

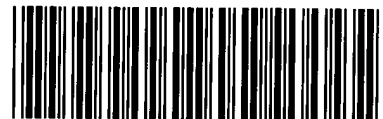
# **Tenmat Limited**

## **Directors' report and financial statements**

**Registered number 03342498**

**Year ended 31 December 2020**

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## Strategic report

### Principal activities

The Company is a manufacturer of high performance engineering materials and components.

### Business review

Turnover in the year ended 31 December 2020 of £30.7m (2019: £32.6m) represented a decrease of 5.8% (2019: increase of 9.6%) compared to the previous year due to the impact of COVID-19. The Company produces and sells a wide range of products to a well-diversified customer base and continues to export a high proportion of its sales (2020: 68%, 2019: 70%). The Company continued to grow sales successfully in several areas throughout 2020, most notably in Fire Protection. Although impacted by COVID-19, the Company saw strong sales return in the final quarter.

Our business strength is our extensive portfolio of products, solutions and advanced materials across a range of applications and industries. This is achieved through a combination of the effort and skill of our people, our long history and know-how. Combining this with the investment by Epiris in 2019 and our geographical spread (in UK, Europe and Far East) will enable us to take advantage of our market opportunities and grow our business.

### Principal risks and uncertainties

The Company and wider Group would be and are exposed, like other industrial companies, to changes in the macroeconomic climate. This would include potential changes to the business environment, and trading terms following the UK's exit from the EU and recent global recession arising from COVID-19.

The Company has continued to manufacture throughout the recent global recession arising from COVID-19, with safe working practices to our factories and offices (e.g. social distancing). The Company also adjusted manufacturing production in line with a lower demand from customers. The Company furloughed some UK employees to mitigate costs and reduced discretionary spend and capital expenditure. The directors are committed to ensuring employee safety and well-being whilst continuing production to meet customer demand.

Although there is some uncertainty of global recession on the business and it is difficult to predict the effect of the current restrictions on the supply chain and customer demand, the Company maintains a good degree of diversification in terms of the customers and markets it serves. We also supply product that is specified and tested by our customers which provides some resistance to customers changing supply. There is also some flexibility to adjust costs in response to changes in demand due to the natural mix of variable cost within the business, but a significant proportion of the Company's costs are fixed in nature. The directors are confident that the strength of the group balance sheet and cash generation will enable the group to navigate through the resulting economic uncertainty.

The Company's presentational currency is GBP, however during the year the Company had exposure to currencies of other countries in which it trades. Appropriate steps are taken to cover this risk and wherever practicable, the Company matches payments and receipts in the same currency.

The Company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers, obtaining credit insurance and reviewing existing customers' payments against contractual agreements.

In order to ensure that sufficient funds are available for on-going operations and future developments, the Company uses loan facilities which can be drawn upon on demand when needed. The Board closely monitors the amount of facilities drawn, particularly with respect to complying with all covenant restrictions.

The Company acknowledges that it faces interest rate risk, however with the level of debt sustained and the interest rates the Company could potentially face, the risk is adequately covered through the operating performance that the Board will continue to monitor.

### Key performance indicators

Key performance indicators include the sales growth rate (see above), gross margin %, debtor days and stock days. These are reviewed monthly by management. Gross margin % was 48% (2019: 51%), the decrease is due to a change in the mix of the products sold. Debtor days decreased to 54 from 63 days due increased focus on credit control. Stock days decreased to 70 days from 71 days due to high sales in December, reducing stock levels.

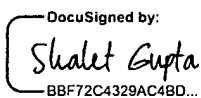
Tenmat Limited  
Directors' report and financial statements  
Registered number 03342498  
Year ended 31 December 2020

## Strategic report (continued)

### Research and development

Development expenditure not satisfying the criteria set out in 'IAS 38 Intangible Assets' and expenditure on the research phase of internal projects are recognised to the profit and loss account. The amount charged was £491,000 (2019: £729,650) and development expenditure capitalised was £263,000 (2019: £nil) during the year.

By order of the board

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**SK Gupta**  
*Director*

Ashburton Road West  
Trafford Park  
Manchester  
M17 1TD  
27 May 2021

## Directors' report

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

### Dividends

During the year the Company declared an interim dividend of £nil (2019: £2,999,999) to its parent company, Modular Stock Limited.

### Political Contributions

The Company made no political contributions during the year (2019: £nil).

### Directors

The directors who held office during the year and as at the date of this report were as follows:

G MacLeman  
K Chopra  
CL Jones  
SK Gupta

Certain directors benefited from a Directors and Officers Liability insurance policy in place during the financial year and at the date of this report.

### Employee consultation

It is the Company's policy to encourage employee involvement as the directors consider that this is essential for the successful running of the business. The Company keeps employees informed of performance, developments and progress by way of regular team briefing sessions.

### Disabled employees

It is the Company's policy to give full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities to the career development of disabled employees.

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, BDO LLP were appointed during the year and will be proposed for reappointment at the annual general meeting.

### Going Concern

The Company is part of the Diamorph Group Holdings Limited trading group ('the Group'). The Company has net current assets of £36.1m (2019: £31.0m) at the balance sheet date, however it is party to the loan agreements entered into by other group companies and is therefore appropriate to consider the ability of the Group as a whole to meet its liabilities as they fall due when assessing the going concern status of the Company.

The Board has considered the impact of the ongoing COVID-19 situation. The Company has continued production throughout the pandemic and manufactures materials for a number of sectors. To date the Company has not experienced any significant disruption as a result of employee absence, supply chain or distribution networks and none is foreseen at present. Social distancing and other modifications have been implemented in our factories and offices to comply with the working practices mandated by the government. The Company furloughed some UK employees to mitigate costs and reduced discretionary spend during quarter two. The beginning of 2020 saw a reduced demand, but normal levels resumed by the end of the year. The Company has remained profitable and generated net cash throughout the COVID-19 affected period.

The Board has performed a number of stress tests to assess the Company's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements, with a focus on 1) the sufficiency of liquidity to fund operations, and 2) whether the Company is forecast to be in compliance with its loan covenants.

**Going Concern** *(continued)*


The Directors have prepared forecasts for the Company covering a period through to 30 June 2022. These forecasts reflect an assessment of current and future market conditions and their impact on the Company's future profitability and cashflows. The forecasts have been sensitised for a reduction in for the remainder of the current financial year with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes.

In the most severe but plausible scenario forecasted, the Company would still meet its bank covenant requirements and would retain sufficient liquidity to fund operations.

In the reverse stress tested scenario, the Company would need further mitigating action such as reducing overhead spend permanently, delaying capital expenditure or using surplus funds to repay debt in order to avoid breaching its loan covenants.

Having considered all the above, the directors remain confident that the Company will continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

DocuSigned by:  
  
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**CL Jones**  
*Director*

Ashburton Road West  
Trafford Park  
Manchester  
M17 1TD  
27 May 2021

## **Statement of directors' responsibilities in respect of the Directors' report and the financial statements**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENMAT LIMITED**

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the Company's 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.

We have audited the financial statements of Tenmat Limited ("the Company") for the year ended 31 December 2020 which comprise the Profit and loss account, Statement of other comprehensive income, Balance sheet, 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

### **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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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.

### **Other Companies Act 2006 reporting**

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.

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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENMAT LIMITED (continued)**

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

### **Responsibilities of Directors**

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor'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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

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

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risks of acts by the Company which were contrary to applicable laws and regulations, including fraud, and whether such actions or non-compliance might have a material effect on the financial statements. These included but are not limited to those that relate to the form and content of the financial statements, such as accounting policies, UK GAAP, the Companies Act 2006, relevant taxation legislation, Health and Safety and the Bribery Act 2010.

We determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and revenue cut off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the trade debtor provision and credit note provision;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Testing a sample of revenue transactions within a specified cut off window pre and post year end to determine if they have been recorded in the correct period;
- Tested a sample of credit notes issued post year end to determine if the associated revenue had been recorded in the correct period;
- Review of minutes of Board meetings throughout the period; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations


**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENMAT LIMITED** (continued)

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/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.

DocuSigned by:  


Steven Roberts (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Manchester, UK

27 May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Profit and loss account**  
*for the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>£000</b>	2019 £000
<b>Turnover</b>	2	<b>30,706</b>	32,566
Cost of sales		<b>(15,975)</b>	(15,947)
<b>Gross profit</b>		<b>14,731</b>	16,619
Distribution costs		<b>(976)</b>	(996)
Administrative expenses		<b>(5,737)</b>	(5,545)
<b>Operating profit before exceptional items</b>		<b>8,018</b>	10,078
Exceptional items	4	<b>(580)</b>	(1,206)
<b>Operating profit</b>	3	<b>7,483</b>	8,872
Interest receivable & similar income	7	<b>755</b>	975
Interest payable & similar charges	8	<b>(813)</b>	(1,180)
<b>Profit on ordinary activities before taxation</b>		<b>7,380</b>	8,667
Taxation on profit on ordinary activities	9	<b>(790)</b>	(63)
<b>Profit for the year</b>		<b>6,590</b>	8,604

The turnover and profit for the year arise wholly from continuing operations.

The notes on pages 13 to 35 form part of these financial statements.

**Statement of other comprehensive income**  
*for the year ended 31 December 2020*


	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Profit for financial year</b>	<b>6,590</b>	8,604
<i>Items that will not be reclassified to profit or loss:</i>		
Actuarial (loss)/gain recognised in the pension scheme	<b>(1,963)</b>	1,249
Deferred tax arising on actuarial gains or losses in the pension scheme	<b>373</b>	(237)
<b>Other comprehensive (expense)/income for the year, net of income tax</b>	<b>(1,590)</b>	1,012
<b>Total comprehensive income for the year</b>	<b>5,000</b>	9,616

**Balance sheet**  
*at 31 December 2020*

	<i>Note</i>	2020		2019	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	<i>10</i>	2,778		2,120	
Tangible assets	<i>11</i>	5,209		5,150	
Right-of-use assets	<i>12</i>	110		145	
Investments	<i>13</i>	1		1	
			<u>8,098</u>		<u>7,416</u>
<b>Current assets</b>					
Stocks	<i>14</i>	3,067		3,125	
Debtors	<i>15</i>	34,118		29,569	
Cash at bank and in hand		7,750		8,172	
		<u>44,935</u>		<u>40,866</u>	
<b>Creditors: amounts falling due within one year</b>	<i>16</i>	<u>(8,931)</u>		<u>(9,872)</u>	
<b>Net current assets</b>			<u>36,004</u>		<u>30,994</u>
<b>Total assets less current liabilities</b>			<u>44,102</u>		<u>38,410</u>
<b>Creditors: amounts falling due more than one year</b>	<i>17</i>		(58)		(83)
Provisions for liabilities and charges	<i>18</i>		(2,330)		(2,462)
Pension surplus	<i>23</i>		2,205		3,054
<b>Net assets</b>			<u>43,919</u>		<u>38,919</u>
<b>Capital and reserves</b>					
Called up share capital	<i>20</i>		3,000		3,000
Profit and loss account			40,919		35,919
<b>Shareholder's funds</b>			<u>43,919</u>		<u>38,919</u>

The notes on pages 13 to 35 form part of these financial statements.

These financial statements were approved by the board of directors on 27 May 2021 and were signed on its behalf by:

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**CL Jones**  
 Director

**Statement of changes in equity**  
*for the year ended 31 December 2020*

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total Equity £000</b>
Balance at 1 January 2019	-	29,303	29,303
<b>Total comprehensive income for the period</b>			
Profit or loss	-	8,604	8,604
Other comprehensive income	-	1,012	1,012
Total comprehensive income for the period	-	9,616	9,616
Transactions with owners recorded directly in equity:			
Share-based payments	3,000	-	3,000
Dividends paid	-	(3,000)	(3,000)
Total contributions by and distributions to owners	3,000	(3,000)	-
<b>Balance at 31 December 2019</b>	<b>3,000</b>	<b>35,919</b>	<b>38,919</b>
Balance at 1 January 2020	3,000	35,919	38,919
<b>Total comprehensive income for the period</b>			
Profit or loss	-	6,590	6,590
Other comprehensive expense	-	(1,590)	(1,590)
Total comprehensive income for the period	-	5,000	5,000
Transactions with owners recorded directly in equity:			
Dividends paid	-	-	-
Total contributions by and distributions to owners	-	-	-
<b>Balance at 31 December 2020</b>	<b>3,000</b>	<b>40,919</b>	<b>43,919</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Tenmat Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company's ultimate parent undertaking at December 2020, Diamorph Group Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Diamorph Group Holdings Limited are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from Diamorph Group Holdings Limited by writing to Aztec Group House 11-15 Seaton Place St Helier Jersey JE4 0QH.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Diamorph Group Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### *Measurement convention*

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

#### *Going concern*

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The Company is part of the Diamorph Group Holdings Limited trading group ('the Group'). The Company has net current assets of £36.1m (2019: £31.0m) at the balance sheet date, however it is party to the loan agreements entered into by other group companies and is therefore appropriate to consider the ability of the Group as a whole to meet its liabilities as they fall due when assessing the going concern status of the Company.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Going concern (continued)*

The Board has considered the impact of the ongoing COVID-19 situation. The Company has continued production throughout the pandemic and manufactures materials for a number of sectors. To date the Company has not experienced any significant disruption as a result of employee absence, supply chain or distribution networks and none is foreseen at present. Social distancing and other modifications have been implemented in our factories and offices to comply with the working practices mandated by the government. The Company furloughed some UK employees to mitigate costs and reduced discretionary spend during quarter two. The beginning of 2020 saw a reduced demand, but normal levels resumed by the end of the year. The Company has remained profitable and generated net cash throughout the COVID-19 affected period.

The Board has performed a number of stress tests to assess the Company's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements, with a focus on 1) the sufficiency of liquidity to fund operations, and 2) whether the Company is forecast to be in compliance with its loan covenants.

The Directors have prepared forecasts for the Company covering a period through to 30 June 2022. These forecasts reflect an assessment of current and future market conditions and their impact on the Company's future profitability and cashflows. The forecasts have been sensitised for a reduction in for the remainder of the current financial year with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes.

In the most severe but plausible scenario forecasted, the Company would still meet its bank covenant requirements and would retain sufficient liquidity to fund operations.

In the reverse stress tested scenario, the Company would need further mitigating action such as reducing overhead spend permanently, delaying capital expenditure or using surplus funds to repay debt in order to avoid breaching its loan covenants.

Having considered all the above, the directors remain confident that the Company will continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Fixtures and fittings	-	3 - 5 years
Plant and equipment	-	5 - 15 years
Land and buildings	-	15 - 40 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

**Notes** *(continued)***1 Accounting policies** *(continued)***Intangible assets****Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets where the following criteria are met:

- It is technically feasible to complete the software products so that it will be available for use;
- Management intends to complete the software products and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

**Goodwill**

Subject to the transitional relief in IFRS 1, all unincorporated business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company.

Goodwill is stated at cost less any accumulated impairment losses. The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations, goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

**Research and development expenditure**

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Development costs are amortised on a straight-line basis over a period of 5 years.

**Foreign currencies**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Investments in subsidiaries*

Investments in subsidiaries are carried at cost less impairment.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

#### *Leases*

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### *Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and equipment            3 to 5 years
- Motor vehicles                    3 to 5 years

**Notes** *(continued)***1 Accounting policies (continued)****Leases** *(continued)**Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

*Employee benefits**Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit (liability)/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit (liability)/asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

**Notes** *(continued)***1 Accounting policies** *(continued)***Employee benefits** *(continued)***Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

**Turnover**

Turnover is generated from the sale of products developed and manufactured within the Company. Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

The performance obligation in a contract mainly consists of providing goods and the revenues from sales of products are recognised when the performance obligation is fulfilled and control over the product is transferred to the customer. In most circumstances, this date coincides with the delivery of the goods to the customer.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Dividends*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements. Income from investments is recognised when the Company's right to receive payment is established.

#### *Exceptional items*

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

#### *Critical accounting judgements and estimates*

##### *Inventory provisioning*

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions about anticipated saleability of finished goods and future usage of raw materials.

##### *Impairment of debtors*

The Company makes an estimate of the recoverable value of trade and other debtors utilising the expected credit loss (ECL) model. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debts, historical experience and future economic factors.

##### *Defined benefit pension scheme*

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, inflation, asset valuations and projected returns on assets. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

##### *Leases - Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## 1 Accounting policies (continued)

### *New and amended standards and interpretations*

#### *COVID-19 Related Rent Concessions (Amendments to IFRS 16)*

IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequent of the COVID-19 pandemic and that satisfy the following criteria:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the
- consideration for the lease immediately preceding the change;
- The reduction in lease payments affects only payments originally due on or before 30 June 2021 and
- There are no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy the above criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification.

The Company has elected to utilise the practical expedient which has been applied retrospectively. By applying the practical expedient, the Company is not required to determine a revised discount rate and the effect of the change in lease liability is reflected in the Income Statement in the period in which the event that triggered the concession occurred.

#### *New standards, interpretations and amendments effective from 1 January 2020*

- Amendments to IFRS 3 Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting

#### *New standards, interpretations and amendments not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 2 Analysis of turnover

The directors have elected not to disclose turnover by class of business in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as it would be seriously prejudicial to the interest of the Company.

## 3 Operating profit

	2020	2019
	£000	£000
<b>Operating profit is stated after charging</b>		
Depreciation	566	499
Amortisation	108	-
Loss on disposal of fixed assets	2	-
Operating leases – hire of plant and machinery	32	66
Net exchange (gains)/losses	(17)	360
Research and development expenditure	491	730
Auditor's remuneration		
Audit of these financial statements*	94	43

\*Amounts paid by the Company include fees relating to other entities in the Group. The audit of the Company's financial statements amounted to £35,000.

## Notes (continued)

### 4 Exceptional items

	2020 £000	2019 £000
Expenses relating to the sale of Diamorph AB (publ)	18	410
Pension past service cost	70	-
Expenses relating to implementation of new software and site move	337	549
Environmental review	8	247
Expenses relating to the purchase of Brandguard Vents, Inc	90	-
Other	57	-
	<u>580</u>	<u>1,206</u>

In May 2018 it was announced that, based on the request of Diamorph AB (publ)'s shareholders, advisers had been appointed to initiate a trade sale of the shares of Diamorph AB (publ), the Company's ultimate parent company. The exceptional amount of £18,000 (2019: £410,000) recorded in 2020 relates to additional expenditure incurred for the purpose of the sale of Diamorph AB (publ), in particular advice on the impact of the sale on the defined benefit pension scheme.

During 2019, the Company commenced the implementation of a new enterprise resource planning ("ERP") system and an assessment of moving to a new site. The exceptional amount of £337,000 (2019: £549,000) relates to consultancy fees and additional employees to support the business during these two projects.

Other one-off costs and other non-recurring costs that the directors believe are exceptional and do not form part of the underlying trading.

For further details on the Company's environmental review, please see note 18.

### 5 Remuneration of directors

	2020 £000	2019 £000
Directors' emoluments	<u>111</u>	<u>1,032</u>

The aggregate emoluments of the highest paid director were £111,000 (2019: £434,000).

	Number of directors 2020	Number of directors 2019
Retirement benefits accruing for the current financial year to the following number of directors under final salary (defined benefit) schemes	-	-

The Company is a member of a pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19(R), the scheme has been accounted for, in these financial statements, as if the scheme was a defined contribution scheme. Tenmat Limited's financial statements, as the sponsoring company disclose the information required about the plan.

## Notes (continued)

### 6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2020</b>	<b>2019</b>
Production	177	167
Administration	16	17
Distribution	11	12
Sales	37	37
	<b>241</b>	<b>233</b>
	<b>241</b>	<b>233</b>

The aggregate payroll costs of these persons were as follows:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	8,354	7,745
Social security costs	851	800
Other pension costs (see note 23)	382	346
	<b>9,587</b>	<b>8,891</b>
	<b>9,587</b>	<b>8,891</b>

### 7 Interest receivable and similar income

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Interest receivable on treasury deposits	1	7
Expected return on pension scheme assets	754	968
	<b>755</b>	<b>975</b>
	<b>755</b>	<b>975</b>

### 8 Interest payable and similar charges

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Interest on lease liabilities	9	12
Interest on intercompany loans	122	222
Interest on pension scheme liabilities	682	946
	<b>813</b>	<b>1,180</b>
	<b>813</b>	<b>1,180</b>

## Notes (continued)

### 9 Taxation on profit on ordinary activities

#### Recognised in the profit and loss account

	2020		2019	
	£000	£000	£000	£000
<i>UK Corporation Tax</i>				
Current tax on income for the year	563		99	
Adjustment in respect of previous years	(74)		74	
	<hr/>		<hr/>	
Total current tax charge		489		173
<i>Deferred tax (see note 19)</i>				
Reversal/(origination) of temporary differences	266		493	
Adjustment in respect of previous years	(6)		(603)	
Effect of tax rate change on opening balance	41		-	
	<hr/>		<hr/>	
Total deferred tax (credit)		301		(110)
		<hr/>		<hr/>
Tax charge on profit on ordinary activities		790		63
		<hr/> <hr/>		<hr/> <hr/>

#### Income tax recognised in other comprehensive income

	2020	2019
	£000	£000
<i>Deferred tax charge</i>		
Remeasurements of defined benefit pension scheme	(373)	237
	<hr/>	<hr/>

## Notes (continued)

### 9 Taxation on profit on ordinary activities (continued)

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation of total taxation</b>		
<i>Total tax reconciliation</i>		
Profit on ordinary activities before tax	<b>7,380</b>	8,667
	<hr/>	<hr/>
Tax at 19.00% (2019: 19%)	<b>1,402</b>	1,647
<i>Effects of:</i>		
Expenses not deductible for tax purposes	<b>11</b>	4
Group relief surrendered / (claimed)	<b>(604)</b>	(912)
Additional deduction for Research & Development expenditure	-	(9)
Additional deduction for pension spreading from prior year	-	(82)
Adjustment in respect of previous years – current tax	<b>(74)</b>	74
Adjustment in respect of previous years – deferred tax	<b>(6)</b>	(603)
Other	<b>61</b>	(56)
	<hr/>	<hr/>
Total current tax charge/(credit)	<b>790</b>	63
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current and future periods*

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. It was announced in the Budget in March 2021 that the UK corporation tax rate would remain at 19% until April 2023 when it would increase to 25%. The Company has recognised certain deferred tax balances relating to fixed asset timing differences and short term timing differences based on the expected timeframe for unwind.

## Notes (continued)

### 10 Intangible fixed assets

	Goodwill £000	Software £000	Development costs £000	Total £000
<i>Cost</i>				
At beginning of year	1,689	431	-	2,120
Additions	-	503	263	766
At end of year	<u>1,689</u>	<u>934</u>	<u>263</u>	<u>2,886</u>
<i>Accumulated amortisation and impairment</i>				
At beginning of year	-	-	-	-
Amortisation	-	55	53	108
At end of year	<u>-</u>	<u>55</u>	<u>53</u>	<u>108</u>
<i>Net book value</i>				
As at 31 December 2020	<u>1,689</u>	<u>879</u>	<u>210</u>	<u>2,778</u>
As at 31 December 2019	<u>1,689</u>	<u>431</u>	<u>-</u>	<u>2,120</u>

The software intangible assets includes capitalised development costs of £355,000 (2019: £129,000) relating to consultancy fees that are directly attributable to bringing the ERP system into working condition for its intended use within the business.

## Notes (continued)

### 11 Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Construction in progress £000	Fixtures and fittings £000	Total £000
<b>Cost</b>					
At beginning of year	3,992	8,202	288	609	13,091
Additions	18	312	278	19	627
Disposals	-	(105)	-	-	(105)
Transfer from construction in progress	-	379	(379)	-	-
At end of year	<u>4,010</u>	<u>8,788</u>	<u>187</u>	<u>628</u>	<u>13,613</u>
<b>Depreciation and diminution in value</b>					
At beginning of year	1,335	6,043	-	563	7,941
Charge for the year	109	413	-	44	566
Disposals	-	(103)	-	-	(103)
At end of year	<u>1,444</u>	<u>6,353</u>	<u>-</u>	<u>607</u>	<u>8,404</u>
<b>Net book value</b>					
As at 31 December 2020	<u>2,566</u>	<u>2,435</u>	<u>187</u>	<u>21</u>	<u>5,209</u>
As at 31 December 2019	<u>2,657</u>	<u>2,159</u>	<u>288</u>	<u>46</u>	<u>5,150</u>

Depreciation was not charged on land with a cost of £1,348,000 (2019: £1,348,000).

## Notes (continued)

### 12 Leases

The Company has lease contracts for plant and equipment and motor vehicles. The amounts recognised in the financial statements in relation to the leases are as follows:

#### *Amount recognised in the balance sheet*

The balance sheet shows the following amounts relating to leases:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b><i>Right-of-use assets</i></b>		
Motor vehicle	72	87
Plant and equipment	<u>38</u>	<u>57</u>
	<b><u>110</u></b>	<b><u>144</u></b>
<b><i>Lease liabilities</i></b>		
Amount due in less than one year	55	65
Amount due in more than one year	<u>58</u>	<u>83</u>
	<b><u>113</u></b>	<b><u>148</u></b>

Additions to the right-of-use assets during the financial year were £35,000 (2019: £39,000).

#### *Amount recognised in the profit and loss account*

The profit and loss account shows the following amounts relating to leases:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b><i>Depreciation charge of right-of-use</i></b>		
Motor vehicle	(50)	(48)
Plant and equipment	<u>(21)</u>	<u>(21)</u>
	<b><u>(71)</u></b>	<b><u>(69)</u></b>
Interest payable	(9)	(12)
Expense relating to short-term leases (included in administrative expenses)	(5)	(10)
Expenses relating to service rental lease payments not included in lease liabilities (included in administrative expenses)	<u>(6)</u>	<u>(7)</u>
Future minimum lease payments are as follows:		
Not later than one year	61	72
Later than one year and not later than five years	<u>61</u>	<u>89</u>
	<b><u>122</u></b>	<b><u>161</u></b>
Impact of interest payable	<u>(9)</u>	<u>(13)</u>
Carrying amount of liability	<b><u>113</u></b>	<b><u>148</u></b>

## Notes (continued)

### 12 Leases (continued)

The total cash outflow for leases in 2020 was £79,000 (2019: £77,000).

The Company leases various properties throughout the world. The majority of the lease liabilities relate to motor vehicles with leases generally entered into for a fixed period of up to five years. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. Lease assets are not used as security for any borrowings. Previously leases for land and buildings or motor vehicles were classified as operating leases. From 1 January 2019 leases are recognised as a right of use asset and corresponding liability, once the asset is available for use by the Company. The Company has applied the exemption for low value assets and short term lease. The Company recognises the lease payments associated with these leases as an expense in the Income Statement.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost and subsequently at cost, less and accumulated depreciation. The lease liability is initially measured at the present value of the lease payments discounted using the Company's incremental borrowing rate (IBR) of 5.9%. The lease liability is subsequently increased by the interest cost on the lease liability and reduced by the lease payment made. The Company's IBR has been used as the discount rate for most leases where an interest rate could not be readily determined from the contract which was the case for all leases.

### 13 Investments

	<b>Shares in group undertakings £000</b>
<i>Cost</i>	
At beginning of and end of year	1

Details of the principal operating subsidiary, which is unlisted, are set out below. This subsidiary undertaking is included in the consolidated Group financial statements of the ultimate parent undertaking, Diamorph Group Holdings Limited.

	<b>Class of share capital held</b>	<b>Proportion of share capital owned/voting rights</b>
<i>Subsidiary undertakings</i>		
Railko Limited*	Ordinary	100%

\* Manufacturer of synthetic bearing and anti-friction materials incorporated in England & Wales.

## Notes (continued)

### 14 Stocks

	2020 £000	2019 £000
Raw materials and consumables	1,576	1,109
Work in progress	361	465
Finished goods and goods for resale	<u>1,130</u>	<u>1,551</u>
	<u>3,067</u>	<u>3,125</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £5,429,000 (2019: £5,399,000). Inventories are stated after provisions for impairment of £349,000 (2019: £412,000). There is no significant difference between the replacement cost of inventory and its carrying amount.

### 15 Debtors

	2020 £000	2019 £000
Trade debtors	6,579	4,513
Amounts owed by parent undertakings	22,992	22,421
Amounts owed by subsidiary undertaking	1,706	1,254
Amounts owed by fellow subsidiary undertakings	2,422	993
Other debtors	349	56
Prepayments and accrued income	70	332
	<u>34,118</u>	<u>29,569</u>

Amounts owed by parent and fellow subsidiary undertakings are due on demand and are interest free.

### 16 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	1,283	1,012
Amounts owed to parent	389	2,239
Amounts owed to subsidiary undertaking	3,282	2,581
Amounts owed to fellow subsidiary	968	898
Lease liabilities (note 12)	55	65
Taxation and social security	284	285
Corporation tax	-	74
Deferred tax liability (see note 19)	278	351
Accruals and deferred income	<u>2,392</u>	<u>2,367</u>
	<u>8,931</u>	<u>9,872</u>

Amounts payable to parent and fellow subsidiary undertakings are due on demand and are interest free.

### 17 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities (note 12)	<u>58</u>	<u>83</u>

## Notes (continued)

### 18 Provisions

	<b>Site related costs £000</b>
At beginning of year	2,462
Amounts utilised during the year	(132)
	<hr/>
At end of year	<b>2,330</b>
	<hr/>
Analysed as:	
Current	1,165
Non-current	1,165

In early 2018 specialist consultants were engaged to undertake an environmental review at the Company's manufacturing site. Based on the findings of the review certain remedial actions were deemed necessary and a provision of £3,000,000 was recognised in 2017. During 2020, £132,000 (2019: £425,000) of this provision was utilised on the first phase of management's remediation plan.

### 19 Deferred taxation

	<b>2020 £000</b>	2019 £000
<i>Liability/(asset)</i>		
At beginning of year	351	224
Charge/(credit) to the profit and loss for the year (see note 9)	300	(110)
Recognised in other comprehensive income	(373)	237
	<hr/>	<hr/>
At end of year	<b>278</b>	<b>351</b>
	<hr/>	<hr/>

The elements of deferred taxation are as follows:

	<b>2020 £000</b>	2019 £000
<i>Liability/(asset)</i>		
Difference between accumulated depreciation and capital allowances	339	275
Provisions for liabilities	(479)	(468)
On pension scheme deficit	418	544
	<hr/>	<hr/>
Deferred tax liability	<b>278</b>	<b>351</b>
	<hr/>	<hr/>

## Notes (continued)

### 20 Called up share capital

	2020	2019
	£000	£000
<i>Allotted, called up and fully paid</i>		
3,000,000 Ordinary shares of £1 each	3,000	3,000
	3,000	3,000

### 21 Dividends

	2020	2019
	£000	£000
<i>Equity – ordinary</i>		
Final paid £nil per ordinary share (2019: £nil)	-	-
	-	-

### 22 Pledged assets, contingent liabilities and capital commitments

During 2019, the Group entered into a new senior secured bank facility agreement. The bank facility contains a number of commitments and guarantees, to which the Company is a party, and is secured against the shares of certain companies within the Group.

## Notes (continued)

### 23 Pension scheme

#### *Defined contribution pension scheme*

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £382,000 (2019: £346,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

#### *Defined benefit pension scheme*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	2020 £000	2019 £000
Present value of funded defined benefit obligations	(37,810)	(34,554)
Fair value of plan assets	40,015	37,608
Surplus	<u>2,205</u>	<u>3,054</u>

The pension scheme assets include no assets from the Company's own financial instruments. The pension scheme assets include no property occupied by, or other assets used by, the Company.

The plan ceased all future service benefit accrual with effect from 31 January 2010. The 3 August 2019 triennial valuation resulted in a surplus to the scheme. The Company expects to pay contributions in the region of £950,000 to the plan in the next financial year. In addition, the Company will reimburse the pension scheme trustees for all asset management and administrative charges associated with the running of the pension scheme.

#### Movements in present value of defined benefit obligation

	2020 £000	2019 £000
Opening defined benefit obligation	34,554	33,054
Interest cost	682	946
Actuarial losses	3,451	1,394
Past service cost	70	-
Benefits paid	(947)	(840)
Closing defined benefit obligation	<u>37,810</u>	<u>34,554</u>

#### Movements in fair value of plan assets

	2020 £000	2019 £000
Opening fair value of scheme assets	37,608	32,771
Expected return on plan assets	754	968
Actuarial gains	1,488	2,643
Contribution from employer	1,112	2,066
Benefits paid	(947)	(840)
	<u>40,015</u>	<u>37,608</u>

## Notes (continued)

### 23 Pension scheme (continued)

Credit recognised in the profit and loss account

	2020 £000	2019 £000
Interest on defined benefit pension plan obligation	682	946
Expected return on defined benefit pension plan assets	(754)	(968)
Past service cost	70	-
Total credit	<u>(2)</u>	<u>(22)</u>

The expense is recognised in the following line items in the profit and loss account:

	2020 £000	2019 £000
Interest receivable & similar income	(754)	(968)
Interest payable and similar charges	682	946
Exceptional items	<u>70</u>	<u>-</u>

The total amount recognised in other comprehensive income in respect of actuarial gains and losses is an actuarial loss of £1,963,000 (2019: gain of £1,249,000).

Cumulative actuarial losses reported in other comprehensive income for accounting periods ending on or after 22 June 2002 are £8,054,000 (2019: £6,091,000).

The fair value of the plan assets and the return on those assets were as follows:

	2020 Fair value £000	2019 Fair value £000
Equities & property	15,251	15,647
Gilts & bonds	24,132	21,577
Other	632	384
	<u>40,015</u>	<u>37,608</u>
Actual return on scheme assets	<u>2,242</u>	<u>3,611</u>

## Notes (continued)

### 23 Pension scheme (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	<b>2020</b>	2019
	%	%
Discount rate	<b>1.30</b>	2.00
Price inflation		
RPI	<b>3.10</b>	3.20
CPI	<b>2.35</b>	2.45
Future pension increases		
Inflation linked up to 5% per annum	<b>3.00</b>	3.10
Inflation linked up to 2.5% per annum	<b>2.05</b>	2.10
Inflation linked with a minimum of 3% pa and maximum of 5% per annum	<b>3.65</b>	3.65

Where investments are held in bonds and cash, the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based more on realistic future expectations than on the returns that have been available historically. The overall expected long term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension plan.

In valuing the liabilities of the pension fund at recent rates of return, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male – 22 (2019: 22) years; female – 24 (2019: 23) years
- Future retiree upon reaching 65: male – 23 (2019: 23) years; female – 25 (2019: 25) years

The discount rate is the assumption that has the greatest impact on pension obligations. A 1 percentage change in the discount rate changes commitments by about 20% (2019: 20%). Mortality rates also affects the calculation. If the life expectancy is extended by one year, the commitment would increase by about 4% (2019: 4%).

#### History of plans

The history of the plans for the current and prior periods is as follows:

	<b>31 December</b>	31 December	31 December	31 December	31 December
	<b>2020</b>	2019	2018	2017	2016
	<b>£000</b>	£000	£000	£000	£000
Present value of scheme liabilities	<b>(37,810)</b>	(34,554)	(33,054)	(34,194)	(35,398)
Fair value of scheme assets	<b>40,015</b>	37,608	32,771	33,984	32,220
Surplus/(deficit)	<b>2,205</b>	3,054	(283)	(210)	(3,178)

## **Notes** *(continued)*

### **24 Ultimate parent company**

As at December 2020, the Company was a wholly owned subsidiary undertaking of Modular Stock Limited, a company incorporated in England and Wales.

The smallest and largest group in which the results of the Company were consolidated is that headed by Diamorph Group Holdings Limited. No other group financial statements include the results of the Company. The consolidated accounts of this Company are available to the public and may be obtained from Diamorph Group Holdings Limited by writing to Aztec Group House 11-15 Seaton Place St Helier Jersey JE4 0QH.

The ultimate controlling party is Epiris GB Limited, a company incorporated and registered in Jersey, and controls as general partner the following partnerships, Epiris Fund II LP, Epiris Fund II (B) LP, Epiris Fund II FFP LP and Epiris TC LP which hold the majority of shares in Diamorph Group Holdings Limited. Epiris GB Limited is an institutional private equity fund manager based in the UK.