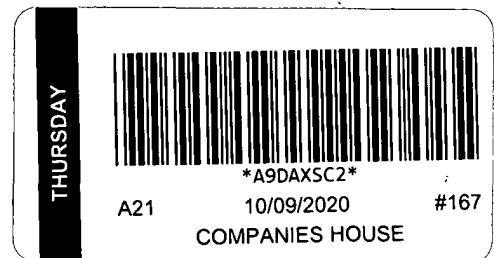


Company Registration No. 08949564

Horstman Holdings Limited

Annual report and financial statements

9 months ended 31 December 2019



Horstman Holdings Limited

Annual report and financial statements for the 9 months period ended 31 December 2019

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Horstman Holdings Limited

Officers and professional advisers

Directors

John Graham Harris (resigned 16 April 2019)

Florian Hofbauer (appointed 16 April 2019)

Frank Hoffmann (appointed 16 April 2019, resigned on 31 December 2019)

Ian Pain (appointed 16 April 2019)

Michael Masur (appointed 31 December 2019)

Secretary

Oakwood Corporate Secretary Limited

Registered office

Locksbrook Road, Bath, Avon, United Kingdom, BA1 3EX

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

2 Glass Wharf

Bristol

BS2 0FR

Horstman Holdings Limited

Strategic Report

The directors present their strategic report, together with the directors' report, the financial statements and independent auditors' report for Horstman Holdings Limited ("the company") for the 9 months period ended 31 December 2019. The company changed its year end from 31 March to align with its parent company.

Principal activities

The company's principal activity is to hold investments in subsidiaries. The principal activities of the subsidiaries are the design, manufacture, refurbishment and sale of suspension systems, gearboxes, auxiliary power units and components, high precision maritime built to print parts and naval instrumentation equipment.

On 16th April 2019 the company was acquired by RENK Aktiengesellschaft (RENK), which is a German publicly listed company. The company is now exempt from the requirement to prepared consolidated financial statements and therefore this Annual report and financial statements deals only with the company and not the wider Horstman sub-group.

Results for the year

The company's loss for the period before tax amounted to £699,000 (Year ended 31 March 2019: loss of £2,920,000). This arose principally as a result of impairing the investment in the company's Canadian subsidiary.

Key performance indicators

The Companies activities are that of a holding company. For this reason, the Company's directors believe that analysis using key performance indicators is not necessary or appropriate for an understanding of the development, performance or position of the Company. While the performance of the operating companies is not included in these financial statements, which are not consolidated, in overview all three businesses performed in line with the Director's expectations for the year, with growth in turnover and profitable trading results consolidated into the financial statements of RENK.

Principal risks and uncertainties

As the Company acts as a holding company its principal risk relates to the carrying value of its investments in subsidiaries, which is directly impacted by the performance of the subsidiaries.

Covid-19

The company's trading subsidiaries have been impacted minimally by the Covid-19 pandemic due a combination of agile working practices and the strategic importance of the defence industrial base being prioritised by the UK, US and allied governments. As summarised in more detail in the Annual Report of the company's principal subsidiary Horstman Defence Systems Limited, which does not form part of this report, the immediate impact of Covid-19 has been positive in terms of trading volume and forward orderbook. However, the longer term impacts are difficult to predict and therefore this represents a key risk to the future performance, and hence valuation of the company's subsidiaries.

Financial risks

The company's principal financial instruments comprise intercompany loan balances to and from subsidiaries. The principal risks associated with these assets and liabilities are set out below:

Interest rate risk

Intercompany loan balances general incur interest at rates linked to LIBOR. The company is therefore exposed to movements in interest rates.

Credit risk

The company is exposed to credit risk through the ability of its subsidiaries to repay intercompany loans. This is linked to the performance of the subsidiaries as discussed above.

Liquidity risk

The company is exposed to liquidity risk on its intercompany loans payable. However, these are long term in nature and as part of the RENK group, the company benefits from the financial strength of RENK.

Horstman Holdings Limited

Strategic report (continued)

Foreign currency risk

The company has some exposure to exchange rates as certain intercompany balances are denominated in US and Canadian dollars.

The company's directors and senior management regularly review these risks and their potential impact on the group and take mitigating action as necessary.

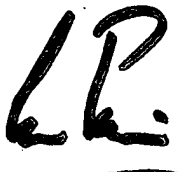
Section 172 Statement

The Directors are committed to their responsibilities to promote the success of the Company in accordance with Section 172 of the Act. Our intention is to behave responsibly and ensure that management operate the business in an appropriate manner, operating within the high standards of business conduct and good governance expected of us.

The Company is an intermediate holding company within the RENK group and therefore there are relatively few decisions taken by the directors of the Company during the year. Strategic decisions impacting the wider group are taken by the RENK board and operational matters impacting wider stakeholder groups, including employees, customers, suppliers and the local communities are typically taken by the directors of the trading companies within the Group.

However, notwithstanding the above, each director of the Company has taken steps to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of members as a whole. The key decisions made by the directors have been to: consider whether the carrying value of investments continues to be supportable; approve the issuance or repayment of intercompany loans; and to consider, and if appropriate approve, the payments of dividends. In making these assessments the directors consider the underlying trading performance of the subsidiary companies, the forecast future cash flow expectations of those companies, the availability of cash within the Group to allow companies be able to pay debts as they fall due, and the level of distributable reserves available.

Approved by the Board and signed on its behalf by:


Ian Pain
Director
21 August 2020

Horstman Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements of the company for the 9 months period ended 31 December 2019.

Business activities

The company's business activities and principal risks and uncertainties are detailed above in the Strategic Report.

Results and dividends

The loss for the period, after taxation, amounted to £695,000 for the 9 months period ended 31 December 2019 (31 March 2019: loss of £2,817,000).

No interim dividends were declared and paid during the period and the directors do not propose payment of a final dividend (31 March 2019- £nil).

Future developments

There directors expect the company's activities to remain the same for the foreseeable future.

Going concern

Having considered the risks facing the company, including the current uncertain economic environment arising from Covid-19, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. This position is further reinforced post acquisition by the financial strength of the group's owners. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Financial risk management objectives and policies

The board of directors is responsible for assessing and monitoring the major risks that face the business. Through regular, scheduled review meetings with responsible members of management, appropriate policies are put in place to manage key areas of uncertainty and ensure that the organisation's financial objectives are delivered. The key risks are discussed in the strategic report.

Directors

The directors, who served throughout the year and to the date of signing, were as follows:

John Graham Harris	(resigned 16 April 2019)
Frank Hoffmann	(appointed 16 April 2019, resigned on 31 December 2019)
Florian Hofbauer	(appointed 16 April 2019)
Ian Pain	(appointed 16 April 2019)
Michael Masur	(appointed 31 December 2019)

Qualifying third party indemnity provisions

The company maintains cover under a qualifying third-party indemnity for all directors and officers against liabilities which may be incurred by them whilst acting as directors or officers.

Horstman Holdings Limited

Directors' report

Statement of directors' responsibilities

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

Company law requires the directors to prepare the group and company financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable United Kingdom Accounting Standards, including FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disclosure of information to auditors


Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the group and company auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

Ian Pain
Director
21 August 2020



Horstman Holdings Limited

Independent auditors' report to the members of Horstman Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Horstman Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the 9 month period ("the period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income and the statement of changes in equity for the 9 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Horstman Holdings Limited

Independent auditors' report to the members of Horstman Holdings Limited (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Horstman Holdings Limited

Independent auditors' report to the members of Horstman Holdings Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Paul Nott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
21 August 2020

Horstman Holdings Limited

Statement of Comprehensive income For the 9 months ended 31 December 2019

	Notes	9 months period ended 31 December 2019 £'000	For the year ended 31 March 2019 £'000
Administrative expenses		(1)	(53)
Other operating income		-	-
Operating loss	2	(1)	(53)
Amounts written off investments		(665)	(2,687)
Foreign exchange (losses) / gains		(13)	107
Finance income	3	89	-
Finance costs	4	(109)	(287)
Loss before income tax		(699)	(2,920)
Income tax	5	4	103
Loss for the financial period		(695)	(2,817)
Other comprehensive income		-	-
Total comprehensive expense for the period		(695)	(2,817)

All results derive from continuing operations.

Horstman Holdings Limited

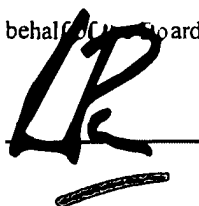
Statement of financial position As at 31 December 2019

	Notes	At 31 December 2019 £'000	At 31 March 2019 £'000
Fixed assets			
Investments	6	14,573	15,238
Current assets			
Trade and other receivables			
- amounts due within one year	7	215	6,841
- amounts due after more than one year	7	3,683	-
		3,898	6,841
Creditors: amounts due within one year	8	(6)	(6)
Net current assets		3,892	6,835
Total assets less current liabilities		18,465	22,073
Creditors: amounts due in more than one year	9	(8,079)	(10,992)
Net assets		10,386	11,081
Equity			
Called up share capital	10	2	2
Share premium account		4,076	4,076
Merger reserve		10,341	10,341
Retained Earnings		(4,033)	(3,338)
Total shareholders' funds		10,386	11,081

The financial statements of Horstman Holdings Limited, registered number 08949564 were approved by the Board of Directors and authorised for issue on 21 August 2020.

Signed on behalf of the Board of Directors

Ian Pain
Director



Horstman Holdings Limited

Statement of changes in equity For the 9 months ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained Earnings £'000	Total equity £'000
Balance as at 1 April 2018	2	4,076	10,341	(521)	13,898
Loss for the year	-	-	-	(2,817)	(2,817)
Balance as at 31 March 2019	2	4,076	10,341	(3,338)	11,081
Loss for the period	-	-	-	(695)	(695)
At 31 December 2019	2	4,076	10,341	(4,033)	10,386

Horstman Holdings Limited

Notes to the financial statements 9 months period ended 31 December 2019

1. Accounting policies

General information

Horstman Holdings Limited is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Locksbrook Road, Bath, Avon, United Kingdom, BA1 3EX.

The nature of the company's operation is to act as a holding company with investments in three subsidiaries.

The company has changed its year end from 31 March to 31 December to align with its parent company. These financial statements are for the 9 months ended 31 December 2019, the comparative period is the year ended 31 March 2019.

Statement of Compliance

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year in dealing with items which are considered material in relation to the company's financial statements.

This is the first accounting period in which the company has applied FRS 101, having previously applied FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland". This change has been made as the company is now a subsidiary of RENK A.G. and is required to group report under IFRS. There were no material adjustments to the profit for the period or to net assets as a result of the adoption of FRS 101. Accordingly the requirement in IFRS 1 to provide a reconciliation of differences between amounts shown under IFRS (FRS 101) and amounts reported under previous GAAP does not apply.

Basis of preparation

The financial statements have been prepared under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £1,000.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies, such areas being discussed further on page 15.

As the company is included in the consolidated financial statements of RENK A.G. it has taken the exemption under section 400 of the Companies Act from preparing its own consolidated financial statements. Accordingly, these financial statements are in respect of the company only.

Reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 101:

- IFRS 7, 'Financial instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' – comparative information requirements in respect of:
 - Paragraph 79(a)(iv) of IAS 1;
 - Paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - Paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10 (d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B–D (additional comparative information);
 - 111 (statement of cash flows information); and

Horstman Holdings Limited

Notes to the financial statements 9 months period ended 31 December 2019 (continued)

1. Accounting policies (continued)

- 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraphs 110, 113a, 114, 115, 118, 119(a) to (c), 120-127 and 129 of IFRS 15 'Revenue from contracts with customers'.
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- The requirement of IFRS 1, 'First-time adoption of International Financial Reporting Standards', to present a statement of financial position at the date of transition.

This information is included in the consolidated financial statements of RENK A.G. as at 31 December 2019. These financial statements may be obtained from the company, c/o Locksbrook Road, Bath, Avon, BA1 3EX.

Going concern

The company's business activities, principal risks and uncertainties and sources of funding are detailed in the strategic report and directors' report on pages 2 to 5. Having considered these risks, the sources of funding available and the current economic environment, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Investments

Investments in subsidiaries are stated at cost less provision for impairment. The company considers whether there has been an impairment trigger during the period, and if there has, the impairment is measured by reference to the forecast future cash flows expected to be generated by the subsidiary.

Trade and other receivables

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

Creditors

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

Financial instruments

The company enters into basis financial instruments transactions that result in the recognition of financial assets and liabilities such as amounts due to and from group undertakings.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Other debt instruments, including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

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

Horstman Holdings Limited

Notes to the financial statements 9 months period ended 31 December 2019 (continued)

1. Accounting policies (continued)

Financial instruments (continued)

The impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Other financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Foreign currencies

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items are measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Finance costs

Finance costs are charged to the income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

Interest income

Interest income is recognised in the income statement using the effective interest method.

Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met: and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

Horstman Holdings Limited

Notes to the financial statements 9 months period ended 31 December 2019 (continued)

1. Accounting policies (continued)

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to use judgement in applying the company's accounting policies and to make estimates and assumptions which affect reported income, expenses, assets and disclosures of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

There are no key judgements that have been made in applying the company's accounting policies.

The following key estimates could result in a material change to assets or liabilities recognised in the financial statements in the next 12 months:

i) Carrying value of investments

At each balance sheet date the investment in subsidiary companies is reviewed for impairment. This review considers both the value of the current recorded net assets of the subsidiary companies as well as expected future cash flows from subsidiary companies.

The investment in the Canadian subsidiary has been fully impaired during the period. This business has been loss making and although the directors remain supportive of the business and view it as a key part of the group, they have taken a prudent view that it is appropriate to fully impair the investment balance as well as the loan receivable that was impaired in the prior year.

The investment in US subsidiary has not been impaired following a review performed by the directors. The key assumptions made in this assessment are:

- The company is profitable
- The company has a strong order book on established US defence projects.
- Our long term planning shows strong growth and profitability.
- The company continues to meet its commitments through its own cash flow.

2. Operating loss

Auditors remuneration

The audit fee for the company has been borne by a subsidiary undertaking.

Employees

The company had no employees during the year.

Directors emoluments

The directors are paid by a subsidiary company, primarily for their services to that company. The emoluments of the relevant UK Directors are shown in the financial statements of Horstman Defence System Limited.

Horstman Holdings Limited

Notes to the financial statements 9 months period ended 31 December 2019 (continued)

3. Finance income

	9 months period ended 31 December 2019 £'000	Year ended 31 March 2019 £'000
Interest on loans to group undertakings	89	-

4. Finance costs

	9 months period ended 31 December 2019 £'000	Year ended 31 March 2019 £'000
Interest on loans from group undertakings	109	287

Horstman Holdings Limited

Notes to the financial statements

9 months period ended 31 December 2019 (continued)

5. Income tax

(a) Analysis of credit included in profit or loss

	9 months period ended 31 December 2019 £'000	Year ended 31 March 2019 £'000
Current tax		
UK Corporation tax	(4)	(126)
Adjustments in respect of prior periods	-	23
Total tax credit for the year	(4)	(103)

(b) Reconciliation of tax credit:

The tax assessed on the loss for the period/year is higher than (31 March 2019: lower than) than the standard rate of corporation tax in the UK of 19% (31 March 2019: 19%). The differences are shown below:

	9 months period ended 31 December 2019 £'000	Year ended 31 March 2019 £'000
Loss before taxation	(699)	(2,920)
Tax on loss at the current UK tax rate of 19%	(132)	(555)
Non deductible impairment charge	126	511
Other differences leading to a decrease in the tax charge	2	-
Adjustments in respect of prior periods	-	23
Movement in unrecognised deferred tax	-	(73)
Change in tax rate	-	(9)
Total tax credit for the period/year (note 5a)	(4)	(103)

As at 31 December 2019, the Corporation tax rate of 19% was due to reduce to 17% from 1 April 2020. Deferred tax has been calculated at 17% which is the rate substantively enacted at the balance sheet date. However, in the March 2020 Budget this reduction in rate was reversed and the rate will now remain at 19%. This change will not have a material impact on deferred tax.

Horstman Holdings Limited

Notes to the financial statements 9 months period ended 31 December 2019 (continued)

6. Investments

	Group undertakings £'000
Cost	
At 1 April 2019 and 31 December 2019	15,238
Provision for impairment	
At 1 April 2019	-
Impairment in the period	665
At 31 December 2019	665
Net book value	
At 31 December 2019	14,573
At 1 April 2019	15,238

This investment represents 100% of the share capital of the following companies listed below:

Name	Country of incorporation	Class of shares	Holding	Nature of business	Address
Horstman Defence Systems Limited	England and Wales	Ordinary	100%	Manufacture of military mobility equipment	Locksbrook Road, Bath, BA1 3EX
Horstman Inc.	USA	Ordinary	100%	Manufacture of military mobility equipment	44215 Phoenix Drive, Sterling Heights, MI 48314-1466
Horstman Systems Inc.	Canada	Ordinary	100%	Design and development of advanced mobility equipment	5-300 Trowers Road, Woodbridge, Ontario, L4L 5Z9

Horstman Holdings Limited

Notes to the financial statements 9 months period ended 31 December 2019 (continued)

7. Trade and other receivables

	31 December 2019 £'000	31 March 2019 £'000
Amounts falling due within one year:		
Amount owed by group undertakings	89	3,440
Amounts owed by related parties	-	3,275
Corporation tax – group relief receivable	126	126
	<hr/> 215	<hr/> 6,841
	31 December 2019 £'000	31 March 2019 £'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	3,683	-

Amounts owed by group undertakings have no fixed repayment date and were advanced to provide funding to subsidiaries during their start up phases. The amount shown above is net of a provision for impairment that has been recorded against the loan to Horstman Systems, Inc. amounting to £2,687,000.

No substantial repayments are expected in the short to medium term and therefore the balance has been shown as due after more than one year to reflect the substance of the arrangement.

8. Creditors: amounts falling due within one year

	31 December 2019 £'000	31 March 2019 £'000
Accruals and deferred income	6	6
	<hr/> 6	<hr/> 6

Horstman Holdings Limited

Notes to the financial statements 9 months period ended 31 December 2019 (continued)

9. Creditors: amounts falling due after more than one year

	31 December 2019 £'000	31 March 2019 £'000
Amounts owed to group undertakings	8,079	10,992
	<u>8,079</u>	<u>10,992</u>

Amount owed to group undertakings due after more than one year represents a loan provided by Horstman Defence Systems Limited, that bears interest at the 3 month London Interbank Offered Rate plus 2 percent per annum simple interest.

10. Called up share capital

	31 December 2019 £'000	31 March 2019 £'000
Allotted, called up and fully paid		
2,000 Ordinary shares of £1 each	2	2
111 'A' ordinary shares of £1 each	-	-
	<u>2</u>	<u>2</u>

Shares rank equally for voting purposes and dividend rights.

11. Related party transactions

The company is exempt from disclosing transactions with other group companies for the period to 31 December 2019 by virtue of being included in the consolidated financial statements of RENK AG.

12. Controlling parties

At 31 December 2019, the company's intermediate parent company was RENK Aktiengesellschaft ("RENK"). RENK, registered in Germany. RENK is 76% owned by Volkswagen AG, which is deemed to be the ultimate controlling party.

The smallest group to consolidate the accounts of the company is that headed by RENK. Copies of the RENK consolidated financial statements for the year ended 31 December 2019 may be obtained from the company's registered office. The largest group to consolidate the accounts of the company is that headed by Volkswagen AG.

13. Post Balance Sheet Events

The proposed acquisition of RENK, and as such the company, announced by Triton on 30th January 2020 is a post-balance sheet event that is pending regulatory approval. The directors note that Horstman companies will benefit from Triton's experience in internationalization and digitisation and consider that RENK have found the ideal anchor investor and partner to realize growth potential and to expand our technology leadership in the coming years.

In common with most companies, the Covid-19 pandemic has impacted the group's operations and represents a significant post balance sheet event. However having put appropriate safety measures in place, the subsidiaries performed strongly without any interruption to trading performance and are continuing to do so. Accordingly the directors do not believe that the pandemic has had a material impact on the carrying value of company's assets.