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Tenmat Limited

Directors' report and financial statements
Registered number 03342498

Year ended 31 December 2021

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Strategic report

Principal activities

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

Business review

Turnover in the year ended 31 December 2021 of £39.6m (2020: £30.7m) represented a increase of 29.0% (2020: decrease of 5.8%) compared to the previous year. The Company produces and sells a wide range of products to a well-diversified customer base and continues to export a high proportion of its sales (2021: 60%, 2020: 68%). The Company continued to grow sales successfully in several areas throughout 2021, most notably in Fire Protection.

Our balance sheet remains strong, with £55.6m net assets (2020: £43.9m), £15.8m cash in hand (2020: £7.8m). Our net current assets were £19.9m (2020: £13.5m). We held our Trafford Park site as a non-current asset held for sale and this property was sold after the year end.

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

Principle risks and uncertainties

The Company is impacted by principal risks and uncertainties that are applicable to the wider Group. The Group would be, and is exposed, like other industrial companies, to changes in the macroeconomic climate. This would include potential changes to the business environment, and trading terms following the UK's exit from the EU.

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

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

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

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

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

Streamlined Energy and Carbon Reporting

In line with the Streamlined Energy and Carbon Reporting legislation, the Company is required to report its energy consumption and greenhouse gas emissions arising in the UK. All scope 1 & 2 sources of energy and emissions have been disclosed as well as mandatory scope 3 sources of energy and emissions.

In comparison with the previous financial period the Company's total energy consumption has increased by 28.8%. This is due to increased activity as pandemic restrictions have eased, however turnover has increased in proportion meaning that energy intensity has remained relatively unchanged with a 0.3% increase. In contrast, emissions intensity has reduced by 13%. In November of this period the Company has secured 100% renewable electricity and gas contracts which reduced emissions by 517 tonnes of CO_2e during this period. The coming financial period will see the full effect of this change which will negate 98% of current scope 1 & 2 emissions and more than half of the reported scope 3 emissions. As the Company progresses towards its net-zero target management are continuing to improve data collection and explore upstream & downstream emissions.

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Strategic report (continued)

Streamlined Energy and Carbon Reporting (continued)

Source of Energy & Emissions	Energy Consumption (MWh)		GHG Emissions (tCO_2e)	
	2021	*2020*	*2021*	*2020*
Combustion of Natural Gas	12,290	10,544	2,251	1,939
Combustion of Biogas	1,686	-	0	-
Combustion of Fuel in Company Vehicles	195	128	48	32
Other Activities inc. Process & Fugitive			-	-
Scope 1 Total	**14,171**	**10,672**	**2,299**	**1,970**
Generation of Purchased Electricity	6,880	5,722	1,252	1,334
Scope 2 Total	**6,880**	**5,722**	**1,252**	**1,334**
Combustion of Fuel in Staff Vehicles	67	-	17	-
Well-to-tank of Primary Fuels			797	460
Transmission & Distribution of Electricity			111	115
Supply & Treatment of Water			76	149
Gate-to-grave of Waste Disposal			20	62
Scope 3 Total	**67**	**-**	**1,021**	**784**
Grand Total	**21,119**	**16,394**	**4,572**	**4,089**
Intensity per £m Turnover	524	523	113	130

Methodology

Utilities

Energy consumption expressed in kilowatt-hours has been taken from suppliers' invoices for electricity and natural gas. Location based $kgCO_2e/kWh$ conversion factors for the average UK grid supply have been used to calculate greenhouse gas emissions from electricity and natural gas consumption. In November of this period the Company replaced electricity contracts with a 100% renewable supply and replaced natural gas supply with biogas.

Transport

For company cars the cost of fuel purchases is recorded and the average monthly fuel prices have been used to estimate the volume of fuel purchased in litres. The quantity of gas oil used in forklift trucks has been taken from delivery notes expressed in litres. The kgCO2e/litre and kgCO2e/kWh conversion factors for gas oil and average forecourt blends of petrol and diesel have been used to calculate the underlying energy usage and associated greenhouse gas emissions. Staff also drive personal vehicles and are reimbursed through mileage claims. The kWh/mile and kgCO2e/mile conversion factors from the category "Cars (by size)" have been used to calculate greenhouse gas emissions and underlying energy use.

Other Emissions

Maintenance records did not contain any instances of refrigerant leaks during the reference period. No other sources of fugitive emissions have been identified.

Some additional scope 3 emissions have been voluntarily disclosed. These include transmission & distribution losses for electricity, well-to-tank emissions for fuels, emissions relating to the supply & treatment of water, and gate-to-grave emissions from disposal of commercial and industrial waste. Waste is disposed of via recycling or combustion for energy.

All conversion factors and fuel properties used in this disclosure have been taken from the 2021 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA). Average monthly fuel prices have been taken from "Retail Prices of Petroleum Products and Crude Oil Price Index" published by BEIS. All greenhouse gas emissions have been expressed in terms of their carbon dioxide equivalence.

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Strategic report (continued)

Key performance indicators

Key performance indicators include sales, gross margin % and operating profit %. These are reviewed monthly by

- Sales: £39.6m (2020: £30.7m).
- Gross margin %: 48.1% (2020: 48.0%).
- Operating profit %: 25.3% (2020: 26.1%)

Research and development

Development expenditure not satisfying the criteria set out in 'IAS 38 Intangible Assets' and expenditure on the research phase of internal projects are recognised to the profit and loss account. The amount charged was £665,000 (2020: £491,000) and development expenditure capitalised was £342,000 (2020: £263,000) during the year.

By order of the board

DocuSigned by:
Shalet Gupta
BBF72C4329AC4BD...

SK Gupta
Director
13/06/2022

Ashburton Road West
Trafford park
Manchester
M17 1TD

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

Dividends

During the year the Company declared an interim dividend of £nil (2020: £nil).

Political Contributions

The Company made no political contributions during the year (2020: £nil).

Directors

The directors who held office during the year and as at the date of this report were as follows:
G MacLeman
K Chopra
CL Jones
SK Gupta
Certain directors benefited from a Directors and Officers Liability insurance policy in place during the financial year and at the date of this report.

Employee consultation

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

Disabled employees

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

Disclosure of information to auditors

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

Going Concern

The Company is part of the Diamorph Group Holdings Limited trading group ('the Group'). The Company has net current assets of £19.9m (2020: £13.5m) at the balance sheet date, however it is party to the loan agreements entered into by other group companies and is therefore appropriate to consider the ability of the Group as a whole to meet its liabilities as they fall due when assessing the going concern status of the Company.

The Board does not consider that there was a significant impact of the COVID-19 situation in this financial year. As reported last year, the Group has continued production throughout the pandemic, managed staffing whilst there was increased absences due to COVID-19 and remained profitable and generated net cash throughout the COVID-19 affected period.

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

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Directors' report (continued)

Going Concern (continued)

The Directors have prepared forecasts for the Group covering a period through to 30 June 2023. These forecasts reflect an assessment of current and future market conditions and their impact on the Group's future profitability and cashflows. The forecasts have been sensitised for a reduction in for the remainder of the current financial year with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes. The forecasts have also been reverse stress tested with some further cost mitigations, each within the control of the business. As we have historically had a low amount of trading with Ukraine and Russia, the recent conflict has not had any significant impact to our sales. The main impact has been on rising utility prices which we manage by fixing utility prices and pricing our product accordingly.

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

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

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

Post balance sheet events

In February 2022 the Company sold its freehold land & buildings at Trafford Park Manchester, where all of its manufacturing operations and support functions are located. The Company will initially lease back the land & buildings before relocating to another site in Manchester for which a lease has been entered into.

BDO LLP are the Company's auditors and will be considered for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the board

DocuSigned by:
Caroline Jones
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CL Jones
Director
13/06/2022

Ashburton Road West
Trafford park
Manchester
M17 1TD

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Independent Auditor's Report to the members of Tenmat Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tenmat Limited ("the Company") for the year ended 31 December 2021 which comprise the Profit and loss account, Statement of other comprehensive income, Balance sheet, Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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Independent Auditor's Report to the members of Tenmat Limited (continued)

Other Companies Act 2006 reporting (continued)

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- agreement of the financial statement disclosures to underlying supporting documentation;
- challenging assumptions and judgements made by management in their significant accounting estimates;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- review of minutes of Board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations

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

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Independent Auditor's Report to the members of Tenmat Limited (continued)

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

Use of our report

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

DocuSigned by:
Steven Roberts
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Steven Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester, UK
13 June 2022
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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Profit and loss account

for the year ended 31 December 2021

	Note	**2021**	**2020**
		£'000	**£'000**
Turnover	*2*	**39,619**	30,706
Cost of sales		**(20,545)**	(15,975)
Gross profit		**19,074**	14,731
Distribution costs		**(1,450)**	(976)
Administrative expenses		**(7,606)**	(5,737)
Operating profit before exceptional items		**10,018**	8,018
Exceptional items	*4*	**(1,424)**	(580)
Operating profit	*3*	**8,594**	7,438
Interest receivable & similar income	*7*	**516**	755
Interest payable & similar charges	*8*	**(561)**	(813)
Profit on ordinary activities before taxation		**8,549**	7,380
Taxation on profit on ordinary activities	*9*	**(900)**	(790)
Profit for the year		**7,649**	6,590

The turnover and profit for the year arise wholly from continuing operations.
The notes on pages 16 to 31 form part of these financial statements

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Statement of other comprehensive income

for the year ended 31 December 2021

	2021 £'000	2020 £'000
Profit for the financial year	**7,649**	6,590
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) recognised in the pension scheme	**5,709**	(1,963)
Deferred tax arising on actuarial losses or gains in the pension scheme	**(1,704)**	373
Other comprehensive income/(expense) for the year, net of income tax	**4,005**	(1,590)
Total comprehensive income for the year	**11,654**	5,000

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Balance sheet

for the year ended 31 December 2021

	Note	**2021** £'000		2020 £'000	
Fixed assets					
Intangible assets	*10*	**3,026**		2,778	
Tangible assets	*11*	**3,062**		5,209	
Right-of-use assets	*13*	**15,601**		110	
Investments	*14*	**1**		1	
Debtors: amounts due after one year	*17*	**48,428**		27,120	
			70,118		35,218
Current assets					
Non-current assets held for sale	*12*	**2,480**		-	
Stocks	*15*	**3,089**		3,067	
Debtors: amounts due within one year	*16*	**8,119**		6,998	
Cash at bank and in hand		**15,832**		7,750	
		29,520		17,815	
Provisions directly associated with non-current assets classified as held for sale	*20*	**(2,315)**		-	
Creditors: amounts falling due within one year	*18*	**(7,337)**		(4,292)	
Net current assets			**19,868**		13,523
Total assets less current liabilities			**89,986**		48,741
Creditors: amounts falling due after one year	*19*		**(43,465)**		(4,697)
Provisions	*20*		-		(2,330)
Pension surplus	*24*		**9,052**		2,205
Net assets			**55,573**		43,919
Capital and reserves					
Called up share capital	*22*		**3,000**		3,000
Profit and loss account			**52,573**		40,919
Shareholder's funds			**55,573**		43,919

The notes on pages 16 to 31 form part of these financial statements.

These financial statements were approved by the Board of directors and were signed on its behalf by:

DocuSigned by:
Caroline Jones
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CL Jones
Director
13/06/2022

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Statement of changes in equity

for the year ended 31 December 2021

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2020	3,000	35,919	38,919
Total comprehensive income for the year			
Profit for the year	-	6,590	6,590
Other comprehensive expense	-	(1,590)	(1,590)
Total comprehensive income for the year	-	5,000	5,000
Balance at 31 December 2020	**3,000**	**40,919**	**43,919**
Balance at 1 January 2021	**3,000**	**40,919**	**43,919**
Total comprehensive income for the year			
Profit for the year	-	7,649	7,649
Other comprehensive income	-	4,005	4,005
Total comprehensive income for the year	-	11,654	11,654
Balance at 31 December 2021	**3,000**	**52,573**	**55,573**

The notes on pages 16 to 31 form part of these financial statements.

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Notes

(forming part of the financial statements)

1 Accounting policies

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

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

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

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

The Company's ultimate parent undertaking at 31 December 2021, Diamorph Group Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Diamorph Group Holdings Limited are prepared in accordance with International Financial Reporting Standards, are available to the public and may be obtained from Diamorph Group Holdings Limited by writing to Aztec Group House 11-15 Seaton Place St Helier Jersey JE4 0QH.

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

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

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

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

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

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The Company is part of the Diamorph Group Holdings Limited trading group ('the Group'). The Company has net current assets of £40.7m (2020: £36.0m) at the balance sheet date, however it is party to the loan agreements entered into by other group companies and is therefore appropriate to consider the ability of the Group as a whole to meet its liabilities as they fall due when assessing the going concern status of the Company.

The Board does not consider that there was a significant impact of the COVID-19 situation in this financial year. As reported last year, the Group has continued production throughout the pandemic, managed staffing whilst there was increased absences due to COVID-19 and remained profitable and generated net cash throughout the COVID-19 affected period.

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

The Directors have prepared forecasts for the Group covering a period through to 30 June 2023. These forecasts reflect an assessment of current and future market conditions and their impact on the Group's future profitability and cashflows. The forecasts have been sensitised for a reduction in for the remainder of the current financial year with the impact on profitability and cash flow considered, net of certain expected cost savings given the reduced volumes. The forecasts have also been reverse stress tested with some further cost mitigations, each within the control of the business. As we have historically had a low amount of trading with Ukraine and Russia, the recent conflict has not had any significant impact to our sales. The main impact has been on rising utility prices which we manage by fixing utility prices and pricing our product accordingly.

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1 *Accounting policies (continued)*

Going concern *(continued)*

In the most severe but plausible scenario forecasted, the Group would still meet its bank covenant requirements and

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

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

Tangible fixed assets and depreciation

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

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

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

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

Intangible assets

Computer software

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

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

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

Goodwill

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

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

Research and development expenditure

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

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

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

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1 *Accounting policies (continued)*

Foreign currencies

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

Non-derivative financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Interest-bearing borrowings

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

Derivative financial instruments

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

Leases

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

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

Right-of-use assets

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

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

Lease liabilities

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

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1 *Accounting policies (continued)*
Leases (continued)

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

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

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit (liability)/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit (liability)/asset.
The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.
Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.
The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.
Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.
Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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1 *Accounting policies (continued)*

Stocks

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

Taxation

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

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

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

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

Turnover

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

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

Dividends

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

Exceptional items

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

Critical accounting judgements and estimates

Inventory provisioning

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

Impairment of debtors

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

Defined benefit pension scheme

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

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1 *Accounting policies (continued)*

Critical accounting judgements and estimates (continued)

Leases - Estimating the incremental borrowing rate

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

New and amended standards and interpretations

New standards, interpretations and amendments effective from 1 January 2021:

- Amendments to IAS 1 Presentation of Financial Statements.
- Amendments to IAS 16 Property, Plant and Equipment.
- Amendments to IFRS 3 Business Combinations.

New standards, interpretations and amendments not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

2 Analysis of turnover

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

3 Operating profit

	2021	2020
	£'000	£'000
Operating profit is stated after charging		
Depreciation	**570**	566
Amortisation	**231**	108
Loss on disposal of fixed assets	**2**	2
Operating leases - hire of plant and machinery	**75**	32
Net exchange losses/(gains)	**428**	(17)
Research and development expenditure	**665**	491
Auditor's remuneration		
Audit of these financial statements*	**99**	94

*Amounts paid by the Company include fees relating to other entities in the Group. The audit of the Company's financial statements amounted to £35,000 (2020: £35,000).

Operating lease costs consist of short term or low value leases which are exempt from IFRS 16.

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Notes *(continued)*

4 Exceptional items

	2021	2020
	£'000	£'000
Expenses relating to implementation of new software and site move	570	337
Expenses relating to acquisitions	749	90
Other	105	153
	1,424	580

During 2019, the Company commenced the implementation of a new enterprise resource planning ("ERP") system and an assessment of moving to a new site. The exceptional amount of £570,000 (2020: £337,000) relates to consultancy fees and additional employees to support the business during these two projects.

During 2021, the Group acquired 3 new entities (2020: 1). The exceptional amount of £749,000 (2020: £90,000) relates to due diligence costs for these acquisitions.

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

5 Remuneration of directors

	2021	2020
	£'000	£'000
Directors' emoluments	119	111

The aggregate emoluments of the highest paid director were £119,000 (2020: £111,000).

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

6 Staff numbers and costs

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

	2021	2020
Production	192	177
Administration	19	16
Distribution	12	11
Sales	48	37
	271	241

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	9,421	8,354
Social security costs	1,063	851
Other pension costs (see note 22)	482	382
	10,966	9,587

7 Interest receivable and similar income

	2021	2020
	£'000	£'000
Interest receivable on treasury deposits	-	1
Expected return on pension scheme assets	516	754
	516	755

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Notes *(continued)*

8 Interest payable and similar charges

	2021 £'000	2020 £'000
Interest on lease liabilities	**6**	9
Interest on intercompany loans	**73**	122
Interest on pension scheme liabilities	**482**	682
	561	813

9 Taxation on profit on ordinary activities

	2021 £'000		2020 £'000	
UK Corporation tax				
Current tax on income for the year	**864**		563	
Adjustment in respect of previous years	**(223)**		(74)	
Total current tax charge		**641**		489
Deferred tax (see note 19)				
Reversal or temporary differences	**143**		266	
Adjustment in respect of previous years	**21**		(6)	
Effect of tax rate change on opening balance	**95**		41	
Total deferred tax charge		**259**		301
Tax charge on profit on ordinary activities		**900**		790

Income tax recognised in other comprehensive income

	2021 £'000	2020 £'000
Deferred tax charge		
Remeasurements of defined benefit pension scheme	**1,704**	(373)

	2021 £'000	2020 £'000
Reconciliation of total taxation		
Profit on ordinary activities before tax	**8,549**	7,380
Tax at 19% (2020: 19%)	**1,624**	1,402
Effects of:		
Expenses not deductible for tax purposes	**3**	11
Group relief surrendered / (claimed)	**(458)**	(604)
Adjustment in respect of previous years - current tax	**(181)**	(74)
Adjustment in respect of previous years - deferred tax	**(21)**	(6)
Remeasurement of deferred tax for changes in tax rates	**(81)**	40
Other	**14**	21
Total current tax charge / (credit)	**900**	790

Factors affecting the tax charge for the current and future periods

It was announced in the Budget in March 2021 that the UK corporation tax rate would remain at 19% until April 2023 when it would increase to 25%. The Company has recognised certain deferred tax balances relating to fixed asset timing differences and short term timing differences based on the expected timeframe for unwind.

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Notes *(continued)*

10 Intangible fixed assets

	Goodwill £'000	Software £'000	Development costs £'000	Total £'000
Cost				
At beginning of year	1,689	934	263	2,886
Additions	-	137	342	479
At end of the year	1,689	1,071	605	3,365
Accumulated amortisation and impairment				
At beginning of year	-	55	53	108
Amortisation	-	110	121	231
At end of year	-	165	174	339
Net book value				
As at 31 December 2021	1,689	906	431	3,026
As at 31 December 2020	1,689	879	210	2,778

The software intangible assets includes capitalised development costs of £120,000 (2020: £355,000) relating to consultancy fees that are directly attributable to bringing the ERP system into working condition for its intended use within the business.

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Notes *(continued)*

11 Tangible fixed assets

	Freehold land and buildings £'000	Plant and equipment £'000	Construction in progress £'000	Fixtures and fittings £'000	Total £'000
Cost					
At beginning of year	4,010	8,788	187	628	13,613
Additions	19	717	179	6	921
Disposals	-	(75)	-	-	(75)
Transfer from construction in progress	-	361	(361)	-	-
Transfer to non-current asset held for sale	(4,029)	-	-	(575)	(4,604)
At end of year	-	9,791	5	59	9,855
Depreciation and diminution in value					
At beginning of year	1,444	6,353	-	607	8,404
Charge for the year	105	459	-	6	570
Disposals	-	(57)	-	-	(57)
Transfer to non-current asset held for sale	(1,548)	-	-	(575)	(2,123)
At end of year	-	6,755	-	38	6,793
Net book value					
As at 31 December 2021	-	3,036	5	21	3,062
As at 31 December 2020	2,566	2,435	187	21	5,209

Depreciation was not charged on land with a cost of £1,348,000 (2020: £1,348,000).

12 Non-current assets held for sale

During the year, the Company entered into an agreement to sell its freehold Land & Buildings. The sale completed in February 2022 and those assets were classified as held for sale at the balance sheet date. The reclassification of these assets has no impact on the Company's cashflow.

	2021 £'000	2020 £'000
Non-current assets held for sale:		
Freehold land and buildings	2,481	-

	2021 £'000	2020 £'000
Liabilities directly associated with non-current assets classified as held for sale:		
Provisions (see note 19)	2,315	-

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Notes *(continued)*

13 Leases

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

Amount recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021	2020
	£'000	£'000
Right-of-use assets		
Property	**15,520**	-
Motor vehicle	**60**	72
Plant and machinery	**21**	38
	15,601	110
Lease liabilities		
Amount due in less than one year	**174**	55
Amount due in more than one year	**15,431**	58
	15,605	113

Additions to the right-of-use assets during the financial year were £15.5m (2020: £35k).

Amounts recognised in the profit and loss account

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

	2021	2020
	£'000	£'000
Depreciation charge of right-of-use		
Motor vehicle	**(38)**	(50)
Plant and equipment	**(18)**	(21)
	(56)	(71)
Interest payable	**(6)**	(9)
Expense relating to short-term leases (included in administrative expenses)	**-**	(5)
Expenses relating to service rental lease payments not included in lease lial (included in administrative expenses)	**(4)**	(6)
Future minimum lease payments are as follows:		
Not later than one year	**652**	61
Later than one year and not later than five years	**29,738**	61
	30,390	122
Impact of interest payable	**(14,785)**	(9)
Carrying amount of liability	**15,605**	113

The total cash outflow for leases in 2021 was £61,000 (2020: £79,000).

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

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost and subsequently at cost, less accumulated depreciation. The lease liability is initially measured at the present value of the lease payments discounted using the Company's incremental borrowing rate (IBR) of 6.1%. The lease liability is subsequently increased by the interest cost on the lease liability and reduced by the lease payment made. The Company's IBR has been used as the discount rate for most leases where an interest rate could not be readily determined from the contract which was the case for all leases.

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Notes *(continued)*

14 Investments

	Shares in Group undertakings £'000
Cost	
At beginning and end of year	**1**

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

	Class of share capital held	Proportion of share capital owned/voting rights	Nature of business (see below)
Railko Limited A	Ordinary	100%	Distributor

A - C/O Tenmat Limited, Ashburton Road West, Manchester, M17 1TD

15 Stocks

	2021	2020
	£'000	£'000
Raw materials and consumables	**1,421**	1,576
Work in progress	**369**	361
Finished goods and goods for resale	**1,299**	1,130
	3,089	3,067

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £7,616,000 (2020: £5,429,000). Inventories are stated after provisions for impairment of £200,000 (2020: £349,000). There is no significant difference between the replacement cost of inventory and its carrying amount.

16 Debtors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade debtors	**7,464**	6,579
Other debtors	**514**	349
Prepayments and accrued income	**141**	70
	8,119	6,998

17 Debtors: amounts falling due after one year

	2,021	2,020
	£'000	£'000
Amounts owed by parent undertakings	**43,136**	22,992
Amounts owed by subsidiary undertakings	**2,000**	1,706
Amounts owed by fellow subsidiary undertakings	**3,292**	2,422
	48,428	27,120

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

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Notes *(continued)*

18 Creditors: amounts due within one year

	2021	2020
	£'000	£'000
Trade creditors	**237**	1,283
Lease liabilities (note 12)	**174**	55
Taxation and social security	**157**	284
Deferred tax liability (note 19)	**2,241**	278
Accruals and deferred income	**4,528**	2,392
	7,337	4,292

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

19 Creditors: amounts due after more than one year

	2021	2020
	£'000	£'000
Amounts owed to parent undertakings	**22,207**	389
Amounts owed to subsidiary undertaking	**3,989**	3,282
Amounts owed to fellow subsidiary	**1,838**	968
Lease liabilities (note 12)	**15,431**	58
	43,465	4,697

20 Provisions directly associated with non-current assets classified as held for sale

	Site related costs
	£'000
At beginning of year	2,330
Amounts utilised during the year	(15)
At end of year	2,315

In early 2018 specialist consultants were engaged to undertake an environmental review at the Company's manufacturing site. Based on the findings of the review certain remedial actions were deemed necessary and a provision of £3,000,000 was recognised in 2017. During 2021, £15,000 (2020: £132,000) of this provision was utilised on the first phase of management's remediation plan.

21 Deferred taxation

	2021	2020
	£'000	£'000
Liability/(asset)		
At beginning of year	**278**	351
Charge/(credit) to the profit and loss for the year (see note 9)	**259**	300
Recognised in other comprehensive income	**1,704**	(373)
At end of year	**2,241**	278

The elements of deferred taxation are as follows:

	2021	2020
	£'000	£'000
Liability/(asset)		
Difference between accumulated depreciation and capital allowances	**561**	339
Provisions for liabilities	**(583)**	(479)
On pension scheme deficit	**2,263**	418
Deferred tax liability	**2,241**	278

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Notes *(continued)*

22 Called up share capital

	2021	2020
	£'000	£'000
Allotted, called up and fully paid		
3,000,000 Ordinary shares of £1 each	**3,000**	3,000

23 Pledged assets, contingent liabilities and capital commitments

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

24 Pension scheme

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £482,000 (2020: £382,000).
There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

Defined benefit pension scheme

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

	2021	2020
	£'000	£'000
Present value of funded defined benefit obligations	**(34,775)**	(37,810)
Fair value of plan assets	**43,827**	40,015
Surplus	**9,052**	2,205

The pension scheme assets include no assets from the Company's own financial instruments. The pension scheme assets include no property occupied by, or other assets used by, the Company.
The plan ceased all future service benefit accrual with effect from 31 January 2010. The 3 August 2019 triennial valuation resulted in a surplus to the scheme. The Company expects to pay contributions in the region of £950,000 to the plan in the next financial year. In addition, the Company will reimburse the pension scheme trustees for all asset management and administrative charges associated with the running of the pension scheme.
Movements in present value of defined benefit obligation

	2021	2020
	£'000	£'000
Opening defined benefit obligation	**37,810**	34,554
Interest cost	**482**	682
Actuarial (gains)/losses	**(2,093)**	3,451
Past service cost	**-**	70
Benefits paid	**(1,424)**	(947)
Closing defined benefit obligation	**34,775**	37,810

Movements in fair value of plan assets

	2021	2020
	£'000	£'000
Opening fair value of scheme assets	**40,015**	37,608
Expected return on plan assets	**518**	754
Actuarial gains	**3,616**	1,488
Contribution from employer	**1,102**	1,112
Benefits paid	**(1,424)**	(947)
	43,827	40,015

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Notes *(continued)*

24 Pension scheme *(continued)*

Credit recognised in the profit and loss account

	2021	2020
	£'000	£'000
Interest on defined benefit pension plan obligation	**482**	682
Expected return on defined benefit pension plan assets	**(518)**	(754)
Past service cost	**-**	70
Total credit	**(36)**	(2)

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

	2021	2020
	£'000	£'000
Interest receivable and similar income	**(518)**	(754)
Interest payable and similar charges	**482**	682
Exceptional items	**-**	70

The total amount recognised in other comprehensive income in respect of actuarial gains and losses is an actuarial gain of £5,709,000 (2020: loss of £1,963,000).

Cumulative actuarial losses reported in other comprehensive income for accounting periods ending on or after 22 June 2002 are £2,345,000 (2020: £8,054,000).

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

	2021	2020
	Fair value	Fair value
	£'000	£'000
Equities and property	**9,445**	15,251
Gilts and bonds	**31,840**	24,132
Other	**2,542**	632
	43,827	40,015
Actual return on scheme assets	**4,134**	2,242

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

	2021	2020
	%	%
Discount rate	**1.80**	1.30
Price inflation		
RPI	**3.40**	3.10
CPI	**2.65**	2.35
Future pension increases		
Inflation linked up to 5% per annum	**2.35**	3.00
Inflation linked up to 2.5% per annum	**2.30**	2.05
Inflation linked with a minimum of 3% pa and maximum of 5% per annum	**3.65**	3.65

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

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

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Notes *(continued)*

24 Pension scheme *(continued)*

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

- Current pensioner aged 65: male – 22 (2020: 22) years; female – 24 (2020: 24) years.
- Future retiree upon reaching 65: male – 23 (2020: 23) years; female – 25 (2020: 25) years.

The discount rate is the assumption that has the greatest impact on pension obligations. A 1 percentage change in the discount rate changes commitments by about 20% (2020: 20%). Mortality rates also affects the calculation. If the life expectancy is extended by one year, the commitment would increase by about 4% (2020: 4%).

History of plans

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

	31 December 2021 £'000	31 December 2020 £'000	31 December 2019 £'000	31 December 2018 £'000	31 December 2017 £'000
Present value on scheme liabilities	**(34,775)**	(37,810)	(34,554)	(33,054)	(34,194)
Fair value of scheme assets	**43,827**	40,015	37,608	32,771	33,984
	9,052	2,205	3,054	(283)	(210)

25 Ultimate parent company

As at December 2021, the Company was a wholly owned subsidiary undertaking of Modular Stock Limited, a company incorporated in England and Wales.

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

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

26 Pledge assets, contingent liabilities and commitments

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

27 Post balance sheet events

In February 2022 the Company sold its freehold land & buildings at Trafford Park, Manchester. The Company will initially lease back the land & buildings before relocating to another site in Manchester.