interest at 9.5% per annum.

16 Related party transactions

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Loans received		Interest paid	
	2020 £	2019 £	2020 £	2019 £
Group				
Entities controlled by key management personnel	-	19,998	1,500	2,249
Key management personnel	-	50,008	7,501	10,793
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Company				
Entities controlled by key management personnel	-	19,998	1,500	2,249
Key management personnel	-	50,008	7,501	10,793
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

TRIG AVIONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

16 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2020	2019
	£	£
Group		
Entities controlled by key management personnel	19,998	19,998
Key management personnel	100,008	100,008
	<u> </u>	<u> </u>
Company		
Entities controlled by key management personnel	19,998	19,998
Key management personnel	100,008	100,008
	<u> </u>	<u> </u>