

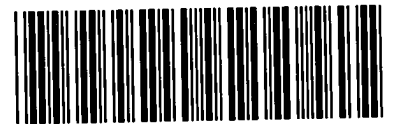
**Company Registration Number 06515775**

**KEY TECHNOLOGIES LIMITED**

**DIRECTORS' REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2020**

**SATURDAY**



\*AA05LE3L\*

A07

13/03/2021

#269

COMPANIES HOUSE

# KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

## CONTENTS

---

<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2</b>
<b>Report of the Directors</b>	<b>4</b>
<b>Independent Auditor's Report</b>	<b>5</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>7</b>
<b>Consolidated Balance Sheet</b>	<b>8</b>
<b>Company Balance Sheet</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10</b>
<b>Consolidated Cashflow Statement</b>	<b>11</b>
<b>Company Cashflow Statement</b>	<b>12</b>
<b>Notes to the Financial Statements</b>	<b>14</b>

**KEY TECHNOLOGIES LIMITED  
AND SUBSIDIARY COMPANIES**

**COMPANY INFORMATION**

---

**DIRECTORS**

J D Grove  
S L Grove  
K Hilton  
L R Litwinowicz  
C G Rowe  
T Middleton

**COMPANY NUMBER**

06515775

**COMPANY SECRETARY**

K Hilton

**REGISTERED OFFICE**

5 The Courtyard  
Timothy's Bridge Road  
Stratford Upon Avon  
Warwickshire  
CV37 9NP

**AUDITOR**

Mazars LLP  
First Floor  
Chamberlain Square  
Birmingham  
B3 3AX

**BANKERS**

Barclays Bank Plc  
Barclays Business Centre  
15 Colmore Row  
Birmingham  
B3 2BH

**SOLICITORS**

Gateley Plc  
One Eleven  
Edmund Street  
Birmingham  
B3 2HJ

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### STRATEGIC REPORT

---

The directors present their Strategic Report of the group for the year ended 30 June 2020.

#### PRINCIPAL ACTIVITIES

The principal activity of Key Technologies Limited is that of a holding company to the following group of companies;

- STS Defence Limited, whose principal activities involve the development of technology and engineering solutions, specialising in mission-critical communications, electronics and intelligent systems across the defence, marine, aerospace and nuclear sectors. Capabilities include the research, design and manufacture of high reliability electronic and electro-mechanical products and equipment as well as the installation and integration of systems, including through-life logistics support and training;
- Primetake Limited, whose principal activities involve the design and manufacture of ammunition and explosive devices for specialised applications for the defence and homeland security markets;
- STS Intellimon Limited (formerly STS International Limited), whose principal activities involve research led product developments focused on AI in intelligent monitoring and communication systems;
- S R Antenna Limited, a dormant company.

#### BUSINESS REVIEW

The Group delivered a stable performance in the twelve months to 30 June 2020 and the financial results for the year are satisfactory taking into account the impact of the Covid-19 restrictions. Overall revenues were marginally lower than the previous year at £21.157m (2019: £21.881m) with operating profit at £1.180m (2019: £2.382m).

A positive cash flow from operating activities of £3.799m (2019: £1.529m) was generated for the year and the Group continues to operate well within its banking facilities with headroom of £4.4m (2019: £1.9m) as at the year end.

Investments in research, product development, safety, machinery & equipment and enhancing our capabilities continue to yield benefits and improvements in operational performance. Investments in these areas will continue and are fundamental to the future success of the business in the medium to long term in order to mitigate the risk posed by competitive pressures from around the world.

The Group enters the new financial year with an increased order book and a stronger pipeline of opportunities than at this time last year which gives the Directors confidence the Group is well positioned to show further progress in 2020.

The directors recognise the challenges the Company will face due to Brexit and are continuously analysing the scenarios and putting in place all the necessary measures to make sure the Company does not incur any major impact after Brexit. The Directors have reasonable expectation that Brexit will not have any major impact on the Business.

#### FINANCIAL KEY PERFORMANCE INDICATORS

The Group uses a number of key performance indicators (KPI's) to monitor its progress against its objectives. In addition to on time delivery and quality standards, the key financial KPI's are:

	2020	2019
Revenue	£21.157m	£21.881m
Gross profit %	31.8%	35.3%
Underlying operating profit	£1.258m	£2.460m

Underlying operating profit comprises operating profit adjusted to remove the impact of exceptional items and other income.

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### STRATEGIC REPORT

---

#### PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks and uncertainties that can impact the performance of the Group, some of which are beyond the control of Key Technologies and its Board. The Group's businesses closely monitor market trends and risks on an on-going basis. These trends and risks are the focus of monthly management meetings where each business unit's performance is assessed versus budget, forecast and prior year, key performance indicators are also used to benchmark operational performance. Such meetings are rotated around the different locations of each business and at least two executive directors are present. An annual assessment of trends and risks is also an integral part of each business's annual review of its strategic plan and budget, which are submitted to the Group Board for consideration and approval. A combination of all of this, in what is a bottom up and top down approach, enables the Board to determine and assess the Group's risk environment.

The principal risks and uncertainties facing the Group are outlined below:

##### *Market conditions*

The Group's products are targeted at principally the defence, aerospace and homeland security markets. As a result demand is dependent on activity levels in these respective markets, which vary by geographical area and are subject to the usual drivers of activity (i.e. general economic conditions and volatility, interest rates, business/consumer confidence levels, unemployment, population growth, etc.). While our markets are inherently cyclical, regulations continue to act positively on the underlying demand for many of the Group's products.

##### *Input prices and availability*

The Group's operating performance is impacted by the pricing and availability of its key inputs, which include electrical components, cartridges and chemical compounds. The pricing of such inputs can be quite volatile at times due to supply and demand dynamics and the input costs of the supply base. The Group manages the effect of such movements through its procurement process, long-term relationships with suppliers, economic purchasing, multiple suppliers and inventory management. The Group continually mitigates risk by avoiding over-reliance on a single supplier and by developing in house capability.

##### *Research & development and quality control*

Innovation is fundamental to the ethos of the Group and underpins its competitive advantage. With the support of external audits, quality control systems are reviewed and improved on an on-going basis to ensure each business is addressing the control environment around product and process development and the formal sign off from development to production. New products also go through a qualification process in line with recognised military standards before they are brought to market.

Approved by the Board on 18 February 2021 and signed on its behalf by:



T Middleton  
Director

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### REPORT OF THE DIRECTORS

---

The directors present their Directors' Report and the financial statements of the group for the year ended 30 June 2020.

#### DIRECTORS

The following directors held office from 1 July 2019 up to the date of signing these financial statements;

J D Grove  
S L Grove  
K Hilton  
L R Litwinowicz  
C G Rowe  
T Middleton

#### RESPONSIBILITIES OF DIRECTORS

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union 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 of the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

#### DISCLOSURE OF INFORMATION TO THE AUDITOR

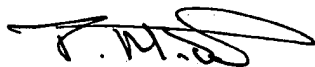
In so far as the directors are, individually, aware

- there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### AUDITOR

Mazars LLP were auditor during the year and a resolution to reappoint Mazars LLP as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

Approved by the Board on 18 February 2021 and signed on its behalf by:



T Middleton  
Director

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

---

**Opinion**

We have audited the consolidated financial statements of Key Technologies Limited (the parent company) and its subsidiaries (the Group) for the year ended 30 June 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2020 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements 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 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

---

### **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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

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

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

### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 4, 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 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 company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

---


**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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of the audit 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.

 11/03/21

Ian Holder (Senior Statutory Auditor)  
For and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Mazars LLP  
First Floor  
Chamberlain Square  
Birmingham  
B3 3AX

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2020

		2020	2020	2020	2019	2019	2019
	Notes	Underlying £000	Non- Underlying £000	Total £000	Underlying £000	Non- Underlying £000	Total £000
<b>CONTINUING OPERATIONS</b>							
Revenue		21,157	-	21,157	21,881	-	21,881
Cost of sales		(14,431)	-	(14,431)	(14,153)	-	(14,153)
<b>Gross profit</b>		<b>6,726</b>	<b>-</b>	<b>6,726</b>	<b>7,728</b>	<b>-</b>	<b>7,728</b>
Administrative expenses		(5,004)	-	(5,004)	(4,974)	-	(4,974)
Impairment/amortisation	5	(378)	(742)	(1,120)	(294)	(792)	(1,086)
Other income		(55)	-	(55)	27	-	27
Exceptional costs	2	(109)	-	(109)	(105)	-	(105)
<b>Operating profit</b>	2	<b>1,180</b>	<b>(742)</b>	<b>438</b>	<b>2,382</b>	<b>(792)</b>	<b>1,590</b>
Finance income		-	-	-	1	-	1
Finance costs	3	(322)	-	(322)	(298)	-	(298)
<b>Profit before income tax</b>		<b>858</b>	<b>(742)</b>	<b>116</b>	<b>2,085</b>	<b>(792)</b>	<b>1,293</b>
Taxation	4	233	-	233	86	-	86
<b>Profit for the year from continued operations</b>		<b>1,091</b>	<b>(742)</b>	<b>349</b>	<b>2,171</b>	<b>(792)</b>	<b>1,379</b>
<b>Total comprehensive income for the year</b>		<b>1,091</b>	<b>(742)</b>	<b>349</b>	<b>2,171</b>	<b>(792)</b>	<b>1,379</b>

All of the activities of the company are classed as continuing.

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEET**

As at 30 June 2020

	Notes	2020 £000	2019 £000
<b>Non-current assets</b>			
Intangible assets	5	5,817	6,847
Property, plant and equipment	6	3,262	1,291
Deferred tax	13	710	710
		<u>9,789</u>	<u>8,848</u>
<b>Current assets</b>			
Inventories	8	1,672	1,419
Construction contract work in progress	9	1,396	1,369
Trade and other receivables	10	4,158	7,462
Current tax receivable	10	112	90
Cash and cash equivalents	10	1,383	-
		<u>8,721</u>	<u>10,340</u>
<b>Total assets</b>		<u><b>18,510</b></u>	<u><b>19,188</b></u>
<b>Current liabilities</b>			
Cash and cash equivalents	11	-	1,061
Borrowings	11	1,000	1,000
Trade and other payables	11	6,153	7,065
		<u>7,153</u>	<u>9,126</u>
<b>Net current assets</b>		<u><b>1,568</b></u>	<u><b>1,214</b></u>
<b>Non-current liabilities</b>			
Long term borrowings	12	1,418	2,219
Lease liabilities	12	1,787	-
Deferred tax	13	71	111
		<u>3,276</u>	<u>2,330</u>
<b>Total liabilities</b>		<u><b>10,429</b></u>	<u><b>11,456</b></u>
<b>Net assets</b>		<u><b>8,081</b></u>	<u><b>7,732</b></u>
<b>Share capital</b>			
Share capital	14	84	84
Share premium account		1,777	1,777
Merger reserve		3,410	3,410
Other reserves		31	31
Retained profit		2,779	2,430
<b>Total equity</b>		<u><b>8,081</b></u>	<u><b>7,732</b></u>

The financial statements were approved by the board of directors on 18 February 2021 and are signed on its behalf by:



K Hilton – Director  
Company number 06515775

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

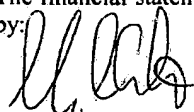
**COMPANY BALANCE SHEET**

As at 30 June 2020

	Notes	2020 £000	2019 £000
<b>Non-current assets</b>			
Investments	7	12,958	12,958
Retirement benefit scheme asset	21	-	-
Trade and other receivables more than one year	10	2,000	4,000
		<u>14,958</u>	<u>16,958</u>
<b>Current assets</b>			
Trade and other receivables	10	172	118
Cash and cash equivalents	10	-	-
		<u>172</u>	<u>118</u>
<b>Total assets</b>		<u><u>15,130</u></u>	<u><u>17,076</u></u>
<b>Current liabilities</b>			
Cash and cash equivalents	10	2,816	2,956
Borrowings	11	1,000	1,000
Trade and other payables	11	954	696
		<u>4,770</u>	<u>4,652</u>
<b>Net current liabilities</b>		<u><u>(4,598)</u></u>	<u><u>(4,534)</u></u>
<b>Non-current liabilities</b>			
Long term borrowings	12	6,825	7,862
		<u>6,825</u>	<u>7,862</u>
<b>Total liabilities</b>		<u><u>11,595</u></u>	<u><u>12,514</u></u>
<b>Net assets</b>		<u><u>3,535</u></u>	<u><u>4,562</u></u>
<b>Share capital</b>			
Share capital	14	84	84
Share premium account		1,777	1,777
Merger reserve		3,410	3,410
Other reserves		31	31
Retained loss		(1,767)	(740)
<b>Total equity</b>		<u><u>3,535</u></u>	<u><u>4,562</u></u>

In accordance with the Companies Act 2006, Section 408, a separate income statement of Key Technologies Limited is not presented. The loss after tax of Key Technologies Limited for the year ended 30 June 2020 was £1,027,000 (2019: profit £732,000).

The financial statements were approved by the board of directors on 18 February 2021 and are signed on its behalf by:



K Hilton – Director  
Company number 06515775

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 June 2020

<b>Group</b>	<b>Share capital £000</b>	<b>Share premium £000</b>	<b>Merger reserve £000</b>	<b>Retained earnings £000</b>	<b>Other reserves £000</b>	<b>Total £000</b>
Balance as at 1 July 2018	84	1,777	3,410	1,051	31	6,353
Profit for the year	-	-	-	1,379	-	1,379
Balance as 30 June 2019	84	1,777	3,410	2,430	31	7,732
Profit for the year	-	-	-	349	-	349
<b>Balance as 30 June 2020</b>	<b>84</b>	<b>1,777</b>	<b>3,410</b>	<b>2,779</b>	<b>31</b>	<b>8,081</b>

<b>Company</b>	<b>Share capital £000</b>	<b>Share premium £000</b>	<b>Merger reserve £000</b>	<b>Retained earnings £000</b>	<b>Other reserves £000</b>	<b>Total £000</b>
Balance as at 1 July 2018	84	1,777	3,410	(1,472)	31	3,830
Profit for the year	-	-	-	732	-	732
Balance as 30 June 2019	84	1,777	3,410	(740)	31	4,562
Loss for the year	-	-	-	(1,027)	-	(1,027)
<b>Balance as 30 June 2020</b>	<b>84</b>	<b>1,777</b>	<b>3,410</b>	<b>(1,767)</b>	<b>31</b>	<b>3,535</b>

The merger reserve arose when the shares of STS Intellimon Limited were exchanged for shares in Key Technologies Limited.

Other reserves relate to the fair value of the equity component of convertible unsecured loan stock issued during a previous year.

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES****CONSOLIDATED CASHFLOW STATEMENT  
for the year ended 30 June 2020**

	<b>Cashflow Note</b>	<b>2020 £000</b>	<b>2019 £000</b>
<b>Cash inflows from operating activities</b>	1	3,799	1,529
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(142)	(412)
Acquisition of intangible assets		(90)	(139)
Deferred consideration payment		-	(294)
<b>Net cash used in investing activities</b>		<b>(232)</b>	<b>(845)</b>
<b>Financing activities</b>			
Interest and similar expenses paid		(322)	(298)
Net movement on borrowings		(801)	(2,300)
<b>Net cash used in financing activities</b>		<b>(1,123)</b>	<b>(2,598)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>2,444</b>	<b>(1,914)</b>
Cash and cash equivalents at beginning of year		(1,061)	853
Cash and cash equivalents at year end		<b>1,383</b>	<b>(1,061)</b>

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**COMPANY CASHFLOW STATEMENT**  
for the year ended 30 June 2020

	Cashflow Note	2020 £000	2019 £000
<b>Cash flows from operating activities</b>	1	1,408	932
<b>Investing activities</b>			
Acquisition of property, plant and equipment		-	-
<b>Net cash from investing activities</b>		-	-
<b>Financing activities</b>			
Interest and similar expenses paid		(231)	(276)
Net movement on borrowings		(1,037)	(1,400)
<b>Net cash used in financing activities</b>		(1,268)	(1,676)
<b>Net increase/(decrease) in cash and cash equivalents</b>		140	(744)
Cash and cash equivalents at beginning of year		(2,956)	(2,212)
<b>Cash and cash equivalents at year end</b>		<u>(2,816)</u>	<u>(2,956)</u>

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES****NOTES TO THE CONSOLIDATED AND COMPANY CASHFLOW STATEMENT  
for the year ended 30 June 2020****1. Reconciliation of operating profit to net cash flow from operating activities**

	2020 Group £000	2020 Company £000	2019 Group £000	2019 Company £000
Profit before income tax for the year	171	(1,027)	1,293	468
Add back net financing costs	322	231	298	276
Operating profit for the year	493	(796)	1,591	744
<b>Adjustments for</b>				
Depreciation of owned property, plant and equipment	454	-	442	1
Amortisation of intangible assets	1,120	-	1,086	-
Impairment of investment	-	2,000	1,086	-
Operating cash flows before movements in working capital	2,067	1,204	3,119	745
Decrease in inventories	(280)	-	(838)	-
Decrease/(increase) in receivables	3,331	(54)	(2,847)	(79)
Increase/(decrease) in payables	(1,408)	258	1,974	266
Taxation	89	-	121	-
<b>Net cash flow from operating activities</b>	<b>3,799</b>	<b>1,408</b>	<b>1,529</b>	<b>932</b>

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

#### 1 ACCOUNTING POLICIES

##### 1.1 General information

Key Technologies Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is 5 The Courtyard, Timothy's Bridge Road, Stratford Upon Avon, Warwickshire, CV37 9NP.

The principal activity of Group is set out in the principal activities and business review set out on page 2 of the financial statements.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign transactions are included in accordance with the accounting policy set out in 1.12 below.

##### 1.2 Presentation of financial statements

These consolidated and company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as endorsed by the International Accounting Standards Board and adopted by the EU ("adopted IFRS"). They have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies preparing accounts under IFRS. The consolidated financial statements have been prepared under the historical cost convention except in the case of financial instruments required to be included in the financial statements at fair value.

The directors consider it appropriate that the financial statements are prepared on a going concern basis. The Directors have prepared cash and profit forecasts for the next 5 years and together with their other enquiries leads them to conclude that the company has a reasonable expectation of being able to meet its liabilities as they fall due, at least for the next 12 months from the date of approval of these financial statements.

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

##### 1.3 Basis of consolidation

The acquisition of subsidiary undertakings is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. Acquisition costs incurred are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the acquisition date except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

If the business combination is achieved in stages, the Group's previously held interests in the acquired entity is re-measured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Statement of Comprehensive Income.

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

---

#### 1.4 Going concern

The Directors have prepared a going concern assessment based on forecasts for a period up to June 2022, including realistic downside scenarios. They have considered the current risks and opportunities facing the Group and their potential impact on the cash flows expected to be generated. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt on the ability of the Group to continue as a going concern or its ability to continue with current banking arrangements.

The Covid-19 virus will affect the Group in 2021 and risk assessments have been carried out and will be updated on an on-going basis to protect employees against infection risk and to ensure stable services. Several measures have been taken to reduce the risk of infection and mitigate the impact on the Group. There are no known current consequences for the company with the Covid-19 virus, but longer-term consequences cannot be ruled out and this is being monitored by Management.

In view of the above the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

#### 1.5 Goodwill and other intangible assets

Goodwill arising on consolidation represents the excess of the fair value of the consideration for investment in subsidiary undertakings over the group's interest in the fair value of identifiable assets and liabilities acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Acquired goodwill is stated at cost and reviewed annually for impairment.

Licences are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal instalments over their estimated useful life of between 3 and 5 years.

Products, contracts and brands are valued at cost less amortisation. Amortisation is calculated to write off the cost in equal instalments over their useful life of 10 years.

#### 1.6 Revenue recognition

Under IFRS 15, Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is recognized when goods are delivered and title has passed, or the group has otherwise fulfilled its performance, obligations or in line with accounting policy 1.8 for construction contracts.

#### 1.7 Investments

Non-current investments are stated at cost less provision for impairment. A review is carried out at the end of each financial year end to determine if any assets have suffered an impairment loss.

#### 1.8 Inventories and work in progress

Inventories and work in progress (other than construction contracts) are stated at the lower of cost and net realisable value. Costs comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs are allocated on a first in first out basis.

Net realisable value represents the estimated selling price less estimated costs to completion and costs to be incurred in marketing, selling and distribution.

A provision is made for obsolete, slow moving or otherwise impaired inventory.

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

---

#### 1.9 Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion at the balance sheet. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the income of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recovered. Contract costs are recognised as expenses in the year in which they are incurred.

Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Payments on account are firstly deducted from construction contract work in progress, any excess is included in creditors as payments on accounts.

#### 1.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost over its expected useful lives, using the straight-line method, as follows:

Leasehold improvements	- over the length of the lease
Plant and equipment	- 20% & 33% per annum straight line
Motor vehicles	- 20% per annum straight line
Fixtures, fittings and equipment	- 20% per annum straight line.

#### 1.11 Leasing and hire purchase commitments

Rentals payable under operating leases, prior to 1 July 2019, were charged to income 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 is consumed.

From 1 July 2019, operating lease contracts, with the exception of contracts whose term is shorter than or equal to 12 months and low-value contracts, are recognized in the balance sheet in the form of a right of-use asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing period. Refer to notes 6 and 23. The right of use assets are amortised on a straight-line basis and the financial liabilities are amortised on an effective interest rate basis over the lease period. Fixed lease payments less any lease incentives are include in the measurement of the lease liability. The company remeasures the lease liability (and makes a corresponding adjustment to the right of use asset) whenever the lease life or the contract conditions have changed.

#### 1.12 Impairment of assets

A review is carried out at the end of each financial year to determine if any assets have suffered an impairment loss. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Impairment losses are recognised in the income statement when an asset's carrying value exceeds its recoverable amount.

#### 1.13 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

---

#### 1.14 Research and development

Research expenditure is written off to the income statement in the period in which it is incurred. Development expenditure is written off to the income statement in the year in which it is incurred unless the expenditure meets, and the company demonstrates, the following criteria; the completion is technically feasible to make the intangible asset available for use or for sale; there is the intention to complete the intangible asset and use or sell it; the company is able to use or sell the intangible asset; there are probable future economic benefits likely to result from the intangible asset; adequate technical, financial and other resources exist to complete the development and the expenditure attributable to the intangible asset can be measured reliably.

#### 1.15 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The group operates a defined benefit retirement benefit plan which requires contributions to be made to a separately administered funds. For the defined benefit retirement benefit plan, the cost of providing benefits is determined using the projected unit credit method, with interim actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are immediately recognised in full. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

#### 1.16 Warranty provision

Provision is made for the estimated future cost of fulfilling the company's warranty obligations, based upon historical warranty experience and future expectations.

#### 1.17 Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the balance sheet liability method. Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the balance sheet. Deferred tax assets and liabilities are not recognised if they arise in the following situations; the initial recognition of goodwill or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax charges and credits are recognised in the income statement unless they relate to items taken to the statement of comprehensive income in which case the related deferred tax charge or credit is also taken to the statement of comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

#### 1.18 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the income statement over the expected useful life of the assets. Grants towards revenue expenditure are released to the income statement as the related expenditure is incurred.

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

---

#### 1.19 Financial instruments

Financial assets and liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

#### 1.20 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### 1.21 Borrowings

Interest bearing borrowings and overdrafts are recorded when the proceeds are received, net of direct issue costs. Finance charges, including premiums payable on settlement of redemption and incremental costs directly attributable to the issue, are accounted for on an accruals basis as part of finance expenses in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period that they arise.

#### 1.21 Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

##### *Financial Assets*

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets, comprising trade receivables, other receivables and amounts due from related undertakings, are recognised in the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

After initial recognition, financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on financial assets at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. For other receivables and amounts due from group undertakings a 12 month expected credit loss model is applied.

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

---

#### *Cash and cash equivalents*

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts and similar short term financing facilities. Bank overdrafts and similar short term financing facilities are shown within borrowings in current liabilities in the statement of financial position.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the fair value on initial recognition net of transaction costs.

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities at 'fair value through profit or loss' or 'other financial liabilities'.

#### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest basis is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### **1.22 Share based payment**

The group issues share options to certain employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. At each balance sheet date, the group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimated, if any, in the income statement, with a corresponding adjustment to equity.

Fair value is measured using the Black-Scholes model.

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

#### 1.23 Adoption of new and revised standards

##### Standards, amendments and interpretations adopted in the current financial year ended 30 June 2020

The adoption of the following standards, amendments and interpretations in the current year have not had a material impact on the Group's/Company's financial statements.

The following standards, amendments and interpretations in the current year have not had a material impact on the group's financial statements.

##### *EU effective date – periods beginning on or after*

IFRS 9 Amendment: Prepayment Features with Negative Compensation	1 January 2019
IAS 19 Amendment: Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 28 Amendment: Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRIC 23: Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements Cycle 2015 – 2017	1 January 2019

##### Standards, amendments and interpretations in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU.

The Group continues to assess the full impact that adopting these standards, amendments and interpretations will have on future financial statements. The full effect is yet to be determined but no material impact is anticipated.

	<i>EU effective date – Periods beginning on or after</i>	<i>IASB effective date – periods beginning on or after</i>
IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment): Definition of Material	1 January 2020	1 January 2020
IFRS 3 Business Combinations (Amendment): Definition of a Business	1 January 2020	1 January 2020
IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Amendments): Interest Rate Benchmark Reform	1 January 2020	1 January 2020
Conceptual Framework (Amendment): Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	1 January 2020
IFRS 17 Insurance Contracts	1 January 2023	1 January 2023

Standards, amendments and interpretations cannot be adopted in the EU until they have been EU-endorsed.

There is no material impact anticipated from transition to the other standards and amendments listed above. The Group has decided not to early adopt these new standards.

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

#### 1.24 Critical accounting judgments and key sources of estimation uncertainty

The preparation of accounts in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The key source of estimation uncertainty at the balance sheet date derives from management assumptions in relation to the level of completion of construction contracts. The accounting policy in relation to this item is disclosed in note 1.8 above. Impairment tests have been undertaken on Goodwill as detailed in note 5.

#### 2. Operating profit

	2020 £000	2019 £000
Operating profit is stated after charging/(crediting)		
Depreciation of property, plant and equipment	454	442
Research and development	1,123	1,111
Amortisation of intangible assets	1,120	1,086
Exceptional costs	109	105
(Profit)/Loss on foreign exchange	11	(34)
Fees payable to company's auditor for the audit of the company's annual accounts	6	6
Fees payable to company's auditor for other services:		
-The audit of the company's subsidiaries pursuant to legislation	19	18
-Other services	3	3
	<u>322</u>	<u>298</u>

Exceptional costs in the year comprise costs restructuring costs of £109,000.

#### 3. Finance costs

	2020 £000	2019 £000
Interest on bank loans and overdrafts	73	88
Interest on other loans	163	210
Interest on lease liabilities	86	-
	<u>322</u>	<u>298</u>

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 30 June 2020**

**4. Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>UK current tax</b>		
UK Corporation tax		
Current year	(112)	(57)
Adjustment for prior year	(81)	(5)
	<u>(193)</u>	<u>(62)</u>
<b>Current tax charge</b>		
<b>Deferred tax</b>		
Deferred tax charge for the current year	(40)	(21)
Adjustment for prior year	-	(3)
	<u>(40)</u>	<u>(24)</u>
<b>Taxation for the year</b>	<u><u>(233)</u></u>	<u><u>(86)</u></u>
<b>Factors affecting taxation for the year</b>		
Profit on ordinary activities before taxation	<u>116</u>	<u>1,266</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2019: 19.0%)	22	241
Non-deductible expenses	4	9
Other tax adjustments	103	(37)
Additional deduction for R&D expenditure	(281)	(217)
Deferred tax not recognised	-	(74)
Adjustments to prior year	(81)	(8)
	<u>(233)</u>	<u>(86)</u>
<b>Taxation for the year</b>	<u><u>(233)</u></u>	<u><u>(86)</u></u>

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2020

**5. Intangible assets**

<b>Group</b>	<b>Products £000</b>	<b>Contracts £000</b>	<b>Brands £000</b>	<b>Licences £000</b>	<b>Goodwill £000</b>	<b>Total £000</b>
<b>Cost</b>						
At 30 June 2018	10,520	316	1,051	2	5,322	17,211
Additions	139	-	-	-	-	139
<b>At 30 June 2019</b>	<b>10,659</b>	<b>316</b>	<b>1,051</b>	<b>2</b>	<b>5,322</b>	<b>17,350</b>
Additions	90	-	-	-	-	90
<b>At 30 June 2020</b>	<b>10,749</b>	<b>316</b>	<b>1,051</b>	<b>2</b>	<b>5,322</b>	<b>17,440</b>
<b>Amortisation</b>						
At 30 June 2018	8,224	275	916	2	-	9,417
Provided during the year	978	25	83	-	-	1,086
<b>At 30 June 2019</b>	<b>9,202</b>	<b>300</b>	<b>999</b>	<b>2</b>	<b>-</b>	<b>10,503</b>
Provided during the year	1,052	16	52	-	-	1,120
<b>At 30 June 2020</b>	<b>10,254</b>	<b>316</b>	<b>1,051</b>	<b>2</b>	<b>-</b>	<b>11,623</b>
<b>Net book value</b>						
At 30 June 2020	495	-	-	-	5,322	5,817
At 30 June 2019	1,457	16	52	-	5,322	6,847

Impairment tests on the carrying values of goodwill are performed by analysing the carrying value allocated to each significant cash generating unit against its value in use. All goodwill is allocated to specific cash generating units which are in all cases no larger than operating segments. Value in use is calculated for each cash generating unit as the present value of that unit's discounted future cash flows. Cash flow projections are based on the next three years budgets and plans approved by management based on their view of industry growth forecasts and expectations for the future. Cashflow projections beyond that three-year period have been extrapolated on the basis of a 2% growth rate.

The Company carries out an impairment test of goodwill on an annual basis. For the year ended on 30 June 2019, a detailed impairment was undertaken. The impairment test has been carried out using a Discounted Cash Flow unlevered model covering a 2 year period.

The principal assumptions made in determining value in use are analysed as follows:

Cash flow projections are based on the next two years budgets and plans approved by management based on their view of industry growth forecasts and expectations for the future. Cash flow projections beyond that three-year period have been extrapolated on the basis of a 2% growth rate.

The pre tax discount rate used to discount projected cash flows have been derived from the Company's post tax weighted average cost of capital of 5.1% and adjusted to account for currency risk, country risk and other factors affecting the income generating unit.

The directors have tested the above assumptions and a 1% increase in the pre tax discount rate would require and extra £8,000 impairment. Setting the long term growth rate beyond 1 year to zero would not require any extra impairment.

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2020

**6. Property, plant and equipment - Group**

	Leasehold improvements £000	Plant, office equipment and vehicles £000	Right of use assets £000	Total £000
<b>Cost</b>				
At 1 July 2018	968	3,761	-	4,729
Additions	146	266	-	412
Disposals	(1)	(97)	-	(98)
	<u>1,113</u>	<u>3,930</u>	<u>-</u>	<u>5,043</u>
At 1 July 2019	1,113	3,930	-	5,043
Adjustment for change in accounting policy	-	-	2,765	2,765
	<u>1,113</u>	<u>3,930</u>	<u>2,765</u>	<u>7,808</u>
Restated as at 1 July 2019	1,113	3,930	2,765	7,808
Additions	-	142	-	142
Disposals	-	-	-	-
	<u>1,113</u>	<u>4,072</u>	<u>2,765</u>	<u>5,185</u>
<b>At 30 June 2020</b>	<b>1,113</b>	<b>4,072</b>	<b>2,765</b>	<b>5,185</b>
<b>Depreciation</b>				
At 1 July 2018	767	2,641	-	3,408
Charge for year	46	396	-	442
Estimated on disposal	(1)	(97)	-	(98)
	<u>812</u>	<u>2,940</u>	<u>-</u>	<u>3,752</u>
At 30 June 2019	812	2,940	-	3,752
Charge for year	78	376	482	936
Estimated on disposal	-	-	-	-
	<u>890</u>	<u>3,316</u>	<u>482</u>	<u>4,206</u>
<b>At 30 June 2020</b>	<b>890</b>	<b>3,316</b>	<b>482</b>	<b>4,206</b>
<b>Net book value</b>				
At 30 June 2020	223	756	2,283	3,262
	<u>223</u>	<u>756</u>	<u>2,283</u>	<u>3,262</u>
At 30 June 2019	301	990	-	1,291
	<u>301</u>	<u>990</u>	<u>-</u>	<u>1,291</u>

The net book value of Right of use assets includes property of £2,283,000.

The Group had no significant contracted capital commitments at the date of the Statement of Financial Position.

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2020

**6. Property, plant and equipment (continued) – Company**

	Leasehold improvements £000	Office equipment £000	Total £000
<b>Cost</b>			
At 30 June 2018	595	108	703
Additions	-	-	-
At 30 June 2019	595	108	703
Additions	-	-	-
<b>At 30 June 2020</b>	<b>595</b>	<b>108</b>	<b>703</b>
<b>Depreciation</b>			
At 30 June 2018	595	107	702
Charge for year	-	1	1
At 30 June 2019	595	108	703
Charge for year	-	-	-
<b>At 30 June 2020</b>	<b>595</b>	<b>108</b>	<b>703</b>
<b>Net book value</b>			
At 30 June 2020	-	-	-
At 30 June 2019	-	-	-

**7. Fixed asset investments - Company**

	Shares in subsidiary undertakings £000
At 30 June 2019 and at 30 June 2020	<b>12,958</b>

Name of undertaking	Country of Incorporation	Description of shares held	Proportion of nominal value of issued shares held by the group %
STS Intellimon Limited	England and Wales	Ordinary	100
STS Defence Limited	England and Wales	Ordinary	100
Primetake Limited	England and Wales	Ordinary	100
SR Antenna Systems Limited	England and Wales	Ordinary	100*

All the above subsidiary undertakings have been consolidated in the financial statements using the acquisition method.

\*Held by STS Defence Limited.

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 30 June 2020

**8. Inventories - Group**

	2020 £000	2019 £000
Raw materials and consumables	<u>1,672</u>	<u>1,419</u>

In the opinion of the directors there is no significant difference between the replacement cost and the value disclosed for inventories.

The total inventory charged as an expense in the year amounted to £7,736,000 (2019: £9,496,000).

**9. Construction contracts - Group**

The breakdown of the amounts included in the balance sheet is as follows:

	2020 £000	2019 £000
Construction contracts	1,396	1,369
Invoicing account to customers	-	-
	<u>1,396</u>	<u>1,369</u>
Of which amounts are disclosed		
Under assets	1,396	1,369
Under liabilities	-	-
	<u>1,396</u>	<u>1,369</u>

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2020

**10. Other financial assets**

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Trade and other receivables				
Trade receivables	3,399	-	6,849	-
Provision for doubtful debts	-	-	-	-
	<u>3,399</u>	<u>-</u>	<u>6,849</u>	<u>-</u>
Current tax receivable	135	-	90	-
Related party receivables	-	2,025	-	4,000
Other debtors	158	137	155	110
Prepayments and accrued income	578	10	458	8
	<u>4,270</u>	<u>2,172</u>	<u>7,552</u>	<u>4,118</u>
Included in other debtors above are:				
Other debtor more than one year	-	2,000	-	4,000
	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>4,000</u>

Cash, cash equivalents and bank overdrafts include the following for the purpose of the cash flow statement:

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Cash and cash equivalents	4,199	-	1,895	-
Bank overdrafts	(2,816)	(2,816)	(2,956)	(2,956)
	<u>1,383</u>	<u>(2,816)</u>	<u>(1,061)</u>	<u>(2,956)</u>

As the group has a pooling arrangement with regard to the individual company bank balances the net position has been shown as an asset within the group and company financial statements.

**11. Other financial liabilities**

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
<b>Trade and other payables</b>				
Trade payables	2,312	116	4,077	97
Other taxation and social security	1,592	737	1,101	102
Lease liabilities	496	-	-	-
Related party payables	-	-	-	123
Other creditors	727	-	687	186
Accrued expenses and deferred income	1,026	101	1,200	188
	<u>6,153</u>	<u>954</u>	<u>7,065</u>	<u>696</u>
Bank and other loans (see note 12)	1,000	1,000	1,000	1,000
Cash and cash equivalents (see note 10)	-	2,816	1,061	2,956
	<u>7,153</u>	<u>4,770</u>	<u>9,126</u>	<u>4,652</u>

For details on borrowings and security see note 12.

KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

12. Non-current liabilities

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Bank and other loans	1,418	1,418	2,219	2,219
Related party loan	-	5,407	-	5,643
Lease liabilities	1,787	-	-	-
	<u>3,205</u>	<u>6,825</u>	<u>2,219</u>	<u>7,862</u>
The bank and other loans are repayable as follows:				
On demand or within one year	1,496	1,000	1,000	1,000
Within one to two years	412	-	-	-
Within two to five years	1,933	6,825	2,219	7,862
After five years	860	-	-	-
	<u>4,701</u>	<u>7,825</u>	<u>3,219</u>	<u>8,862</u>
Included in current liabilities	(1,496)	(1,000)	(1,000)	(1,000)
	<u>3,205</u>	<u>6,825</u>	<u>2,219</u>	<u>7,862</u>

Amounts included within current liabilities in respect of the above loans are as follows:

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Bank loans	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

Interest on bank loans accrues at a variable rate of 2.75 percent above LIBOR. The costs of raising the above debt finance are being amortised over the period of the relevant loan.

Net bank funds totaling £382,777 (2019: net borrowings £2,062,255) are secured by fixed and floating charges over assets and group companies.

Within 'Non-current liabilities: other loans' there is a balance amounting to £808,000 (2019: £1,391,000) which relates to convertible unsecured loan stock. The holder has the option to convert the stock to ordinary shares at the rate of one share for every £2 of stock held at any time from 1 January 2009 to 31 March 2021. The number of ordinary shares that would be issued if all stockholders converted their stock would be 419,482.

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2020

**13. Deferred taxation - Group**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Deferred tax asset to be recovered after more than 12 months	(710)	(710)
Deferred tax asset to be recovered within 12 months	71	111
	<u>(639)</u>	<u>(599)</u>
Deferred tax asset	<u>(639)</u>	<u>(599)</u>
Of which amounts are disclosed:		
Under assets	(710)	(710)
Under liabilities	71	111
	<u>(639)</u>	<u>(599)</u>
	<u><u>(639)</u></u>	<u><u>(599)</u></u>
The gross movement on the deferred tax account is as follows		
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Balance at 30 June 2019	(599)	(575)
Income statement credit	(40)	(24)
	<u>(639)</u>	<u>(599)</u>
Balance at 30 June 2020	<u><u>(639)</u></u>	<u><u>(599)</u></u>
Group deferred tax is provided as follows:		
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Depreciation in excess of capital allowances	113	113
Other short term timing differences	(2)	(2)
Trade losses carried forward	(710)	(710)
	<u>(639)</u>	<u>(599)</u>
	<u><u>(639)</u></u>	<u><u>(599)</u></u>

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities.

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2020

**14. Share capital**

<b>Group and Company</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised</b>		
20,000,000 Ordinary shares of 1p each	<u>200</u>	<u>200</u>
<b>Allotted, called up and fully paid</b>		
8,412,378 Ordinary shares of 1p each	<u>84</u>	<u>84</u>

**15. Contingent liabilities**

**Company only**

The company is party to a cross guarantee relating to the group's bank borrowings. At 30 June 2019, net bank funds relating to the guarantee are £382,777 (2019: net borrowings £2,062,255).

**16. Directors' remuneration**

	<b>Group</b>	<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Emoluments for qualifying services	195	241
Contributions to money purchase pension schemes	15	14
Benefits in kind	1	1
	<u>211</u>	<u>256</u>

**Highest paid director**

	<b>Group</b>	<b>Group</b>
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Emoluments for qualifying services	175	220
Contributions to money purchase pension schemes	15	14
Benefits in kind	1	1
	<u>191</u>	<u>235</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2019: 4).

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

#### 17. Staff costs

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

	2020		2019	
	Group No.	Company No.	Group No.	Company No.
Manufacturing	146	-	151	-
Sales and administration	39	3	41	4
	<u>185</u>	<u>3</u>	<u>192</u>	<u>4</u>

Staff costs during the year (including directors) were as follows:

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Wages and salaries	6,548	226	6,569	302
Social security costs	623	28	643	37
Other pension costs	216	16	160	16
	<u>7,387</u>	<u>270</u>	<u>7,372</u>	<u>355</u>

#### 18. Related party transactions

During the period the following transactions were made between Key Technologies Limited and its subsidiaries:

The company received a dividend of £1,500,000 (2019: £1,300,000) from STS Defence Limited.

Amounts owed to and by subsidiaries are interest free and have no fixed terms of repayment. The company waived an intercompany loan balance of £2,000,000 (2019: £Nil) due from Primetake Limited in the year. GIL Investments Limited is a related party through common directors and shareholders. GIL Investments Limited charges during the period in respect of finance arrangement and management fees were £60,000 (2019: £60,000).

Remuneration to key management personnel during the financial year amounted to £534,118 (2019: £506,020).

#### 19. Capital management

The Board maintains a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Board monitors shareholder return on capital, which the Group defines as total shareholders' equity and the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There are bank covenants associated with the Group's facilities.

There were no changes in the Group's approach to capital management during the year.

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

#### 20. Financial instruments and risks

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The capital structure of the Group consists of cash and cash equivalents and equity comprising issued share capital, reserves and retained earnings. The Group is not subject to any externally imposed capital requirements.

The principal financial instruments of the company comprise cash and bank deposits, bank overdrafts and loans together with trade creditors and trade debtors that arise directly from its operations. The main purpose of these instruments is to raise funds for the Group's operations and to finance its continuing operations.

The Company's operations expose it to a variety of financial risks including the effects of currency risk, credit risk, liquidity risk and interest rate risk:

*Currency Risk* - the Group has foreign currency dealings with customers and suppliers based outside the UK which are consequently subject to exchange rate fluctuations. The Group actively manages these exposures with foreign currency instruments unless there is a natural hedge between sales and purchases. The principal currencies involved are US Dollars and Euros.

*Liquidity Risk* - the Group manages this risk by the use of bank balances and overdraft facilities along with efficient monitoring and forecasting of cashflow and bank covenants to ensure there are sufficient funds to meet liabilities.

*Credit Risk* - trade debtors are managed in respect of credit and cashflow risk by policies monitoring the credit offered to customers and regular monitoring of amounts outstanding for both time and total exposure.

The ageing profile of trade receivables is as follows:

	2020	2019
	£000	£000
<b>Ageing profile</b>		
Up to 3 months	3,050	6,421
3 to 6 months	204	365
6 to 12 months	145	63
Over 12 months	-	-
	<hr/>	<hr/>
Gross trade receivables	3,399	6,849
Less impairment	-	-
	<hr/>	<hr/>
Total	<u>3,399</u>	<u>6,849</u>

Balances over 3 months old have either been provided for or are considered to be recoverable.

The movement on the provision for impairment of group trade receivables is as follows:

	£000
As at 1 July 2019	-
Released during the year	-
	<hr/>
As at 30 June 2020	-

Trade receivables amounting to £857,000 (2019: £671,000) are past due but have not been provided for as the amounts are considered to be receivable in full.

*Interest Rate Risk* - the group has exposure to increases in interest rates on its bank loans and overdraft facility. The risk is limited by an interest rate cap instrument.

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 30 June 2020**

**21. Retirement benefit plans**

**Defined contribution**

The group operates a defined contribution scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds.

	2020 £000	2019 £000
Contributions payable by the group for the year	216	160
Contributions accrued and payable at the year-end	66	46

**Defined benefit**

The group provided pension arrangements through a funded defined benefit scheme, the STS Field Grant Limited Pension Scheme. The scheme is closed to new members.

**STS Field Grant Limited Pension Scheme**

The pension costs relating to this scheme are assessed every three years in accordance with the advice of a qualified actuary using the project unit method. The most recent valuation at 1 January 2018 indicates that, on the basis of service to date and current salaries, the schemes' assets were sufficient to meet liabilities.

At 30 June 2020 the scheme, which is contracted out of the state scheme, had assets of approximately £10,083,000 (2019: £9,994,000) at market value.

Contributions to both schemes by employees and the group have been maintained in accordance with the recommendations of the actuary in their previous valuations.

**International Accounting Standard 19 'Retirement Benefits' disclosures**

The group operates a defined benefits scheme, the STS Field Grant Limited Pension Scheme. A full valuation was undertaken as at 1 January 2018 and updated to 30 June 2020 by a qualified independent actuary. The assumptions used by the actuary in their valuation of the scheme at 30 June 2020 are given below, as well as a breakdown of the schemes assets and liabilities at that date.

**The major assumptions used were as follows:**

	At 30 June 2020	At 30 June 2019
Discount rate	2.10%	3.00%
Consumer price inflation	2.00%	2.00%
Salary increase rate	-	-
Pensions increases (at Limited Price Indexation)	2.74%	2.91%
Deferred pension revaluation	2.00%	2.00%

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 30 June 2020

**21. Retirement benefit plans (continued)**

The mortality assumptions adopted at 30 June 2020 are 115% of the standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI\_2019 converging to 1.00% p.a. (Sk=7.5). These imply the following life expectancies:

	CMI 2020 30 June 2020	CMI 2019 30 June 2019
Male retiring in 2020	20.6	20.6
Female retiring in 2020	22.5	22.4
Male retiring in 2040	21.6	21.6
Female retiring in 2040	23.7	23.7

The market value of the assets held, and the expected rates of return assumed are as follows:

**STS Field Grant Limited Pension Scheme**

	Value at 30 June 2020 £000	Value at 30 June 2019 £000
Equities	2,521	2,846
Bonds	7,199	6,435
Cash	363	713
	<u>10,083</u>	<u>9,994</u>

	Total 2020 £000	Total 2019 £000	Total 2018 £000
Total market value of assets	10,083	9,994	9,902
Value of scheme liabilities	(7,369)	(6,742)	(6,443)
Surplus in the scheme	<u>2,714</u>	<u>3,252</u>	<u>3,459</u>
Unrecognised asset due to surplus restriction	<u>(2,714)</u>	<u>(3,252)</u>	<u>(3,459)</u>
	<u>-</u>	<u>-</u>	<u>-</u>

The relevant retirement benefit assets have been restricted to the present value of the scheme's future pension costs, less the present value of the contributions for future service committed to in the relevant schedule of contributions in line with IFRIC 14.

The group expects to contribute £Nil (2019: £Nil) to this defined benefit pension plans in the year to 30 June 2020.

**KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 30 June 2020**

**21. Retirement benefit plans (continued)**

The amounts recognised in the income statement are as follows:

	2020 £000	2019 £000
Current service cost	-	-
Past service cost and loss from settlements	-	321
Interest on obligation	198	220
Interest income	(295)	(332)
Contributions	-	-
Restriction on above	69	(209)
	<u>-</u>	<u>-</u>
Total operating expense	-	-
	<u>127</u>	<u>40</u>

Changes in the value of the defined benefit obligation are as follows:

	2020 £000	2019 £000
Present value of obligation at beginning of year	6,742	6,443
Current service cost	-	-
Interest on obligation	198	220
Actuarial (gains)/losses on obligation	734	13
Expenses	28	25
Benefits paid	(333)	(280)
Past service cost re: GMP	-	321
	<u>7,369</u>	<u>6,742</u>

Changes in the market value of the plan assets are as follows:

	2020 £000	2019 £000
Value of scheme assets at beginning of year	9,994	9,902
Interest income	295	332
Actuarial gains	127	40
Benefits paid and expenses	(333)	(280)
	<u>10,083</u>	<u>9,994</u>

Amounts recognised in the statement of total comprehensive income:

	2020 £000	2019 £000
Actual return less expected return on assets	127	40
Experience gains arising on defined benefit obligations	12	3
Effects of restricted surplus	(139)	(43)
	<u>-</u>	<u>-</u>
Actuarial (loss)/gain recognised in statement of comprehensive income	-	-

## KEY TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

#### 22. Control

There is no ultimate controlling party as no shareholder individually holds more than 50% of the issued share capital.

#### 23. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements. The group has adopted IFRS 16 Leases with the simplified retrospective method from 1 July 2019, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.1%.

##### Measurement of lease liability

##### Group

	2020 £ 000
Operating lease commitments disclosed as at 30 June 2019	3,169
Discounted using the lessees incremental borrowing rate at the date of initial application	(404)
	<u>2,765</u>
Lease liability recognised as at 1 July 2019	<u>2,765</u>
Of which are:	
	2020 £ 000
Current lease liabilities	482
Non-current lease liabilities	2,283
	<u>2,765</u>
Lease liability recognised as at 1 July 2019	<u>2,765</u>

The associated right of use assets for property leases were measured on a retrospective basis as if the new rules had always been applied from the commencement date of the respective leases discounted at the lessee's incremental borrowing rate at the date of initial application of IFRS 16 and adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The change in policy affected the following items in the Balance Sheet at 1 July 2019:

Right of use assets – increase by £2,765,000

Lease liabilities – increase by £2,765,000.

The net impact on retained earnings on 1 July 2019 was nil.

The Company has no leases.