

Company Registration No. 06699502 (England and Wales)

KIRINTEC LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

KIRINTEC LIMITED

COMPANY INFORMATION

Directors	R P Peers-Smith N A Watts G A Harris L Chaplain
Company number	06699502
Registered office	Walter Scott House 10 Old Gloucester Road Ross-on-Wye Herefordshire HR9 5PB
Auditor	Pearson May 37 Great Pulteney Street Bath BA2 4DA
Bankers	Handelsbanken Broadway House 32-35 Broad Street Hereford HR4 9AR National Westminster Bank plc 12 Broad Street Hereford Herefordshire HR4 9AH

KIRINTEC LIMITED

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KIRINTEC LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The principal activities of the group during the year continued to be the design, production and delivery of world leading innovative technology solutions for the Cyber & Electromagnetic Activities (CEMA), Counter IED and Counter UAS domains. Kirintec continued to deliver life-saving defensive capability to users in some of the most austere environments in the world.

The Directors are pleased to report on another strong year for the group. 2020 saw the first sales and installations of the new ground-breaking product, K-CEMA JUPITER and affirmed the group's move into the CEMA market, despite many other companies seeing orders stalled or cancelled due to COVID 19.

Principal risks and uncertainties

Social and political changes

It is possible that social and political changes as a direct result of COVID 19 and Brexit as well as general changes in the socio-political landscape could hamper timely and effective deliveries to Kirintec's customers. The group takes risk mitigation seriously and will always mitigate financial risk where appropriate by insuring contracts and budgeting for risk where necessary.

Changes to taxes, export controls, defence spending and government policy

Changes to any of these could affect the group's ability to deliver or affect the availability of orders. The group seeks to minimise the risks by understanding them and working with experts in their fields to mitigate the risk. Kirintec employs experts within the Export Compliance field as this is an area where change has been significant due to Brexit. Kirintec has a well-trained and capable Export Compliance team and prides itself on its understanding of UK export controls.

Laws and Regulations

The group operates in a highly regulated environment where any breach or failure to reach the required standards could result in fines, penalties, the inability to bid or suspension of contracts. The group employs highly experienced and qualified staff and trusted external consultants and the group conducts internal audits with the highest scrutiny so our customers can take comfort from our extremely strong internal controls. We have invested heavily in, and we are proud to hold; ISO 9001, 27001 and cyber essentials plus.

Competition

It is possible competitors may develop technologies that can compete with the group's products. The ability of the group to defend its competitive advantage rests on the constant programme of technology innovation with the continued research and development work that the group has committed to. Kirintec's agility and commitment to research and new product development continues and is a foundation on which Kirintec is built.

Key staff

Retention of key employees remains critical to the group's success and the continuity of operations. The group provides a flexible working environment and rewards staff generously for their efforts. Kirintec prides itself on maintaining a potent mix of former military SMEs and highly capable and best of breed Engineers. This internal partnership leads to the development and production of highly innovative and mission appropriate technologies for Kirintec's customers.

Component supplies

There is currently a world shortage of many key components that are used in the group's products; however, the group is actively mitigating the risk of a shortage of supply by working with the supply chain to secure these items to prevent lead time issues becoming a formal risk / issue.

KIRINTEC LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Development and performance

The outlook for 2021 is positive although some orders and tenders have been delayed due to the impact of COVID 19 on customers. Kirintec's position in its market has strengthened as it has secured significant contracts with NATO the United Kingdom MOD and the European Union among many others. Recognition of Kirintec's new CEMA technology and its suitability for the emerging doctrinal approach of Multi Domain Integration (MDI) has put the group in an extremely healthy position for the future. Kirintec has continued to develop and release products and is soon to release the next member of its CEMA family with the launch of K-CEMA Neo, the first of its kind, man portable, CEMA system. Kirintec's opportunities have grown in stature and number throughout the difficult period of COVID 19 and whilst many global authorities and customers have had to extend bid periods due to administrative issues, these opportunities are all still in play and continue to be converted successfully.

Key performance indicators

The principal indicators to measure the performance at a group and subsidiary level in the past twelve months are order intake and cash generation. There are very detailed key performance indicators at an operating level and these are monitored accordingly.

On behalf of the board

R P Peers-Smith
Director

27 August 2021

KIRINTEC LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activities of the company during the year continued to be the design, production and delivery of world leading innovative technology solutions for the Cyber & Electromagnetic Activities (CEMA), Counter IED and Counter UAS domains.

Results and dividends

The results for the year are set out on page 8.

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

Directors

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

R P Peers-Smith
N A Watts
G A Harris
L Chaplain

Financial instruments

The group uses various financial instruments that arise directly from its operations. These include loans, cash, trade debtors and trade creditors.

The group is exposed to a number of financial risks including interest rate, credit risk and foreign exchange risk.

Credit risk

Before sales are made appropriate credit checks are made on all potential customers. Our customers include Governments and large Non-Government Organisations and therefore the credit risk on individual customers is limited.

Interest rate risk

Cash balances are the group's only form of interest bearing assets on which they earn interest at the bank's floating rate.

Foreign exchange risk

The group seeks to deal in GBP with foreign customers and suppliers and where this is not possible the company holds foreign currency bank accounts and manages the risk by trading spot and forward exchange contracts.

KIRINTEC LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

R P Peers-Smith
Director

27 August 2021

KIRINTEC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIRINTEC LIMITED

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

KIRINTEC LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KIRINTEC LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 the 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, 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 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.

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.

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

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

We considered the nature of the company's industry to identify the principal risks of non-compliance with laws and regulations. We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and we enquired of management about their own identification and assessment of the risks of irregularities. We considered the extent to which non-compliance might have a material effect on the financial statements of the company. The key laws and regulations that had a direct effect on the amounts and disclosures in the accounts include the UK Companies Act, employment legislation and tax legislation. We determined that the principal risks were related to posting of inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the financial statements such as provisions for warranty obligations and estimates of costs to complete contracts.

KIRINTEC LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KIRINTEC LIMITED

In common with all audits under ISAs (UK), or in response to specific risks identified, our procedures included the following:

- Enquiry of management around actual and potential litigation and claims
- Enquiry of management to identify any instances of non-compliance with laws and regulations
- Reviewing minutes of meetings of those charged with governance
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations
- Auditing the risk of management override of controls, including through testing the appropriateness of journal entries and other adjustments, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business
- Obtaining evidence to corroborate management estimates and judgements, particularly around forecast costs to complete contracts and provisions for warranty obligations
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias

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

Other matters

In the previous accounting period the company took advantage of audit exemption under s477 of the Companies Act. Therefore the comparative financial statements are unaudited.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Rutter BSc FCA (Senior Statutory Auditor)

For and on behalf of Pearson May

27 August 2021

Chartered Accountants

Statutory Auditor

37 Great Pulteney Street

Bath

BA2 4DA

KIRINTEC LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	£	as restated £
Turnover	3	19,694,789	57,429,724
Cost of sales		(3,168,839)	(42,705,874)
Gross profit		<u>16,525,950</u>	<u>14,723,850</u>
Administrative expenses		(5,544,684)	(4,751,309)
Other operating income		7,457	17,829
Operating profit	4	<u>10,988,723</u>	<u>9,990,370</u>
Interest receivable and similar income	8	27,017	55,543
Interest payable and similar expenses	9	(159,651)	(12,902)
Profit before taxation		<u>10,856,089</u>	<u>10,033,011</u>
Tax on profit	10	(1,275,193)	(986,998)
Profit for the financial year	26	<u>9,580,896</u>	<u>9,046,013</u>
Other comprehensive income			
Currency translation differences		(233,968)	60,383
Total comprehensive income for the year		<u><u>9,346,928</u></u>	<u><u>9,106,396</u></u>

Profit for the financial year is all attributable to the owners of the parent company.

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

KIRINTEC LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	12		141,690		103,228
Tangible assets	13		1,787,512		1,799,321
Investment properties	14		238,359		238,359
Investments	15		1,000		-
			<u>2,168,561</u>		<u>2,140,908</u>
Current assets					
Stocks	17	580,094		1,815,148	
Debtors	18	13,149,291		2,558,928	
Cash at bank and in hand		14,361,200		18,686,789	
		<u>28,090,585</u>		<u>23,060,865</u>	
Creditors: amounts falling due within one year	19	<u>(12,766,262)</u>		<u>(17,517,385)</u>	
Net current assets			<u>15,324,323</u>		<u>5,543,480</u>
Total assets less current liabilities			<u>17,492,884</u>		<u>7,684,388</u>
Creditors: amounts falling due after more than one year	20		(488,915)		-
Provisions for liabilities					
Deferred tax liability	21	29,907		57,254	
		<u>(29,907)</u>		<u>(57,254)</u>	
Net assets			<u>16,974,062</u>		<u>7,627,134</u>
Capital and reserves					
Called up share capital	24		9,050		9,050
Capital redemption reserve	25		950		950
Profit and loss reserves	26		16,964,062		7,617,134
Total equity			<u>16,974,062</u>		<u>7,627,134</u>

The financial statements were approved by the board of directors and authorised for issue on 27 August 2021 and are signed on its behalf by:

R P Peers-Smith
Director

KIRINTEC LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	12		141,690		103,228
Tangible assets	13		1,783,728		1,798,908
Investments	15		12,404		11,404
			<u>1,937,822</u>		<u>1,913,540</u>
Current assets					
Stocks	17	580,094		1,815,148	
Debtors	18	13,419,999		2,764,869	
Cash at bank and in hand		9,180,497		15,139,692	
		<u>23,180,590</u>		<u>19,719,709</u>	
Creditors: amounts falling due within one year	19	<u>(13,128,841)</u>		<u>(17,798,314)</u>	
Net current assets			<u>10,051,749</u>		<u>1,921,395</u>
Total assets less current liabilities			<u>11,989,571</u>		<u>3,834,935</u>
Creditors: amounts falling due after more than one year	20		(488,915)		-
Provisions for liabilities					
Deferred tax liability	21	29,907		57,254	
		<u>29,907</u>	<u>(29,907)</u>	<u>57,254</u>	<u>(57,254)</u>
Net assets			<u>11,470,749</u>		<u>3,777,681</u>
Capital and reserves					
Called up share capital	24		9,050		9,050
Capital redemption reserve	25		950		950
Profit and loss reserves	26		11,460,749		3,767,681
Total equity			<u>11,470,749</u>		<u>3,777,681</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £7,693,068 (2019 - £5,410,421 profit).

KIRINTEC LIMITED

COMPANY BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2020

The financial statements were approved by the board of directors and authorised for issue on 27 August 2021 and are signed on its behalf by:

R P Peers-Smith
Director

Company Registration No. 06699502

KIRINTEC LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Capital redemption reserve	Profit and loss reserves	Total
Notes	£	£	£	£
As restated for the period ended 31 December 2019:				
Balance at 1 January 2019	9,050	950	6,235,738	6,245,738
Year ended 31 December 2019:				
Profit for the year	-	-	9,046,013	9,046,013
Other comprehensive income:				
Currency translation differences	-	-	60,383	60,383
Total comprehensive income for the year	-	-	9,106,396	9,106,396
Dividends	11	-	(7,725,000)	(7,725,000)
Balance at 31 December 2019	9,050	950	7,617,134	7,627,134
Year ended 31 December 2020:				
Profit for the year	-	-	9,580,896	9,580,896
Other comprehensive income:				
Currency translation differences	-	-	(233,968)	(233,968)
Total comprehensive income for the year	-	-	9,346,928	9,346,928
Balance at 31 December 2020	9,050	950	16,964,062	16,974,062

KIRINTEC LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Capital redemption reserve	Profit and loss reserves	Total
Notes	£	£	£	£
As restated for the period ended 31 December 2019:				
Balance at 1 January 2019	9,050	950	6,082,260	6,092,260
Year ended 31 December 2019:				
Profit and total comprehensive income for the year	-	-	5,410,421	5,410,421
Dividends	11	-	(7,725,000)	(7,725,000)
Balance at 31 December 2019	9,050	950	3,767,681	3,777,681
Year ended 31 December 2020:				
Profit and total comprehensive income for the year	-	-	7,693,068	7,693,068
Balance at 31 December 2020	9,050	950	11,460,749	11,470,749

KIRINTEC LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	31		(1,703,057)		25,003,183
Interest paid			(3,039)		(2,333)
Income taxes paid			(2,230,154)		(1,103,119)
			<u> </u>		<u> </u>
Net cash (outflow)/inflow from operating activities			(3,936,250)		23,897,731
Investing activities					
Purchase of intangible assets		(41,362)		(31,301)	
Purchase of tangible fixed assets		(140,026)		(232,212)	
Proceeds on disposal of tangible fixed assets		-		20,833	
Purchase of associates		(1,000)		-	
Interest received		27,017		55,543	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(155,371)		(187,137)
Financing activities					
Payment of finance leases obligations		-		(43,446)	
Dividends paid to equity shareholders		-		(7,725,000)	
		<u> </u>		<u> </u>	
Net cash used in financing activities			-		(7,768,446)
Net (decrease)/increase in cash and cash equivalents			(4,091,621)		15,942,148
Cash and cash equivalents at beginning of year			18,686,789		2,684,258
Effect of foreign exchange rates			(233,968)		60,383
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			<u> </u> <u> </u>		<u> </u> <u> </u>

KIRINTEC LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	32		(3,574,225)	21,589,634	
Income taxes paid			(2,230,154)	(1,103,119)	
			<u> </u>	<u> </u>	
Net cash (outflow)/inflow from operating activities			(5,804,379)	20,486,515	
Investing activities					
Purchase of intangible assets		(41,362)		(31,301)	
Purchase of tangible fixed assets		(135,889)		(232,212)	
Proceeds on disposal of tangible fixed assets		-		20,833	
Purchase of associates		(1,000)		-	
Interest received		23,435		52,804	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(154,816)	(189,876)	
Financing activities					
Payment of finance leases obligations		-		(43,446)	
Dividends paid to equity shareholders		-		(7,725,000)	
		<u> </u>		<u> </u>	
Net cash used in financing activities			-	(7,768,446)	
Net (decrease)/increase in cash and cash equivalents			(5,959,195)	12,528,193	
Cash and cash equivalents at beginning of year		15,139,692		2,611,499	
		<u> </u>		<u> </u>	
Cash and cash equivalents at end of year		<u> </u>	9,180,497	<u> </u>	15,139,692

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Kirintec Limited ("the company") is a private company limited by shares incorporated in England and Wales. The registered office is Walter Scott House, 10 Old Gloucester Road, Ross-on-Wye, Herefordshire, HR9 5PB.

The group consists of Kirintec Limited and all of its subsidiaries. Details of the subsidiaries are given in note 16.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Audit exemption

A subsidiary undertaking consolidated as at 31 December 2020 is claiming exemption from audit under section 479A of the Companies Act 2006. Further details are given in note 16.

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Kirintec Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

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

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

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Investments in joint ventures and associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

1.4 Turnover

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

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

Revenue from contracts for the provision of services such as training and installation is recognised as the services are performed.

Revenue on contracts that span the year end is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

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

Patents	straight line over 20 years
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1.7 Tangible fixed assets

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

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

Land and buildings Freehold	straight line over 50 years and 15 years
Land and buildings Leasehold	over length of lease
Fixtures, fittings & equipment	straight line over 3 years
Motor vehicles	25% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.8 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.10 Impairment of fixed assets

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

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

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

1.12 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.14 Equity instruments

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

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

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

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.19 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Warranty obligations

Significant estimates are involved in the determination of warranty provisions. Management exercise significant judgement in determining whether warranty obligations need to be fulfilled on a product by product basis. A provision is made where costs can be reliably estimated.

Revenue and profit recognition

Revenue and associated margin on contracts are recognised progressively over time as contracts are fulfilled and risks have been mitigated or retired. The ultimate profitability of contracts is based on estimates of revenue and costs which are reliant on the knowledge and experience of management.

Trade debtors

An allowance for doubtful debts involves significant management judgement and management review individual debtors based upon individual creditworthiness, current economic trends and historical bad debts on a portfolio basis.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Sale of goods	11,919,632	51,279,473
Rendering of services	7,775,157	6,150,251
	<u>19,694,789</u>	<u>57,429,724</u>
	<u><u>19,694,789</u></u>	<u><u>57,429,724</u></u>
	2020	2019
	£	£
Turnover analysed by geographical market		
UK	1,243,674	542,640
Europe	17,747,218	55,064,284
Rest of the world	703,897	1,822,800
	<u>19,694,789</u>	<u>57,429,724</u>
	<u><u>19,694,789</u></u>	<u><u>57,429,724</u></u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Operating profit

	2020	2019
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	189,907	131,753
Research and development costs	1,277,755	538,933
Government grants	(4,929)	-
Depreciation of owned tangible fixed assets	151,835	121,165
Loss on disposal of tangible fixed assets	-	11,419
Amortisation of intangible assets	2,900	2,898
Operating lease charges	17,901	7,288
	<u> </u>	<u> </u>

Government grants received relate to the Coronavirus Job Retention Scheme.

5 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	17,550	-
	<u> </u>	<u> </u>
For other services		
All other non-audit services	13,517	36,033
	<u> </u>	<u> </u>

6 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Overheads	4	4	3	4
Operations	10	5	7	4
Technological support	6	6	6	6
Sales and marketing	5	4	5	4
Research and development	2	2	2	2
Directors	4	4	4	4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	31	25	27	24
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	2,053,755	1,807,871	2,016,981	1,807,871
Social security costs	247,470	225,194	247,470	225,194
Pension costs	27,449	22,867	27,449	22,867
	<u>2,328,674</u>	<u>2,055,932</u>	<u>2,291,900</u>	<u>2,055,932</u>

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	684,733	543,136
Company pension contributions to defined contribution schemes	3,941	2,925
	<u>688,674</u>	<u>546,061</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019 - 3).

The number of directors who have been granted options under the company's Enterprise Management Incentive Scheme during the year was 2 (2019 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	290,508	267,247
Company pension contributions to defined contribution schemes	1,314	1,188
	<u>291,822</u>	<u>268,435</u>

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	21,126	6,757
Other interest income	5,891	48,786
	<u>27,017</u>	<u>55,543</u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Interest payable and similar expenses

	2020	2019
	£	£
Other finance costs:		
Interest on finance leases and hire purchase contracts	-	375
Other interest	159,651	12,527
Total finance costs	<u>159,651</u>	<u>12,902</u>

10 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	1,302,540	962,011
Deferred tax		
Origination and reversal of timing differences	(27,347)	24,987
Total tax charge	<u>1,275,193</u>	<u>986,998</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Profit before taxation	<u>10,856,089</u>	<u>10,033,011</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	2,062,657	1,906,272
Tax effect of expenses that are not deductible in determining taxable profit	14,424	8,842
Group relief	(430)	(453)
Depreciation on assets not qualifying for tax allowances	5,927	5,491
Effect of overseas tax rates	(358,687)	(690,762)
Research and development enhanced expenditure	(448,698)	(242,392)
Taxation charge	<u>1,275,193</u>	<u>986,998</u>

11 Dividends

	2020	2019
	£	£
Recognised as distributions to equity holders:		
Interim paid	-	7,725,000

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Intangible fixed assets

Group	Patents
	£
Cost	
At 1 January 2020	114,458
Additions	41,362
	<hr/>
At 31 December 2020	155,820
	<hr/>
Amortisation and impairment	
At 1 January 2020	11,230
Amortisation charged for the year	2,900
	<hr/>
At 31 December 2020	14,130
	<hr/>
Carrying amount	
At 31 December 2020	141,690
	<hr/> <hr/>
At 31 December 2019	103,228
	<hr/> <hr/>
Company	Patents
	£
Cost	
At 1 January 2020	114,458
Additions	41,362
	<hr/>
At 31 December 2020	155,820
	<hr/>
Amortisation and impairment	
At 1 January 2020	11,230
Amortisation charged for the year	2,900
	<hr/>
At 31 December 2020	14,130
	<hr/>
Carrying amount	
At 31 December 2020	141,690
	<hr/> <hr/>
At 31 December 2019	103,228
	<hr/> <hr/>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Tangible fixed assets

Group	Land and buildings Freehold £	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2020	1,662,538	26,402	332,230	10,000	2,031,170
Additions	61,724	-	78,302	-	140,026
Disposals	-	(26,402)	(895)	-	(27,297)
At 31 December 2020	1,724,262	-	409,637	10,000	2,143,899
Depreciation and impairment					
At 1 January 2020	55,299	26,402	141,965	8,183	231,849
Depreciation charged in the year	43,432	-	107,949	454	151,835
Eliminated in respect of disposals	-	(26,402)	(895)	-	(27,297)
At 31 December 2020	98,731	-	249,019	8,637	356,387
Carrying amount					
At 31 December 2020	1,625,531	-	160,618	1,363	1,787,512
At 31 December 2019	1,607,239	-	190,265	1,817	1,799,321
Company					
	Land and buildings Freehold £	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2020	1,662,538	26,402	331,035	10,000	2,029,975
Additions	61,724	-	74,165	-	135,889
Disposals	-	(26,402)	(895)	-	(27,297)
At 31 December 2020	1,724,262	-	404,305	10,000	2,138,567
Depreciation and impairment					
At 1 January 2020	55,299	26,402	141,183	8,183	231,067
Depreciation charged in the year	43,432	-	107,183	454	151,069
Eliminated in respect of disposals	-	(26,402)	(895)	-	(27,297)
At 31 December 2020	98,731	-	247,471	8,637	354,839
Carrying amount					
At 31 December 2020	1,625,531	-	156,834	1,363	1,783,728
At 31 December 2019	1,607,239	-	189,852	1,817	1,798,908

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Investment property

	Group 2020 £	Company 2020 £
Fair value		
At 1 January 2020 and 31 December 2020	238,359	-

The fair value of the investment property has been arrived at on the basis of the historical cost paid by the group for the property. Having considered the potential for fluctuations in its fair value since its purchase, management do not consider any such movements to materially impact its fair value for inclusion in the financial statements.

15 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	16	-	-	11,404	11,404
Investments in associates		1,000	-	1,000	-
		<u>1,000</u>	<u>-</u>	<u>12,404</u>	<u>11,404</u>

Movements in fixed asset investments

Group	Shares in associates £
Cost or valuation	
At 1 January 2020	-
Additions	1,000
At 31 December 2020	<u>1,000</u>
Carrying amount	
At 31 December 2020	<u>1,000</u>
At 31 December 2019	<u>-</u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Fixed asset investments (Continued)

Movements in fixed asset investments

Company

Shares in
subsidiaries
and associates

£

Cost or valuation

At 1 January 2020

11,404

Additions

1,000

At 31 December 2020

12,404

Carrying amount

At 31 December 2020

12,404

At 31 December 2019

11,404

16 Subsidiaries

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

Name of undertaking	Registered office	Class of shares held	% Held Direct
Nexus Defence Limited	Walter Scott House, 10 Old Gloucester Road, Ross-On-Wye, Herefordshire, HR9 5PB	Ordinary	100.00
Kirintec Incorporated	1800 Diagonal Road, Suite 600, Alexandria, Virginia, 22314, USA	Ordinary	100.00
Kirintec International DMCC	Unit No. 906, The Palladium, Plot No. JLT-PH1-C3A, Jumeiran Lakes Towers, Dubai, UAE	Ordinary	100.00

Audit exemption

Nexus Defence Limited is exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

17 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Finished goods and goods for resale	580,094	1,815,148	580,094	1,815,148

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Debtors	Group		Company	
	2020	2019	2020	2019
Amounts falling due within one year:	£	£	£	£
Trade debtors	10,392,873	1,471,648	10,392,873	1,471,648
Corporation tax recoverable	1,180,867	253,253	1,180,867	253,253
Amounts owed by group undertakings	-	-	283,210	228,959
Other debtors	1,064,746	748,773	1,055,477	726,372
Prepayments and accrued income	160,188	84,637	157,572	84,637
	<u>12,798,674</u>	<u>2,558,311</u>	<u>13,069,999</u>	<u>2,764,869</u>
Deferred tax asset (note 21)	617	617	-	-
	<u>12,799,291</u>	<u>2,558,928</u>	<u>13,069,999</u>	<u>2,764,869</u>
Amounts falling due after more than one year:				
Other debtors	350,000	-	350,000	-
	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>-</u>
Total debtors	<u>13,149,291</u>	<u>2,558,928</u>	<u>13,419,999</u>	<u>2,764,869</u>

19 Creditors: amounts falling due within one year	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade creditors	5,420,061	2,685,190	5,442,543	2,611,769
Amounts owed to group undertakings	-	-	357,749	357,762
Other taxation and social security	57,545	52,473	57,545	52,473
Other creditors	6,597,172	7,110,423	6,597,172	7,110,423
Accruals and deferred income	691,484	7,669,299	673,832	7,665,887
	<u>12,766,262</u>	<u>17,517,385</u>	<u>13,128,841</u>	<u>17,798,314</u>

The company's bank facilities with Handelsbanken are secured by a fixed and floating charge over the company's assets.

20 Creditors: amounts falling due after more than one year	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Accruals and deferred income	488,915	-	488,915	-
	<u>488,915</u>	<u>-</u>	<u>488,915</u>	<u>-</u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Group				
Accelerated capital allowances	29,907	57,254	-	-
Tax losses	-	-	617	617
	<u>29,907</u>	<u>57,254</u>	<u>617</u>	<u>617</u>
	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Company				
Accelerated capital allowances	29,907	57,254	-	-
	<u>29,907</u>	<u>57,254</u>	<u>-</u>	<u>-</u>
			Group 2020 £	Company 2020 £
Movements in the year:				
Liability at 1 January 2020			56,637	57,254
Credit to profit or loss			(27,347)	(27,347)
Liability at 31 December 2020			<u>29,290</u>	<u>29,907</u>

22 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	27,449	22,867
	<u>27,449</u>	<u>22,867</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Share-based payment transactions

The company operates an Enterprise Management Incentive Scheme. The following options have been granted under this scheme:

1. Options to acquire 3,333 £1 ordinary shares were granted on 31 July 2015. These options may be exercised in the event of a share sale or listing, otherwise they will lapse on 31 July 2025, or earlier if certain events set out in the Scheme rules occur. The exercise price has been set at £1 per share. As at 31 December 2020, 1,553 of the above options have lapsed.

2. Options to acquire 430 £1 ordinary shares were granted on 4 December 2019. These options may be exercised in the event of a share sale or listing, otherwise they will lapse on 4 December 2029. The exercise price has been set at £241 per share.

Group and company	Number of share options		Weighted average exercise price	
	2020 Number	2019 Number	2020 £	2019 £
Outstanding at 1 January 2020 and 31 December 2020	2,210	2,210	47.70	47.70
Exercisable at 31 December 2020	-	-	-	-

The directors are of the opinion that the grant of these options does not give rise to a material share based payment charge to be accounted for in accordance with Section 26 of FRS 102. During the year, the company recognised total share based payment expenses of £nil (2019: £nil) which related to equity settled share based payment transactions.

The total carrying amount at the end of the year for liabilities arising from share based payment transactions is £nil (2019: £nil).

24 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	8,550	8,550	8,550	8,550
A ordinary shares of £1 each	500	500	500	500
	9,050	9,050	9,050	9,050

25 Capital redemption reserve

	Group 2020 £	2019 £	Company 2020 £	2019 £
At the beginning and end of the year	950	950	950	950

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

26 Profit and loss reserves

	Group 2020	2019 as restated	Company 2020	2019 as restated
	£	£	£	£
At the beginning of the year	7,892,515	6,235,738	4,043,062	6,082,260
Prior year adjustment	(275,381)	-	(275,381)	-
As restated	7,617,134	6,235,738	3,767,681	6,082,260
Profit for the year	9,580,896	9,046,013	7,693,068	5,410,421
Dividends	-	(7,725,000)	-	(7,725,000)
Currency translation differences	(233,968)	60,383	-	-
At the end of the year	16,964,062	7,617,134	11,460,749	3,767,681

27 Financial commitments, guarantees and contingent liabilities

A £150,000 (2019: £150,000) guarantee is in place over the company's liabilities to HMRC in respect of customs operations. The guarantor is Handelsbanken Plc

At 31 December 2020, a standby letter of credit in the sum of £268,491 (2019: £nil) was in place in connection with the company's supply of goods to a customer. This undertaking would require payment in the event that the company does not perform what is expected of it under the terms of any related contracts. The issuing bank is ING Belgium SA/NV.

28 Operating lease commitments

Lessee

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

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Within one year	2,230	2,230	2,230	2,230
Between two and five years	9,060	6,761	4,530	6,761
	11,290	8,991	6,760	8,991

29 Related party transactions

Remuneration of key management personnel

The directors are considered to be the key management personnel and details of their remuneration are provided in note 7.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

29 Related party transactions (Continued)

Transactions with related parties

The company has taken advantage of the exemption under FRS 102 from disclosing related party transactions with wholly owned subsidiaries within the group.

During the year, the company made sales of £488,554 (2019 - £nil) and purchases of £4,865,266 (2019 - £22,451,734) with companies over which it has significant influence. At the year end, £586,265 (2019 - £nil) was due from and £4,019,750 (2019 - £1,064,009) was due to these companies.

At the year end, £350,000 (2019 - £350,000) was due from an associate in respect of a loan advanced to them. Interest is due on this loan at 0.5% above the Bank of England base rate. A total of £5,890 (2019 - £8,555) relating to unpaid interest has been accrued at the year end.

30 Controlling party

The company is controlled by R P Peers-Smith who owns 94% of the issued share capital of the company.

31 Cash (absorbed by)/generated from group operations

	2020	2019
	£	£
Profit for the year after tax	9,580,896	9,046,013
Adjustments for:		
Taxation charged	1,275,193	986,998
Finance costs	159,651	12,902
Investment income	(27,017)	(55,543)
(Gain)/loss on disposal of tangible fixed assets	-	11,419
Amortisation and impairment of intangible assets	2,900	2,898
Depreciation and impairment of tangible fixed assets	151,835	121,165
Movements in working capital:		
Decrease/(increase) in stocks	1,235,054	(42,574)
(Increase)/decrease in debtors	(9,662,749)	1,789,942
(Decrease)/increase in creditors	(4,418,820)	13,129,963
Cash (absorbed by)/generated from operations	(1,703,057)	25,003,183

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

32 Cash (absorbed by)/generated from operations - company

	2020	2019
	£	£
Profit for the year after tax	7,693,068	5,410,421
Adjustments for:		
Taxation charged	1,275,193	986,998
Finance costs	156,612	10,569
Investment income	(23,435)	(52,804)
(Gain)/loss on disposal of tangible fixed assets	-	11,419
Amortisation and impairment of intangible assets	2,900	2,898
Depreciation and impairment of tangible fixed assets	151,069	120,897
Movements in working capital:		
Decrease/(increase) in stocks	1,235,054	(42,574)
(Increase)/decrease in debtors	(9,727,516)	808,237
(Decrease)/increase in creditors	(4,337,170)	14,333,573
Cash (absorbed by)/generated from operations	(3,574,225)	21,589,634

33 Analysis of changes in net funds - group

	1 January 2020	Cash flows	Exchange rate movements	31 December 2020
	£	£	£	£
Cash at bank and in hand	18,686,789	(4,091,621)	(233,968)	14,361,200

34 Analysis of changes in net funds - company

	1 January 2020	Cash flows	31 December 2020
	£	£	£
Cash at bank and in hand	15,139,692	(5,959,195)	9,180,497

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

35 Prior period adjustment

Reconciliation of changes in equity - group

	1 January 2019	31 December 2019
	£	£
Adjustments to prior year		
Employment cost accrual	-	(275,381)
Equity as previously reported	6,245,738	7,902,515
Equity as adjusted	<u>6,245,738</u>	<u>7,627,134</u>
Analysis of the effect upon equity		
Profit and loss reserves	-	(275,381)

Reconciliation of changes in profit for the previous financial period

	2019 £
Adjustments to prior year	
Employment cost accrual	(275,381)
Profit as previously reported	9,321,394
Profit as adjusted	<u>9,046,013</u>

Reconciliation of changes in equity - company

	1 January 2019	31 December 2019
	£	£
Adjustments to prior year		
Employment cost accrual	-	(275,381)
Equity as previously reported	6,092,260	4,053,062
Equity as adjusted	<u>6,092,260</u>	<u>3,777,681</u>
Analysis of the effect upon equity		
Profit and loss reserves	-	(275,381)

Reconciliation of changes in profit for the previous financial period

	2019 £
Adjustments to prior year	
Employment cost accrual	(275,381)
Profit as previously reported	5,685,802
Profit as adjusted	<u>5,410,421</u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

35 Prior period adjustment

(Continued)

Notes to reconciliation

The financial statements for the year ended 31 December 2019 have been restated in order to recognise an accrual for employment costs that related to that year.

The financial effect of recognising this expense in the year ended 31 December 2019 was to increase Administrative Expenses for that year by £339,976 with a corresponding increase in accruals. Profit before tax for the year ended 31 December 2019 was reduced by £339,976, the corporation tax charge was reduced by £64,595 and the cumulative effect was a reduction in shareholders' funds at 31 December 2019 of £275,381.

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