

Company registration number 06699502 (England and Wales)

KIRINTEC LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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	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 2021

The directors present the strategic report for the year ended 31 December 2021.

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. 2021 saw the continued roll out of the new ground-breaking product, K-CEMA JUPITER and the launch of the man portable NEO CEMA system which affirmed the group's move into the CEMA market, despite many other companies seeing orders stalled or cancelled due to COVID19.

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, 14001 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 has actively mitigated the worst of this risk by reconfiguring its supply chain and forward purchasing significant quantities of key semiconductors in order to be able to satisfy its key contracts both existing and envisaged.

KIRINTEC LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Future developments

The outlook for 2022 is very positive and orders and contracts that have been delayed due to COVID 19 start to show through in the group's performance. Kirintec's position in its market has strengthened as it has secured significant contracts with NATO member countries and beyond. 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 continues to remain at the forefront of development within its specialist domain and is investing heavily in software related AI and machine learning programs to be implemented across its CEMA product range. 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 several have started to come to fruition in 2022 with more anticipated within the calendar year.

The supply chain issues associated with key semiconductor components is well known and Kirintec has reconfigured its supply chain and invested heavily in critical components in order to satisfy its customers. It is anticipated that many of Kirintec's competitors have failed to take this action and as delivery lead time starts to become a critical aspect of supply within our market space, the group intends to capitalize on this position with respect to UCR requirements.

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

1 July 2022

KIRINTEC LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 banks floating rate.

Foreign exchange risk

The group seeks to deal in GBP with foreign customers and suppliers and where this is not possible the group holds foreign currency bank accounts and manages the risk by trading spot and forward exchange contracts. There is also exposure in the movement in USD and AED against GBP at a group level.

KIRINTEC LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and 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

1 July 2022

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 2021 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 Financial Reporting Standard 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 2021 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 group and parent 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.

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.

KIRINTEC LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF KIRINTEC LIMITED

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. 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 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 parent 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.

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

KIRINTEC LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF KIRINTEC LIMITED

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.

Matthew Rutter BSc FCA (Senior Statutory Auditor)
For and on behalf of Pearson May

1 July 2022

Chartered Accountants
Statutory Auditor

37 Great Pulteney Street
Bath
BA2 4DA

KIRINTEC LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	11,177,421	19,694,789
Cost of sales		(1,119,584)	(3,168,839)
Gross profit		10,057,837	16,525,950
Administrative expenses		(6,328,677)	(5,544,684)
Other operating income		17,566	7,457
Operating profit	4	3,746,726	10,988,723
Interest receivable and similar income	8	27,002	27,017
Interest payable and similar expenses	9	(6,093)	(159,651)
Profit before taxation		3,767,635	10,856,089
Tax on profit	10	(262,425)	(1,275,193)
Profit for the financial year	25	3,505,210	9,580,896
Other comprehensive income			
Currency translation differences		124,048	(233,968)
Total comprehensive income for the year		3,629,258	9,346,928

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 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	11		131,832		141,690
Tangible assets	12		1,754,034		1,787,512
Investment properties	13		238,359		238,359
Investments	14		1,000		1,000
			<u>2,125,225</u>		<u>2,168,561</u>
Current assets					
Stocks	16	4,094,374		580,094	
Debtors	17	5,326,221		13,149,291	
Cash at bank and in hand		12,440,089		14,361,200	
		<u>21,860,684</u>		<u>28,090,585</u>	
Creditors: amounts falling due within one year	18	<u>(3,347,758)</u>		<u>(12,766,262)</u>	
Net current assets			<u>18,512,926</u>		<u>15,324,323</u>
Total assets less current liabilities			<u>20,638,151</u>		<u>17,492,884</u>
Creditors: amounts falling due after more than one year	19		-		(488,915)
Provisions for liabilities					
Deferred tax liability	20	34,831		29,907	
		<u>34,831</u>	<u>(34,831)</u>	<u>29,907</u>	<u>(29,907)</u>
Net assets			<u>20,603,320</u>		<u>16,974,062</u>
Capital and reserves					
Called up share capital	23		9,050		9,050
Capital redemption reserve	24		950		950
Profit and loss reserves	25		20,593,320		16,964,062
Total equity			<u>20,603,320</u>		<u>16,974,062</u>

The financial statements were approved by the board of directors and authorised for issue on 1 July 2022 and are signed on its behalf by:

R P Peers-Smith
Director

KIRINTEC LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	11		131,832		141,690
Tangible assets	12		1,751,768		1,783,728
Investments	14		12,404		12,404
			<u>1,896,004</u>		<u>1,937,822</u>
Current assets					
Stocks	16	4,094,374		580,094	
Debtors	17	5,631,351		13,419,999	
Cash at bank and in hand		10,244,348		9,180,497	
			<u>19,970,073</u>		<u>23,180,590</u>
Creditors: amounts falling due within one year	18	<u>(6,945,396)</u>		<u>(13,128,841)</u>	
Net current assets			<u>13,024,677</u>		<u>10,051,749</u>
Total assets less current liabilities			<u>14,920,681</u>		<u>11,989,571</u>
Creditors: amounts falling due after more than one year	19		-		(488,915)
Provisions for liabilities					
Deferred tax liability	20	34,831		29,907	
		<u>34,831</u>	<u>(34,831)</u>	<u>29,907</u>	<u>(29,907)</u>
Net assets			<u>14,885,850</u>		<u>11,470,749</u>
Capital and reserves					
Called up share capital	23		9,050		9,050
Capital redemption reserve	24		950		950
Profit and loss reserves	25		14,875,850		11,460,749
Total equity			<u>14,885,850</u>		<u>11,470,749</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 £3,415,102 (2020 - £7,693,068 profit).

The financial statements were approved by the board of directors and authorised for issue on 1 July 2022 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 2021

	Share capital	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2020	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
Year ended 31 December 2021:				
Profit for the year	-	-	3,505,210	3,505,210
Other comprehensive income:				
Currency translation differences	-	-	124,048	124,048
Total comprehensive income for the year	-	-	3,629,258	3,629,258
Balance at 31 December 2021	9,050	950	20,593,320	20,603,320

KIRINTEC LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2020	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
Year ended 31 December 2021:				
Profit and total comprehensive income for the year	-	-	3,415,101	3,415,101
Balance at 31 December 2021	9,050	950	14,875,850	14,885,850

KIRINTEC LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	30		86,443		(1,703,057)
Interest paid			(6,093)		(3,039)
Income taxes paid			(861,404)		(2,230,154)
Net cash outflow from operating activities			<u>(781,054)</u>		<u>(3,936,250)</u>
Investing activities					
Purchase of intangible assets		(18,856)		(41,362)	
Purchase of tangible fixed assets		(137,652)		(140,026)	
Purchase of associates		-		(1,000)	
Loan advances made		(1,134,599)		-	
Interest received		27,002		27,017	
Net cash used in investing activities			<u>(1,264,105)</u>		<u>(155,371)</u>
Net decrease in cash and cash equivalents			<u>(2,045,159)</u>		<u>(4,091,621)</u>
Cash and cash equivalents at beginning of year			14,361,200		18,686,789
Effect of foreign exchange rates			124,048		(233,968)
Cash and cash equivalents at end of year			<u><u>12,440,089</u></u>		<u><u>14,361,200</u></u>

KIRINTEC LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	31				
		3,193,915		(3,574,225)	
Interest paid		(4,555)		-	
Income taxes paid		(861,404)		(2,230,154)	
Net cash inflow/(outflow) from operating activities		2,327,956		(5,804,379)	
Investing activities					
Purchase of intangible assets		(18,856)		(41,362)	
Purchase of tangible fixed assets		(137,652)		(135,889)	
Purchase of associates		-		(1,000)	
Receipts arising from loans made		(1,134,599)		-	
Interest received		27,002		23,435	
Net cash used in investing activities		(1,264,105)		(154,816)	
Net increase/(decrease) in cash and cash equivalents					
		1,063,851		(5,959,195)	
Cash and cash equivalents at beginning of year		9,180,497		15,139,692	
Cash and cash equivalents at end of year		10,244,348		9,180,497	

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 15.

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 2021 is claiming exemption from audit under section 479A of the Companies Act 2006. Further details are given in note 15.

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 2021. 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.

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

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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.

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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KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

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
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.

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.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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 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.

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.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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.

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.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

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.

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.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty (Continued)

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

	2021	2020
	£	£
Turnover analysed by class of business		
Sale of goods	5,857,759	11,919,632
Rendering of services	5,319,662	7,775,157
	<u>11,177,421</u>	<u>19,694,789</u>
	<u><u>11,177,421</u></u>	<u><u>19,694,789</u></u>
	2021	2020
	£	£
Turnover analysed by geographical market		
UK	1,588,744	1,243,674
Europe	7,237,045	17,747,218
Rest of the world	2,351,632	703,897
	<u>11,177,421</u>	<u>19,694,789</u>
	<u><u>11,177,421</u></u>	<u><u>19,694,789</u></u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Operating profit

	2021	2020
	£	£
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	150,216	189,907
Research and development costs	889,620	1,277,755
Government grants	(2,940)	(4,929)
Depreciation of owned tangible fixed assets	171,130	151,835
Amortisation of intangible assets	4,311	2,900
Loss on disposal of intangible assets	24,403	-
Operating lease charges	18,550	17,901
	<u> </u>	<u> </u>

Government grants received relate to the HMRC Customs Training Grant in 2021, and the Coronavirus Job Retention Scheme in 2020.

5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	21,307	17,550
	<u> </u>	<u> </u>
For other services		
All other non-audit services	18,092	13,517
	<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 2021 Number	2020 Number	Company 2021 Number	2020 Number
Overheads	4	4	3	3
Operations	8	10	6	7
Technological support	4	6	3	6
Sales and marketing	5	5	5	5
Research and development	6	2	6	2
Directors	4	4	4	4
Programme office	7	-	7	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	38	31	34	27
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	2,283,682	2,053,755	2,228,613	2,016,981
Social security costs	268,383	247,470	268,383	247,470
Pension costs	34,519	27,449	34,519	27,449
	<u>2,586,584</u>	<u>2,328,674</u>	<u>2,531,515</u>	<u>2,291,900</u>

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	619,934	684,733
Company pension contributions to defined contribution schemes	3,957	3,941
	<u>623,891</u>	<u>688,674</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2020 - 3).

The number of directors who have been granted options under the company's Enterprise Management Incentive Scheme during the year was 2 (2020 - 2).

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

	2021 £	2020 £
Remuneration for qualifying services	256,316	290,508
Company pension contributions to defined contribution schemes	1,319	1,314
	<u>257,635</u>	<u>291,822</u>

8 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	128	21,126
Other interest income	26,874	5,891
	<u>27,002</u>	<u>27,017</u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Interest payable and similar expenses

	2021	2020
	£	£
Other finance costs:		
Other interest	6,093	159,651

10 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	257,501	1,302,540
Deferred tax		
Origination and reversal of timing differences	4,924	(27,347)
Total tax charge	262,425	1,275,193

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:

	2021	2020
	£	£
Profit before taxation	3,767,635	10,856,089
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	715,851	2,062,657
Tax effect of expenses that are not deductible in determining taxable profit	30,431	14,424
Group relief	(413)	(430)
Depreciation on assets not qualifying for tax allowances	5,953	5,927
Effect of overseas tax rates	(17,121)	(358,687)
Research and development enhanced expenditure	(466,840)	(448,698)
Super deduction uplift	(5,436)	-
Taxation charge	262,425	1,275,193

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Intangible fixed assets

Group	Patents
	£
Cost	
At 1 January 2021	155,820
Additions	18,856
Disposals	(27,600)
	<hr/>
At 31 December 2021	147,076
	<hr/>
Amortisation and impairment	
At 1 January 2021	14,130
Amortisation charged for the year	4,311
Disposals	(3,197)
	<hr/>
At 31 December 2021	15,244
	<hr/>
Carrying amount	
At 31 December 2021	131,832
	<hr/> <hr/>
At 31 December 2020	141,690
	<hr/> <hr/>
Company	Patents
	£
Cost	
At 1 January 2021	155,820
Additions	18,856
Disposals	(27,600)
	<hr/>
At 31 December 2021	147,076
	<hr/>
Amortisation and impairment	
At 1 January 2021	14,130
Amortisation charged for the year	4,311
Disposals	(3,197)
	<hr/>
At 31 December 2021	15,244
	<hr/>
Carrying amount	
At 31 December 2021	131,832
	<hr/> <hr/>
At 31 December 2020	141,690
	<hr/> <hr/>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Tangible fixed assets

Group	Land and buildings	Fixtures, fittings & equipment	Motor vehicles	Total
	Freehold			
	£	£	£	£
Cost				
At 1 January 2021	1,724,262	409,637	10,000	2,143,899
Additions	18,028	119,624	-	137,652
At 31 December 2021	1,742,290	529,261	10,000	2,281,551
Depreciation and impairment				
At 1 January 2021	98,731	249,019	8,637	356,387
Depreciation charged in the year	43,976	126,813	341	171,130
At 31 December 2021	142,707	375,832	8,978	527,517
Carrying amount				
At 31 December 2021	1,599,583	153,429	1,022	1,754,034
At 31 December 2020	1,625,531	160,618	1,363	1,787,512
Company				
	Land and buildings	Fixtures, fittings & equipment	Motor vehicles	Total
	Freehold			
	£	£	£	£
Cost				
At 1 January 2021	1,724,262	404,305	10,000	2,138,567
Additions	18,028	119,624	-	137,652
At 31 December 2021	1,742,290	523,929	10,000	2,276,219
Depreciation and impairment				
At 1 January 2021	98,731	247,471	8,637	354,839
Depreciation charged in the year	43,976	125,295	341	169,612
At 31 December 2021	142,707	372,766	8,978	524,451
Carrying amount				
At 31 December 2021	1,599,583	151,163	1,022	1,751,768
At 31 December 2020	1,625,531	156,834	1,363	1,783,728

13 Investment property

	Group	Company
	2021	2021
	£	£
Fair value		
At 1 January 2021 and 31 December 2021	238,359	-

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Investment property (Continued)

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.

14 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	15	-	-	11,404	11,404
Investments in associates		1,000	1,000	1,000	1,000
		<u>1,000</u>	<u>1,000</u>	<u>12,404</u>	<u>12,404</u>

Movements in fixed asset investments

Group

Shares in
associates
£

Cost or valuation

At 1 January 2021 and 31 December 2021

1,000

Carrying amount

At 31 December 2021

1,000

At 31 December 2020

1,000

Movements in fixed asset investments

Company

Shares in
subsidiaries
and associates

£

Cost or valuation

At 1 January 2021 and 31 December 2021

12,404

Carrying amount

At 31 December 2021

12,404

At 31 December 2020

12,404

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Subsidiaries (Continued)

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.

16 Stocks

	Group 2021 £	2020 £	Company 2021 £	2020 £
Finished goods and goods for resale	4,094,374	580,094	4,094,374	580,094

17 Debtors

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts falling due within one year:				
Trade debtors	1,299,661	10,392,873	1,299,661	10,392,873
Corporation tax recoverable	1,784,770	1,180,867	1,784,770	1,180,867
Amounts owed by group undertakings	-	-	313,374	283,210
Other debtors	2,013,756	1,064,746	2,007,387	1,055,477
Prepayments and accrued income	227,417	160,188	226,159	157,572
	5,325,604	12,798,674	5,631,351	13,069,999
Deferred tax asset (note 20)	617	617	-	-
	5,326,221	12,799,291	5,631,351	13,069,999
Amounts falling due after more than one year:				
Other debtors	-	350,000	-	350,000
Total debtors	5,326,221	13,149,291	5,631,351	13,419,999

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

18 Creditors: amounts falling due within one year

	Group 2021 £	2020 £	Company 2021 £	2020 £
Trade creditors	1,735,711	5,420,061	1,948,881	5,442,543
Amounts owed to group undertakings	-	-	3,400,713	357,749
Other taxation and social security	104,506	57,545	104,506	57,545
Other creditors	546	6,597,172	546	6,597,172
Accruals and deferred income	1,506,995	691,484	1,490,750	673,832
	<u>3,347,758</u>	<u>12,766,262</u>	<u>6,945,396</u>	<u>13,128,841</u>

19 Creditors: amounts falling due after more than one year

	Group 2021 £	2020 £	Company 2021 £	2020 £
Accruals and deferred income	-	488,915	-	488,915
	<u>-</u>	<u>488,915</u>	<u>-</u>	<u>488,915</u>

20 Deferred taxation

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

	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
Group				
Accelerated capital allowances	34,831	29,907	-	-
Tax losses	-	-	617	617
	<u>34,831</u>	<u>29,907</u>	<u>617</u>	<u>617</u>
Company				
Accelerated capital allowances	34,831	29,907	-	-
	<u>34,831</u>	<u>29,907</u>	<u>-</u>	<u>-</u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Deferred taxation (Continued)

	Group 2021 £	Company 2021 £
Movements in the year:		
Liability at 1 January 2021	29,290	29,907
Charge to profit or loss	4,924	4,924
Liability at 31 December 2021	<u>34,214</u>	<u>34,831</u>

21 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>34,519</u>	<u>27,449</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.

22 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 2021, 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. As at 31 December 2021, 23 of the above options have lapsed.

Group and company	Number of share options		Weighted average exercise price	
	2021 Number	2020 Number	2021 £	2020 £
Outstanding at 1 January 2021	2,210	2,210	47.70	47.70
Forfeited	(23)	-	241.00	-
Outstanding at 31 December 2021	<u>2,187</u>	<u>2,210</u>	<u>45.66</u>	<u>47.70</u>
Exercisable at 31 December 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Share-based payment transactions (Continued)

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 (2020: £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 (2020: £nil).

23 Share capital

Group and company	2021	2020	2021	2020
Ordinary share capital	Number	Number	£	£
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
	9,050	9,050	9,050	9,050

24 Capital redemption reserve

	Group	2020	Company	2020
	2021	2020	2021	2020
	£	£	£	£
At the beginning and end of the year	950	950	950	950
	950	950	950	950
	950	950	950	950

25 Profit and loss reserves

	Group	2020	Company	2020
	2021	2020	2021	2020
	£	£	£	£
At the beginning of the year	16,964,062	7,617,134	11,460,749	3,767,681
Profit for the year	3,505,210	9,580,896	3,415,101	7,693,068
Currency translation differences	124,048	(233,968)	-	-
	20,593,320	16,964,062	14,875,850	11,460,749
	20,593,320	16,964,062	14,875,850	11,460,749

26 Financial commitments, guarantees and contingent liabilities

At 31 December 2021, a standby letter of credit in the sum of £1,122,354 (2020: £268,491) 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.

At 31 December 2020, a £150,000 guarantee was in place over the company's liabilities to HMRC in respect of customs operations. The guarantor was Handelsbanken Plc. No such guarantee was in place at 31 December 2021.

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

27 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 2021 £	2020 £	Company 2021 £	2020 £
Within one year	2,230	2,230	2,230	2,230
Between two and five years	2,300	9,060	2,300	4,530
	<u>4,530</u>	<u>11,290</u>	<u>4,530</u>	<u>6,760</u>

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

28 Related party transactions

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 £nil (2020 - £488,554), sales credits of £488,554 (2020 - £nil) and purchases of £3,564,469 (2020 - £4,865,266) with companies over which it has significant influence. At the year end, £nil (2020 - £586,265) was due from and £nil (2020 - £4,019,750) was due to these companies.

At the year end, £416,000 (2020 - £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 £13,252 (2020 - £5,890) relating to unpaid interest has been accrued at the year end.

29 Controlling party

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

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

30 Cash generated from/(absorbed by) group operations

	2021	2020
	£	£
Profit for the year after tax	3,505,210	9,580,896
Adjustments for:		
Taxation charged	262,425	1,275,193
Finance costs	6,093	159,651
Investment income	(27,002)	(27,017)
Loss on disposal of intangible assets	24,403	-
Amortisation and impairment of intangible assets	4,311	2,900
Depreciation and impairment of tangible fixed assets	171,130	151,835
Movements in working capital:		
(Increase)/decrease in stocks	(3,514,280)	1,235,054
Decrease/(increase) in debtors	9,561,572	(9,662,749)
Decrease in creditors	(9,907,419)	(4,418,820)
Cash generated from/(absorbed by) operations	86,443	(1,703,057)

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

	2021	2020
	£	£
Profit for the year after tax	3,415,101	7,693,068
Adjustments for:		
Taxation charged	262,425	1,275,193
Finance costs	4,555	156,612
Investment income	(27,002)	(23,435)
Loss on disposal of intangible assets	24,403	-
Amortisation and impairment of intangible assets	4,311	2,900
Depreciation and impairment of tangible fixed assets	169,612	151,069
Movements in working capital:		
(Increase)/decrease in stocks	(3,514,280)	1,235,054
Decrease/(increase) in debtors	9,527,150	(9,727,516)
Decrease in creditors	(6,672,360)	(4,337,170)
Cash generated from/(absorbed by) operations	3,193,915	(3,574,225)

32 Analysis of changes in net funds - group

	1 January 2021	Cash flows	Exchange rate	31 December
	£	£	movements	2021
			£	£
Cash at bank and in hand	14,361,200	(2,045,159)	124,048	12,440,089

KIRINTEC LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

33 Analysis of changes in net funds - company

	1 January 2021	Cash flows	31 December 2021
	£	£	£
Cash at bank and in hand	9,180,497	1,063,851	10,244,348
	<u> </u>	<u> </u>	<u> </u>

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