Calder Industrial Materials Limited

Annual Report and Financial Statements 2021

Company registration number: 00028073

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CONTENTS

DIRECTORS AND ADVISORS

Directors

Martin Paul Armour
Iain Geoffrey Clarkson
Michael Joseph Saunders
Simon Vasey

Company Secretary

Iain Clarkson

Registered office

Jupiter Drive
Chester
Cheshire
CH1 4EX

Bankers and financial providers

Wells Fargo Capital Finance Limited
33 King William Street
London
EC4R 9AT

HSBC UK Bank Plc
Level 9
Royal Liver Building
Liverpool
L3 1HU

Solicitors

DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham
B2 4DL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
SQ1 Hardman Square
Manchester
M3 3EB

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 May 2021. The Company's registered number is 00028073.

Principal activities

The principal activities of the Company are the production of lead sheet, the distribution of metal roofing products and the manufacture of specialised lead products for a wide range of industrial applications.

Strategy

The strategy of the Company remains to consolidate its position in its key markets for lead sheet and to develop its lead engineering activities, both organically and by acquisition, in growth sectors of the global economy.

Review of the year and future developments

The result for the year has continued to be influenced by highly competitive conditions across all the company's markets. However, despite the ongoing impacts of Covid, the company reported an operating loss of £518k in the current year, against last year's operating loss of £843k.

Building Products division's sales volume decreased by 2.3% through the year ended 31 May 2021, with the average selling margin up 13.9% year on year. The business remains well placed to take advantage of any further increase in construction activity and/or an easing in the market trading conditions.

Engineering Products division's sales volume decreased 14.4% through the year ended 31 May 2021, with the impacts of Covid still prominent. However, the order book remains strong and the directors are optimistic that this will be converted into further earnings growth over the next 12 months despite Covid.

The defined benefit pension scheme deficit valuation has decreased from £6.4m to £1.3m, due to the combination of ongoing company contributions and improved returns in asset performance. The Company's policy is to fully fund the deficit over a ten-year period. The pension scheme is closed to new entrants and future accrual.

Net Assets increased from £4,078k to £7,019k.

The directors propose a dividend for the year of £0 (2020: £0).

Key Performance Indicators (KPIs)

The Board uses various KPIs to monitor and benchmark the effectiveness of the Company's performance and position. The main KPI being EBITDA / Sales. EBITDA is calculated by taking the net profit or loss for the year and adding back net finance costs, depreciation and amortisation, should any exist. For the year ended 31 May 2021 this ratio was 0.5% (2020: negative 0.4%).

STRATEGIC REPORT (continued)

Underlying EBITDA reconciliation	2021 £000	2020 £000	
Operating Profit/(Loss) after exceptional costs	**(529)**	**(843)**	
Add back depreciation	697	679	
EBITDA after exceptional costs	168	(164)	
Underlying EBITDA	**168**	**(164)**	
			Variance
Revenue	37,599	40,934	(8.15)%
Underlying EBITDA	168	(164)	209%
Underlying EBITDA: Revenue %	0.5	(0.4)	

Principal risks and uncertainties

COVID-19

Although the coronavirus (COVID-19) pandemic continues to cause some uncertainty in the markets in which the Company operates, trading has been resilient so far through 2021.The Company continues to be fully compliant with all Government guidelines in all of our operating jurisdictions to ensure the safety of our workforce which remains, as always, our primary concern.

Set out below are what the Board consider to be the other main risks affecting the Company together with their mitigation.

Risk	Mitigation
Economic risk The Company could be susceptible to adverse changes in economic conditions and employment levels, impacting our profitability and cash flows.	The Company constantly reviews its routes to market, changes in customer demands and expectations and cost base so that it can react appropriately to the impact of the wider economy. Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure.
Competitive risk The Company operates in a competitive marketplace. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	The Company aims to minimise this by continuing to focus on its own strengths such as customer value, service delivery and innovation.
Price risk The Company is exposed to commodity price risk in its day to day operations.	The Company uses various price matching and hedging techniques/instruments to manage risk. We have a hedging strategy based on well-established methodologies. The strategy is reviewed and endorsed by the Board.
Currency risk The Company has transactional currency exposures arising from sales and purchases in currencies other than the functional currency.	Under the Company's foreign exchange strategy, where practicable, transaction exposures are hedged, mainly through natural hedging of sales and purchase transactions.
Interest rate risk The Company finances its operations through a mixture of retained profits and borrowing facilities, including a senior loan, a Revolver credit facility, hire purchase and finance leases. All are subject to interest rate changes.	Interest rate risk on hire purchase and finance leases is managed by fixing interest at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered for contingent rental payments. Interest on revolver facilities are managed by regular review with the incumbent funding provider of terms and conditions. Overall, the Board considers this risk to be minimal.
Climate Change/Environmental Risk Government legislation varies across territories in respect of emissions targets of greenhouse gases and other messages to reduce carbon footprint. Also operating in different territories means the group faces varied environmental risks in relation to clean up and management of materials.	The Group monitors applicable legislation and ensures it is compliant in all areas of its operations.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Risk	Mitigation
Credit risk The Company is exposed to credit–related losses in the event of default by counterparties.	Credit risk is mitigated by the Company's policy of only selecting counterparties with a strong long-term credit rating and assigning financial limits to individual counterparties. The amounts presented in the balance sheet are net of provisions for doubtful debts. An impairment provision is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.
Liquidity risk The Company may not have enough funds to finance its operations and future plans.	The Company maintains committed facilities that are designed to ensure sufficient funding for operations and planned expansions. Appropriate facilities are in place until December 2023. The Asset Based Lending scheme means availability of funding flexes with the movement in the underlying commodity prices and working capital levels.
Health and safety risk The Company main operations are in a manufacturing environment, which carries a degree of risk to employees and others who are on site.	Health and safety is one of the Company's operational priorities. It is an agenda item in weekly management meetings. The Company is focussed on protecting the wellbeing of employees and visitors to site with the implementation of policies, procedures and standards to ensure compliance with legal obligations and industry standards. Also, to ensure business continuity and to protect the Company's reputation.
Pension scheme deficit risk Asset valuations are based on the fair value of the assets. The valuation of the liabilities of the schemes is based on statistical and actuarial calculations, using various assumptions including discount rates, pension increases, life expectancy of scheme members and cash commutations. The actuarial assumptions may differ materially from actual experience due to changes in economic and market conditions, variations in actual mortality, higher or lower cash withdrawal rates and other changes in factors assessed. Any of these differences could adversely impact the assets or liabilities recognised in the balance sheet in future periods.	The Company has taken action to reduce the quantum of liabilities through various initiatives, including: offering pension increase exchanges for certain pension benefits in payment; and offering enhanced transfer values to certain categories of members. Furthermore, the scheme is closed to new members. Asset allocations are reviewed on a periodic basis and changes are made to match more appropriately assets against the remaining scheme liabilities and to reduce risk to a more acceptable level.
Technology risk The digital world creates many risks for businesses including technology failures, loss of confidential data and damage to brand reputation.	We seek to assess and manage the maturity of our enterprise risk and security infrastructure and our ability to defend effectively against current and future cyber risks by using analysis tools and experienced professionals to mitigate potential impacts. The company relies on a variety of IT systems in order to manage and deliver goods and services to our customers.
Brexit The company purchase and sells goods to other European countries.	The Group is monitoring the effects of Brexit and is using its presence in both the UK and Continental Europe markets to minimise disruption to customers.

On behalf of the Board

Iain Clarkson

Iain Clarkson
Chief Financial Officer
5 May 2022

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company together with the audited financial statements for the year ended 31 May 2021.

Calder Industrial Materials Limited is a private company limited by shares, incorporated and domiciled in the United Kingdom. Its company number is 00028073.

Principal activities and business overview

The principal activities, business overview and prospects of the Company are set out within the Strategic Report on pages 4 to 6.

Results and dividends

The results of the Company for the financial year are set out in the Income Statement on page 10.

The Company did not pay a dividend in the year, the directors have proposed a dividend of £0 (2020: £0).

Directors

The Directors, who served throughout the year and up to the date of signing these financial statements are listed below:

- Martin Henderson (Resigned 11th March 2022)
- Martin Paul Armour
- Russell John Adams (Resigned 31st March 2021)
- Frank Lynch (Resigned 8th June 2021)
- Iain Geoffrey Clarkson
- Michael Joseph Saunders
- Simon Vasey (Appointed 4th January 2021)

None of the Directors have any material interests in contracts of the Company.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were in force during the financial year and at the date of approval of these financial statements.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and team briefings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Political donations

The Company did not make any political donations (2020: £0) or incur any political expenditure during the year (2020: £0).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 4 to 6. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements and include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The supply chain is constantly monitored, and no significant sourcing difficulties are anticipated.

DIRECTORS' REPORT (continued)

Going concern (continued)

As highlighted in note 15 to the financial statements, the Company meets its day-to-day working capital requirements through cash generated by its operations and a revolving asset backed facility that is committed until December 2023. The Company has long-term contracts with several key customers and suppliers across different market sectors and the Company's forecasts and projections, taking account of possible changes in trading performance, show that the Company will be able to operate within the level of its current facility.

While the COVID-19 pandemic continues to have an impact on the company's markets, due to the critical nature of many of the applications and end markets that Company services, the Company's operations continue to perform satisfactorily and within the guidelines issued by Governments in our European jurisdictions.

Given the nature of the group wide funding facility and the cross company guarantees within it, the management have relied on consolidated modelling of the financial results and cashflows through to 31 May 2025 performed by the directors of the ultimate holding company.

A detailed Group financial projection has been prepared running to 31 May 2025. This takes account of the expected impacts of COVID-19 based on experience over the last two years of the pandemic. The resultant cashflow projections have been measured against the new financing facility to test the ongoing compliance against capacity and covenant requirements. The headroom forecast indicates that no breach of covenant is expected in the forecast period.

The directors have also modelled the business performance based on a downgraded forecast incorporating the following scenarios

A slower than anticipated growth in the Metals volumes.

This scenario which is severe but plausible reduce EBITDA significantly for the year ended 31 May 2023 and despite that the modelling showed covenant compliance throughout the period.

In December 2021 Calder Group sold its Nuclear Engineering subsidiary, Aquila Nuclear Engineering Ltd realising sale proceeds of €21m. Following this sale the bank facilities with Wells Fargo were renegotiated giving revised covenant targets based on a monthly trading cash flow. This has given the Calder Group substantial operating headroom throughout the course of this facility which runs through to December 2023.

Based on their assessment, the directors have a reasonable expectation that the Group and therefore the Company have adequate resources to continue in operational existence for the foreseeable future.

Financial risk management

Details are set out in the Strategic Report on pages 4 to 6.

Statement on disclosure of information to auditors

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

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be considered in the Annual Board Meeting.

On behalf of the Board

Iain Clarkson

Iain Clarkson
Chief Financial Officer
5 May 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirement of the companies act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are 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.

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.

On behalf of the Board

Iain Clarkson

Iain Clarkson
Chief Financial Officer
5 May 2022

INCOME STATEMENT

Year ended 31 May 2021

	Note	2021 £000	2020 £000
Revenue	1	37,599	40,934
Cost of sales		(32,770)	(36,927)
Gross Profit		**4,829**	**4,007**
Sales and distribution expenses		(975)	(1,114)
Administration expenses		(4,383)	(3,736)
Operating Loss		**(529)**	**(843)**
Financial income	3	362	516
Financial costs	4	(972)	(1,167)
Net finance costs		(610)	(651)
Loss before taxation	2	**(1,139)**	**(1,494)**
Tax	6	373	368
Loss for the year		**(766)**	**(1,126)**

All profits and losses relate to continuing operations.

The Administration expenses figure of £4,372k includes £769k of specific bad debt write off for FSLP Ltd.

The statement of significant accounting policies and notes on pages 14 to 34 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 May 2021

	Note	2021 £000	2020 £000
Loss for the year		**(766)**	**(1,126)**
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on pension scheme	21	4,458	(2,291)
Tax on actuarial gain/(loss)		(630)	564
Tax on IFRS16 leases		(121)	(158)
Other comprehensive income/(expense) for the year		**3,707**	**(1,885)**
Total comprehensive income/(expense) for the year		**2,941**	**(3,011)**

The statement of significant accounting policies and notes on pages 14 to 34 are an integral part of these financial statements.

BALANCE SHEET

As at 31 May 2021

	Note	2021 £000	2020 £000
Assets			
Property, plant and equipment	8	2,406	2,750
Deferred income	9	50	100
Deferred income tax asset	16	1,916	2,293
Total non-current assets		**4,372**	**5,143**
Inventories	10	3,386	2,927
Trade and other receivables	11	19,353	24,248
Cash and cash equivalents	12	51	97
Current income tax receivable		25	19
Total current assets		**22,815**	**27,291**
Total assets		**27,187**	**32,434**
Liabilities			
Trade and other payables	13	(5,994)	(10,303)
Borrowings	14	(10,902)	(9,751)
Total current liabilities		**(16,896)**	**(20,054)**
Borrowings	14	(1,824)	(1,739)
Provision	17	(192)	(176)
Retirement benefit obligations	21	(1,256)	(6,387)
Total non-current liabilities		**(3,272)**	**(8,302)**
Total liabilities		**(20,168)**	**(28,356)**
Net assets		**7,019**	**4,078**
Attributable to the Company's Shareholders			
Share capital	18	8,000	8,000
Retained earnings/(Accumulated losses)		(981)	(3,922)
Total equity		**7,019**	**4,078**

The statement of significant accounting policies and notes on pages 14 to 34 are an integral part of these financial statements.

The financial statements on pages 10 to 34 were approved by the Board of Directors on 5 May 2022 and signed on its behalf by:

Iain Clarkson

Iain Clarkson
Calder Industrial Materials Limited
Registered Number 00028073

5 May 2022

STATEMENT OF CASH FLOWS

Year ended 31 May 2021

		2021	Restated 2020
		£000	£000
Cash flows from operating activities			
Loss before taxation		(1,139)	(1,494)
Adjustments for:			
Depreciation		698	679
Research and Development credit		(7)	(7)
Net financial costs		610	651
Cash generated from/(used in) operations		162	(171)
(Increase)/decrease in inventories	10	(460)	1,536
Decrease in trade and other receivables	11	4,895	(3,381)
Increase in trade and other payables	13+17	(4,293)	5,206
Interest paid	4	(511)	(551)
Pension deficit repair payment	21	(772)	(689)
Income tax received		-	12
Net cash (used in)/generated from operating activities		**(979)**	**1,962**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(126)	*(143)
Disposal of subsidiary	9	50	50
Net cash used in investing activities		**(76)**	**(93)**
Cash flows from financing activities			
Proceeds from borrowings	14	2,058	831
Proceeds from borrowing - New ROU Asset	8	(228)	*(279)
Capex Loan Payments	14	(290)	(77)
ROU Asset Lease Payments	14	(530)	(506)
Leased Asset	14	(2)	(21)
Revolver	14	-	(1775)
Net cash generated from/(used in) financing activities		**1,008**	**(1,827)**
Net (decrease)/increase in cash and cash equivalents		**(47)**	**42**
Foreign exchange on funding balances		1	1
Cash and cash equivalents at the beginning of the year	12	97	54
Cash and cash equivalents at the end of the year		**51**	**97**

*The Company's cash flow statement for the year ended 31 May 2020 has been restated as set out in note 22 below.

The statement of significant policies and notes on pages 14 to 34 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2021

	Share capital £000	(Accumulated losses)/ Retained Earnings £000	Total Equity £000
Balance at 1 June 2019	**8,000**	**(911)**	**7,089**
Loss for the financial year	-	(1,126)	(1,126)
Other comprehensive expense for the year			
Items that will not be reclassified to profit or loss:			
Actuarial loss on pension scheme	-	(2,291)	(2,291)
Tax on actuarial gain	-	564	564
Tax on IFRS16 leases	-	(158)	(158)
Total comprehensive expense for the year	**-**	**(3,011)**	**(3,011)**
Balance at 31 May 2020	**8,000**	**(3,922)**	**4,078**
Balance at 1 June 2020	**8,000**	**(3,922)**	**4,078**
Loss for the financial year	-	(766)	(766)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Actuarial gain on pension scheme	-	4,458	4,458
Tax on actuarial gain	-	(630)	(630)
Tax on IFRS16 leases	-	(121)	(121)
Total comprehensive income for the year	**-**	**2,941**	**2,941**
Balance at 31 May 2021	**8,000**	**(981)**	**7,019**

The statement of significant accounting policies and notes on pages 14 to 34 are an integral part of these financial statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Background

Calder Industrial Materials Limited is a private company limited by shares, incorporated and domiciled in England, United Kingdom.

Its registered office is: Jupiter Drive, Chester West Employment Park, Chester, Cheshire, CH1 4EX with a registered number of 00028073.

Basis of preparation

The principal accounting policies for the Company applied in the preparation of this financial report are set out below. These policies have been consistently applied to the information presented, unless otherwise stated.

The financial statements of the Calder Industrial Materials Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as applicable to companies using IFRS.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments)at fair value through profit or loss.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 4 to 6. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements and include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The supply chain is constantly monitored, and no significant sourcing difficulties are anticipated.

As highlighted in note 15 to the financial statements, the Company meets its day-to-day working capital requirements through cash generated by its operations and a revolving asset backed facility that is committed until December 2023. The Company has long-term contracts with several key customers and suppliers across different market sectors and the Company's forecasts and projections, taking account of possible changes in trading performance, show that the Company will be able to operate within the level of its current facility.

While the COVID-19 pandemic continues to have an impact on the company's markets, due to the critical nature of many of the applications and end markets that Company services, the Company's operations continue to perform satisfactorily and within the guidelines issued by Governments in our European jurisdictions.

Given the nature of the group wide funding facility and the cross company guarantees within it, the management have relied on consolidated modelling of the financial results and cashflows through to 31 May 2025 performed by the directors of the ultimate holding company.

A detailed Group financial projection has been prepared running to 31 May 2025. This takes account of the expected impacts of COVID-19 based on experience over the last two years of the pandemic. The resultant cashflow projections have been measured against the new financing facility to test the ongoing compliance against capacity and covenant requirements. The headroom forecast indicates that no breach of covenant is expected in the forecast period.

The directors have also modelled the business performance based on a downgraded forecast incorporating the following scenarios

A slower than anticipated growth in the Metals volumes.

This scenario which is severe but plausible reduce EBITDA significantly for the year ended 31 May 2023 and despite that the modelling showed covenant compliance throughout the period.

In December 2021 Calder Group sold its Nuclear Engineering subsidiary, Aquila Nuclear Engineering Ltd realising sale proceeds of €21m. Following this sale the bank facilities with Wells Fargo were renegotiated giving revised covenant targets based on a monthly trading cash flow. This has given the Calder Group substantial operating headroom throughout the course of this facility which runs through to December 2023.

Based on their assessment, the directors have a reasonable expectation that the Group and therefore the Company have adequate resources to continue in operational existence for the foreseeable future.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the end of the period of the transaction is included as an exchange gain or loss in the income statement.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services supplied in the ordinary course of the Company's activities, and is stated exclusive of VAT and similar taxes, but inclusive of discounts and rebates. Revenue is recognised when goods are despatched or when services are provided and the performance obligations met. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A receivable is recognised when goods are delivered since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. When the company undertakes projects over a period of time the revenue recognised is agreed to an assessment with the customer and invoiced as a stage valuation. Associated costs are matched in the period. The Company recognises monies received from customers as at the balance sheet date, relating to goods and services to be provided in future periods, as deferred income which forms part of trade and other receivables. Interest receivable on bank deposits and other items is not classed as revenue but included within finance income.

The Company does not expect to have any contracts where the period between transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Dividends

Dividends to holders of equity instruments declared after the balance sheet date are not recognised as a liability as at the balance sheet date. Final dividend distributions to the Company's Shareholders are recognised in the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and provision for impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

- Land and Buildings – over the term of the lease
- Leasehold improvements - over the term of the lease
- Plant and machinery - 3 – 16 years
- Fixtures and Fittings – 5 years
- Office and Equipment – 3 years
- Motor Vehicles – 3 years

Residual value is calculated on prices prevailing at the date of acquisition.

Investments

Fixed asset investments are shown at cost less provision for impairment. Fixed asset investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset fair value less costs of disposal and value in use.

Deferred Income

Deferred income has arisen from the sale of its subsidiary in year ended 31 May 2018. There is a contractual agreement in place whereby four equal instalments are payable over the course of four years, or earlier. Any impairment due on the value has been assessed at the balance sheet date and is included in the value reported.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand.

Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Metal Inventories

Inventories of lead metal which are committed to future sales or are hedged on the London Metal Exchange (LME) are valued at the price which they are contractually committed or hedged, adjusted for unexpired contango or backwardation.

Other Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion. Provision is made for obsolete, slow-moving or defective items where appropriate.

Trade and other receivables

The Company applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The trade receivables are grouped based on days past due.

The Company examines the historical profile of credit, the market and customers are closely monitored, along with macroeconomic factors that could impact the credit risk. The process is continuous throughout the year as part of senior management team reviews, and the Company has determined based on the historical periods that the expected credit losses should be assessed at 0%, as there is no underlying risk identified during the year or at 31 May 2021.

In the event there are circumstances that impact the receivable balances and the likely recoverability of that receivable will then be impaired based on the expected credit loss specific to that receivable. The factors assessed with counterparties are significant financial difficulties, probability they will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable be impaired.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables (continued)

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administration expenses' should they arise. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administration expenses' in the Income Statement.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are non-interest bearing.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified on the Balance Sheet as either current or non-current liabilities, dependent upon the maturity date of the loan.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases are classified within the company according to Group policy, as right of use, short term or low value leases.

- The lease obligation for right of use leases is measured at the present value over the lease term, applying the effective borrowing rate of the Group. The lease term is determined by the non-cancellable period in the lease taking into account any extension or termination options. The value of the lease obligation then reduces over the life of the lease by the cash repayments, less the interest charged to the obligation and finance costs in the income statement. Lease obligations are disclosed in the borrowings note 14.
- The company recognises the right of control of the assets financed by lease and consequently capitalises them according to the relevant asset classification in property, plant and equipment see note 8. The assets are also valued at the net present value of the future cashflows, including any initial payment or deposit on commencement of the lease.
- Leases held for a short-term contract, twelve months or less, or are low in value, less than £3.2k (€3.5k according to the Group policy) are charged to the Income Statement on a straight-line basis over the lease term according to their cash payments made. The impact on the Income Statement is disclosed in the borrowings note 14. If there are any leases held by the Company in this way a lease commitment disclosure would be provided, however there were no short-term contract or low value leases held by the company for the periods disclosed in these financial statements.

Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax recoverability

The deferred tax assets include balances which relate to carry forward tax losses. The Company has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The losses of the entity is expected to generate future taxable income. The losses can be carried forward indefinitely and have no expiry date.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

The Company operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Current and past service costs are recognised immediately in the Income Statement. Interest cost on plan liabilities and interest income on plan assets are recognised in net finance costs. Curtailment gains arising from amendments to the terms of a defined benefit plan such that a significant element of future service by current employees will no longer qualify for benefits, or will only qualify for reduced benefits, are recognised in the Income Statement. Re-measurement gains and losses arising from experience adjustments and changes in actuarial and demographic assumptions are charged or credited to the Statement of Comprehensive Income in the period in which they arise. For defined contribution plans, contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- Hedges of the fair value or recognised assets or liabilities or a firm commitment (fair value hedges);
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probably forecast transactions (cash flow hedges); or
- Hedges of a net investment in a foreign operation (net investment hedges).

The Company does not have cashflow hedges or net investment hedges, only fair value hedges are held.

The Company follows the group policy for treatment of hedging in respect of its commodity hedging. The assets and liabilities are clearly outlined in the group policy and therefore at the inception of the hedge the relationship between those hedging instruments is known and understood. As part of the group policy the risk is laid out and the company remains within the tolerances set out in the policy, therefore mitigating risk or limiting the value of the risk.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 15 financial risk management and note 20 financial instruments.

The full fair value of the hedging derivative is classified as a current asset or liability as the remaining maturity of the hedged items will always be less than 12 months, as the hedge contracts relate to trading activities and inventory. There are no hedging movements taken directly to reserves.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Estimates are used in the following areas:

- **Inventory**

Provision will be made for obsolescence on some slow moving or aged inventory.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and assumptions (continued)

- **Trade Receivables**

Trade receivables are measured using the lifetime expected loss allowance, as there is no historical profile for receivables becoming unrecoverable, this is assessed at 0%. However, should a receivable become doubtful a provision will be calculated. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administrative expenses' should they arise.

- **Income taxes**

The Group is subject to income taxes in more than one jurisdiction. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Retirement benefit obligations**

The Company sponsors the plan which is a funded defined benefit arrangement. Asset valuations are based on the fair value of the assets. The valuations of the liabilities of the schemes are based on statistical and actuarial calculations, using various assumptions including discount rates, future inflation rates and pension increases, life expectancy of scheme members and cash commutations. The actuarial assumptions may differ materially from actual experience due to changes in economic and market conditions, variations in actual mortality, higher or lower cash withdrawal rates and other changes in factors assessed. Any of these differences could impact the assets or liabilities recognised in the Balance Sheet in future periods.

Interpretations and amendments to published standards effective for the year ended 31 May 2021

New and amended standards adopted by the Company:

- Amendment to IFRS 3 Definition of a business
- Amendments to IAS 1 and ISAS 8 on the definition of material
- Amendments to IAS 9, IAS 39, and IFRS 7 interest rate benchmark reform
- Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions

The adoption of these accounting standards, interpretations and amendments did not have a material impact on the Company's financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 May 2021 reporting periods and have not been early adopted by the Company. None of these are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient
- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2)
- Amendments to IAS 1, Presentation of financial statements on classification of liabilities
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

NOTES TO THE FINANCIAL STATEMENTS

1) Revenue

	2021				2020			
	United Kingdom £000	Other EU countries £000	Rest of World £000	Total £000	United Kingdom £000	Other EU countries £000	Rest of World £000	Total £000
Goods	35,773	1,484	342	**37,599**	36,922	2,356	1,656	**40,934**
Revenue by destination	**35,773**	**1,484**	**342**	**37,599**	**36,922**	**2,356**	**1,656**	**40,934**

2) Loss before taxation

Is stated after charging:

	2021 £000	2020 £000
Depreciation		
- Owned	412	325
- Finance lease	-	83
- Right of use	285	271
Low value and short life lease rentals	21	27
Research and Development tax credits	-	7
Audit Fees		
- Payable to group auditors	36	36

3) Financial income

	2021 £000	2020 £000
Interest income on the pension schemes	362	516
	362	**516**

4) Financial costs

	2021 £000	2020 £000
Interest payable on bank loans, overdrafts and similar	312	342
Interest payable on leases	199	209
Interest charge on the pension schemes	461	616
	972	**1,167**

5) Directors and employees

Employee Costs:	2021 £000	2020 £000
Wages and salaries	3,986	4,515
Social security costs	398	464
Other pension costs	164	203
Staff costs	**4,548**	**5,182**

Average number of people employed:	2021 Number	2020 Number
Production	88	100
Sales and distribution	12	18
Administrative	20	22
Average monthly number employed by the Company	**120**	**140**

	2021 £000	2020 £000
Aggregate Directors' emoluments	382	399
Aggregate pension contributions of the Directors	33	40
Total Directors emoluments	**415**	**439**
Emoluments of the highest paid Director	131	104
Pension contributions of the highest paid Director	10	10
Total emoluments of the highest paid Director	**141**	**114**

There are no directors who are members of the defined benefit pension scheme (closed to future accrual) (2020: £0).

NOTES TO THE FINANCIAL STATEMENTS (continued)

6) Tax

	2021	2020
	£000	£000
Current tax (credit)/charge		
Current tax charge	-	-
Deferred tax charge		
- Origination and reversal of timing differences	(155)	(307)
- Effects of changes in tax rates	(160)	(33)
- Adjustments in respect of prior periods (Note 16)	(58)	(28)
Deferred tax credit	**(373)**	**(368)**
Total tax before taxation	**(373)**	**(368)**

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19.00% (2020: 19%).

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2021	2020
	£000	£000
Loss before taxation	(1,139)	(1,494)
Tax on loss before taxation at standard UK corporation tax rate of 19.00 % (2020: 19.00%)	(214)	(284)
Effects of:		
- Adjustments in respect of prior periods	(58)	(28)
- Expenses not deductible	10	137
- Tax rate changes	(160)	(33)
- Other	49	(160)
Total tax credit	**(373)**	**(368)**

Tax Rate Changes

In the March 2021 Budget it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25% effective from 1 April 2023. This was substantively enacted on 24 May 2021, as such deferred tax balances as at 31 May 2021 have been measured at 25% as appropriate, according to when the deferred tax is expected to unwind.

7) Dividends

	2021	2020
	£000	£000
Equity – ordinary £0 per share (2020: £0 per share)	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

8) Property, plant and equipment

	Land & Buildings	Leasehold Improves	Plant & Machinery			Fixtures, fittings and Office Equipment		Motor vehicles	Total
	Right of Use	Owned	Owned	Finance Lease	Right of Use	Owned	Right of Use	Right of Use	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost									
At 1 June 2019	3,656	904	6,880	828	242	579	17	163	13,269
At 1 June 2019 Restated*	3,656	904	7,594	-	356	579	17	163	13,269
Additions	-	-	77	-	252	67	-	27	423
Disposals	-	-	-	-	(242)	-	-	(52)	(294)
Reclassifications Restated*	-	-	114	-	(114)	-	-	-	-
At 31 May 2020 Restated*	3,656	904	7,785	-	252	646	17	138	13,398
Additions	120	-	33	-	-	93	-	108	354
Disposals	-	-	-	-	-	-	(17)	(64)	(81)
At 31 May 2021	**3,776**	**904**	**7,818**	**-**	**252**	**739**	**-**	**182**	**13,671**
Accumulated depreciation									
At 1 June 2019	2,579	774	5,710	430	204	472	10	67	10,246
At 1 June 2019 Restated*	2,579	774	6,090	-	254	472	10	67	10,246
Charge – restated*	156	45	299	-	63	53	6	57	679
Disposals	-	-	-	-	(233)	-	-	(44)	(277)
Reclassifications Restated*	-	-	61	-	(61)	-	-	-	-
At 31 May 2020 Restated*	2,735	819	6,450	-	23	525	16	80	10,648
Charge	176	46	316	-	50	52	1	57	698
Disposals	-	-	-	-	-	-	(17)	(64)	(81)
At 31 May 2021	**2,911**	**865**	**6,766**	**-**	**73**	**577**	**-**	**73**	**11,265**
Carrying amount									
At 31 May 2020	**921**	**85**	**1,335**	**-**	**229**	**121**	**1**	**58**	**2,750**
At 31 May 2021	**865**	**39**	**1,052**	**-**	**179**	**162**	**-**	**109**	**2,406**

*Restatement due to reclassification between owned and leased assets in prior years. Additionally, reclassification between financial lease and ROU asset due to misinterpretation of the standard.

9) Deferred Income

	2021	2020
	£000	£000
At the beginning of the year	100	150
Deferred income on disposal of Subsidiary	(50)	(50)
At the end of the year	**50**	**100**

The contractual agreement is such that the deferred income will be received in equal annual payments over the course of 4 years but can be paid earlier.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10) Inventories

	2021 £000	2020 £000
Raw materials and consumables	1,644	1,306
Work in progress	1,609	1,512
Finished goods and goods for resale	133	109
	3,386	**2,927**

There is no material difference between the balance sheet value of inventory and their replacement cost. The above inventories are net of provisions which are summarised below:-

Provision	2021 £000	2020 £000
At the beginning of the year	7	21
Net movement	5	(14)
At the end of the year	**12**	**7**

The movement in the carrying value of inventory during the year is as follows:	2021 £000	2020 £000
Opening inventory	2,927	4,463
Purchases in the year	28,244	29,790
Utilised/transferred to cost of sales	(27,790)	(31,340)
Provision movement included in cost of sales	5	14
Closing inventory	**3,386**	**2,927**

11) Trade and other receivables

	2021 £000	2020 £000
Trade receivables (see below)	6,336	5,146
Amounts owed by Group companies	12,695	18,488
Other receivables	-	311
Prepayments and accrued income	322	303
	19,353	**24,248**

Trade receivables – further information

Less than three months	7,300	4,702
Over three months past due	798	596
Provision (see below)	(1,762)	(152)
	6,336	**5,146**

Provision

At the beginning of the year	(152)	(52)
Net movement	(1,610)	(100)
At the end of the year	**(1,762)**	**(152)**

Amounts owed by Group companies are unsecured and interest free and are to be repayable on demand with the exception of trading balances which are subject to trading terms of 30 days.

Trade receivables which are less than three months past due are not considered impaired. Trade receivables greater than three months past due are considered for recoverability and, where appropriate, a provision against bad debts is recognised. The Company's receivables from related parties are not considered past due or impaired.

The creation and release of a provision for impaired receivables have been included within administrative expenses within the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable detailed above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12) Cash and cash equivalents

	2021	2020
	£000	£000
Denominated in Sterling – HSBC UK (Rating – A-1+)	51	97
(2021 & 2020: HSBC UK (Rating – A-1+)		
	51	**97**

The fair value of cash and cash equivalents approximate to their carrying amount.

13) Trade and other payables

	2021	2020
	£000	£000
Trade payables	2,110	1,750
Payments received on account	-	186
Amounts owed to Group companies	1,298	6,278
Other taxation and social security liabilities	1,847	1,605
Other payables	407	8
Accruals	332	476
	5,994	**10,303**

Amounts owed to Group companies are subject to trading terms of 30 days.
The fair value of trade and other payables approximate to their carrying amount.

14) Borrowings

a) Total Borrowings

	2021	2020
	£000	£000
Non-current		
Bank loans	353	137
Obligations under lease agreements	1,471	1,602
	1,824	**1,739**
Current		
Bank loans and overdraft	101	77
Revolver loans	10,363	9,262
Obligations under lease agreements	438	412
	10,902	**9,751**
Total borrowings	**12,726**	**11,490**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14) Borrowings (continued)

b) Maturity of borrowings

	Bank loans and overdraft	Revolver loans	Lease obligations	Total
	£000	£000	£000	£000
Between:				
Less than 1 year	77	9,262	412	9,751
1-2 years	77	-	379	456
2-5 years	60	-	889	949
5 years or more	-	-	334	334
2020	**214**	**9,262**	**2,014**	**11,490**
Less than 1 year	101	10,363	438	10,902
1-2 years	101	-	393	494
2-5 years	252	-	831	1,083
5 years or more	-	-	247	247
2021	**454**	**10,363**	**1,909**	**12,726**

The bank loans and Revolver loans are secured by a fixed and floating charge over the unencumbered plant and equipment, inventories and receivables of the Company. Interest was charged at a margin of 1.75% over LIBOR dependent on the jurisdiction.

c) Lease Obligations

	Land and Buildings	Plant and machinery		Fixtures, fittings and Office Equipment	Motor Vehicles	Total
	Right of Use	Right of Use	Finance	Right of Use	Right of Use	
	£000	£000	£000	£000	£000	£000
At 1 June 2019	**1,910**	**53**	**20**	**6**	**76**	**2,065**
Additions	-	252	-	-	27	279
Disposals	-	(7)	-	-	(5)	(12)
Repayments	(379)	(66)	(21)	(7)	(54)	(527)
Interest	196	7	3	1	2	209
Reclassification	-	(6)	-	-	6	-
At 31 May 2020	**1,727**	**233**	**2**	**-**	**52**	**2,014**
Additions	120	-	-	-	108	228
Disposals	-	-	-	-	-	-
Repayments	(410)	(58)	(2)	-	(62)	(532)
Interest	185	10	-	-	4	199
Reclassification	-	-	-	-	-	-
At 31 May 2021	**1,622**	**185**	**-**	**-**	**102**	**1,909**

d) Maturity of lease obligations - years

	Land and Buildings	Plant and machinery		Fixture and fittings and Office Equipment	Motor Vehicles	Total
	Right of Use	Right of Use	Finance	Right of Use	Right of Use	
	£000	£000	£000	£000	£000	£000
Between:						
0-1 year	332	48	2	-	30	412
1-2 years	309	49	-	-	21	379
2-5 years	752	136	-	-	1	889
5 years or more	334	-	-	-	-	334
At 31 May 2020	**1,727**	**233**	**2**	**-**	**52**	**2,014**
Between:						
0-1 year	332	49	-	-	57	438
1-2 years	309	51	-	-	33	393
2-5 years	734	85	-	-	12	831
5 years or more	247	-	-	-	-	247
At 31 May 2021	**1,622**	**185**	**-**	**-**	**102**	**1,909**

NOTES TO THE FINANCIAL STATEMENTS (continued)

14) Borrowings (continued)

e) Maturity of lease obligations – current and non-current

	Land and Buildings	Plant and machinery	Plant and machinery	Fixture and fittings and office equipment	Motor Vehicles	Total
	Right of Use	Right of Use	Finance	Right of Use	Right of Use	Right of Use
	£000	£000	£000	£000	£000	£000
Current	332	40	20	6	48	308
Non-current	1,722	1	-	-	34	1,757
At 31 May 2019	**1,916**	**41**	**20**	**6**	**82**	**2,065**
Current	332	48	2	-	30	412
Non-current	1,395	185	-	-	22	1,602
At 31 May 2020	**1,727**	**233**	**2**	**-**	**52**	**2,014**
Current	332	49	-	-	57	438
Non-current	1,290	136	-	-	45	1,471
At 31 May 2021	**1,622**	**185**	**-**	**-**	**102**	**1,909**

f) Amounts relating to right of use leases recognised in the Income Statement

	2021	2020
Depreciation charge on right of use assets:	£000	£000
Land & Buildings	176	156
Plant and Machinery	50	52
Office Equipment/Fixtures and Fittings	1	6
Motor Vehicles	57	57
Total depreciation in respect of leased assets	**284**	**271**
Interest included in finance costs	199	206
Expense relating to low value leases included in administration costs	20	25
Expense relating to short term leases included in administration costs	1	2
Total amounts recognised in the Income Statement	**220**	**483**

g) The Company's leasing activities and accounting thereof

Assets and liabilities arising from a lease are initially measured on a present value basis looking back to the inception of the leases. The lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives received or receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option;

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group incremental borrowing rate issued by Calder Group Holdings Limited, the Company's ultimate UK parent.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability using the retrospective method from the date at the lease inception;
- Any lease payments made from the beginning of the lease at or before the commencement date less any lease incentive received;
- Any interest charged from the beginning of the lease to the commencement date;
- Any initial direct costs to enable the use of the asset;
- Restoration costs.

Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short term leases are leases of twelve months or less. Low value assets comprise IT equipment and small items of office equipment of less than €3.5k, according to Group policy interpreted from $5k in IFRS16.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14) Borrowings (continued)

h) Variable lease payments

Where lease agreements have a formula of calculation for revaluation of that lease within the lease term, the best estimate at the inception of the lease is calculated using known factors. During the life of the lease, as revaluations are confirmed this is treated as an event which will result in a change in the valuation of the lease liability (and the underlying asset). The depreciation and interest is recognised in the Income Statement using the interest rate implicit in the revaluation or the Group's incremental borrowing rate at that point in time.

i) Extension and termination options

It is assumed at the inception of all leases in the Company that they will be completed until the end, termination of leases is not anticipated. If a lease is terminated, then the relevant accounting transactions would be recognised in the Balance Sheet or the Income Statement to remove the asset from the accounts. In some instances, extensions are available on property, plant and equipment lease. However, in all instances, the leases will be valued to the end of the lease as dated in the lease contracts. In no instances will a lease be entered into anticipating that it will be terminated early, an extension may be anticipated. At the point in time when an extension occurs, the value of the lease will be reassessed with the new contractual payments.

j) Residual value guarantee

To optimise lease cost during the contract period, the Company sometimes provides residual value guarantees in relation to equipment leases, this is particularly common with motor vehicle leases. It is expected that the residual value is estimated at the inception of the lease, but should the residual value significantly change during the lease, then the liability and asset value would be adjusted, which would also impact the depreciation and interest recognised in the Income Statement.

15) Financial risk management

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year income statement information has been included where relevant.

Risk	Exposure	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in Euros	Cashflow forecasting Sensitivity analysis	Balance Sheet: Forward foreign exchange contracts
Market risk – commodity prices	Closure of sales and purchase contracts	Contract status reviews	Balance Sheet: Regular reconciliation of contracts to commodity hedging
Credit risk	Cash and cash equivalents, trade receivables, lease commitments	Cash flow forecasting Credit control management	Balance Sheet: Credit limits, letters of credit
Market risk – interest rate	Borrowings at rates linked to Euribor and Libor	Sensitivity analysis	Income Statement: Fixed financing contracts Management of balances giving rise to interest charges
Liquidity risk	Borrowings and other liabilities Group performance	Rolling cash flows and bank covenant calculations	Income Statement: KPI tracking

The Company's risks and exposures are identified by the management team in conjunction with the Group Directors. The method of risk management is agreed by all and the Company's local management team is responsible for executing the policies approved to limit transactional risks for the individual company's balance sheet and income statement. The execution of this risk management is overseen by the Group finance team.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15) Financial risk management (continued)

(i) Market risk – foreign exchange and commodity prices

Balance Sheet Management	2021 £000	2020 £000
Current Assets		
Forward foreign exchange contracts	-	204
Commodity hedge contract	-	29
	-	233
Current Liabilities		
Forward foreign exchange contracts	(3)	
Commodity hedge contracts	(164)	-
	(167)	-

(ii) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and credit exposures to trading customers, including outstanding receivables.

Credit risk is managed on the local management using policies approved by Board of Directors and is overseen by the Group finance team. If trading customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by trading customers is regularly monitored by line management.

For some trade receivables the Company may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Trade and other receivable balances subject to credit risk are outlined in note 11.

(iii) Market risk – interest rate

Income Statement Management	2021 £000	2020 £000
LIBOR	62	68
Interest Rates – sensitivity to 1% change	**62**	**68**

(iv) Liquidity risk

The Group maintains committed facilities that are designed to ensure sufficient funding for operations and planned expansions. Appropriate facilities are in place until December 2023.

The Company's borrowings are negotiated centrally with the group financiers and cash flow forecasts and covenants are tracked centrally for the group to ensure liquidity risk is avoided. Monitoring of KPIs for liquidity risk are outlined in the strategic report.

16) Deferred income tax asset

	Short term timing differences £000	Retirement benefit obligations £000	Total £000
At 1 June 2019	**721**	**797**	**1,518**
Credit/(charge) to income statement	544	(147)	397
Adjustments in respect of prior periods	(28)	-	(28)
To other comprehensive income	(158)	564	406
At 31 May 2020	**1,079**	**1,214**	**2,293**
Credit/(charge) to income statement	701	(270)	431
Adjustments in respect of prior periods	(58)	-	(58)
To other comprehensive income	(120)	(630)	(750)
At 31 May 2021	**1,602**	**314**	**1,916**

NOTES TO THE FINANCIAL STATEMENTS (continued)

17) Provision

	2021	2020
	£000	£000
Dilapidations	192	176
	192	**176**

Dilapidation provisions will be used when the lease of the properties ends.

18) Share capital

	2021	2020
	£000	£000
Authorised		
8,000,000 (2020: 8,000,000) ordinary shares of £1 each	8,000	8,000
Allotted, called-up and fully paid		
8,000,000 (2020: 8,000,000) ordinary shares of £1 each	8,000	8,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

19) Guarantees and other financial commitments

(a) Lease commitments

The Company leases certain land and buildings on short and long-term operating leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Company pays all insurance, maintenance and repair costs of these properties.

At 31 May 2020, the Company had total commitments under non-cancellable operating leases expiring as follows:

	2021		2020	
	Land and Buildings	Other assets	Land and Buildings	Other assets
	£000	£000	£000	£000
Expiry within:				
0-1 year	-	2	-	2
1-2 years	-	1	-	1
2-5 years	-	-	-	-
5 years and more	-	-	-	-
	-	3	-	3

(b) Capital commitments

At the end of the financial year, the Company had capital commitments contracted for but not provided for of £0 (2020: £0).

(c) Group guarantees

All Group companies have given guarantees in respect of the bank and other loans taken out by certain Group companies. At 31 May 2021 the total amount for asset-based lending facilities guaranteed was €24,004k (2020: €19,596k). The equivalent in GBP for UK companies is £20,591k (2020: £17,670k)

NOTES TO THE FINANCIAL STATEMENTS (continued)

20) Financial instruments

IFRS9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures require numerical disclosures in respect of financial assets and liabilities. These are set out in the table below and in notes 11, 12, 13 and 14. All of the assets below are subject to the expected credit loss model.

- Cash and cash equivalents – the value of cash and cash equivalents for the Company is minimal and therefore expected credit losses are considered to be immaterial, and therefore not recorded in the financial statements.

- Trade receivables – the Company applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The trade receivables are grouped based on days past due.

  The Company examines the historical profile of credit, the market and customers are closely monitored, along with macroeconomic factors that could impact the credit risk. The process is continuous throughout the year as part of senior management team reviews, and the Company has determined based on the historical periods that the expected credit losses should be assessed at 0%, as there is no underlying risk identified during the year or at 31 May 2021.

  In the event there are circumstances that impact the receivable balances and the likely recoverability of that receivable will then be impaired based on the expected credit loss specific to that receivable. Any impairment would be disclosed in the trade receivables note 11 and will be presented in the income statement within administrative costs.

- Lead commodity hedge contracts could be presented as an asset or a liability. As the contracts are for traded commodities held at fair value quoted on the London Metal Exchange at 31 May 2021, there is no impairment required in the event of an asset being held.

	2021 £000	2020 £000
Financial assets		
Cash – HSBC UK (Rating A-1+)	51	97
Foreign currency hedges	-	204
Trade receivables	6,336	5,146
	6,387	**5,447**
Financial liabilities		
Bank loans and overdraft	454	214
Revolver loans	10,363	9,262
Trade payables	2,110	1,750
Foreign currency hedges	3	9
Leases	1,909	2,014
	14,839	**13,249**
Forward hedging of lead commodities: contracts		
Brought forward	29	175
Movement	135	(146)
Carried forward	**164**	**29**

NOTES TO THE FINANCIAL STATEMENTS (continued)

21) Retirement benefit obligations

Background information
The Company provides various pension arrangements for employees. These are as follows:

- Defined benefit scheme
- A defined contribution scheme

UK defined benefit scheme obligations, assets and assumptions:

(a) The most recent actuarial valuation was carried out as at 5 April 2019, the results of which are showing a deficit of £5,820k. The valuation used for the financial statements is this current valuation, which has then been updated on an approximate basis to 31 May 2021 by an independent qualified actuary. The scheme is closed to new members and future accrual. Amounts included in the statement of financial position:

	2021	2020
	£000	£000
Fair value of plan assets	26,522	22,234
Present value of defined benefit obligation	(27,778)	(28,621)
Deficit in the scheme	(1,256)	(6,387)
Deferred tax	314	1,214
Net liability to be recognised	**(942)**	**(5,173)**

The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method. The value calculated in this way is reflected in the net liability in the balance sheet as shown above.

All actuarial gains and losses will be recognised in the year in which they occur in Other Comprehensive Income (OCI).

(b) Reconciliation of the impact of the asset ceiling

The Company have reviewed implications of the guidance provided by IFRIC 14 and have concluded that it is not necessary to make any adjustments to the IAS figures in respect of an asset ceiling or Minimum Funding Requirement as at 31 May 2021.

(c) Reconciliation of opening and closing present value of the defined benefit obligation

	2021	2020
	£000	£000
Defined benefit obligation at start of year	28,621	27,198
Interest expense	461	616
Actuarial gains due to scheme experience	(401)	(72)
Actuarial gains due to changes in demographic assumptions	182	(522)
Actuarial gains/(losses) due to changes in financial assumptions	220	2,265
Benefits paid	(1,305)	(864)
Defined benefit obligation at end of year	**27,778**	**28,621**

(d) Reconciliation of opening and closing values of the fair value of plan assets

	2021	2020
	£000	£000
Fair value of plan assets at start of year	22,234	22,513
Interest income	362	516
Return on plan assets (excluding amounts included in interest income)	4,458	(620)
Employer contributions	772	689
Benefits paid	(1,305)	(864)
Fair value of plan assets at end of year	**26,521**	**22,234**

The actual return on the plan assets over the year ended 31 May 2021 was £4,821 (2020: (£104)k).

NOTES TO THE FINANCIAL STATEMENTS (continued)

21) Retirement benefit obligations (continued)

(e) Defined benefit costs recognised in profit or loss

	2021 £000	2020 £000
Past service cost:	-	-
Interest	99	100
Defined benefit costs recognised in profit or loss	**99**	**100**

(f) Defined benefit costs recognised in other comprehensive income

	2021 £000	2020 £000
Actual less expected return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	4,459	(620)
Net experience losses arising on the defined benefit obligation – gain	401	72
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)/gain	(182)	522
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – loss	(220)	(2,265)
Total actuarial-gain/(loss)	4,458	(2,291)
Total amount recognised in other comprehensive income – gain/(loss)	**4,458**	**(2,291)**

(g) Assets

	2021 quoted £000	2021 unquoted £000	2020 quoted £000	2020 unquoted £000
UK Equities	8,643		6,696	
Overseas Equities	10,823		8,661	
Bonds	6,946		6,733	
Other		110		144
Total assets	**26,412**	**110**	**22,090**	**144**

None of the fair values of the assets shown above include any direct investments in the Company's own financial instruments or any property occupied by, or other assets used by, the Company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance.

It is the policy of the trustees and the Company to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the plan investment strategy are documented in the plan's Statement of Investment Principles.

There are no asset-liability matching strategies currently being used by the plan.

(h) Significant actuarial assumptions

	2021 % per Annum	2020 % per annum
Discount Rate	1.95	1.65
Inflation (RPI)	3.30	2.85
Inflation (CPI)	2.70	2.25
Allowance for revaluation of deferred pensions of CPI or 5% pa if less	2.70	2.25
Allowance for pension in payment increases of CPI or 3% pa if less	2.15	1.95
Allowance for pension in payment increases of RPI or 5% pa if less	3.15	2.80
Allowance for pension in payment increases of RPI or 2.5% pa if less	2.15	2.00
Allowance for commutation of pension for cash at retirement	80 of Post a Day max	80 of Post a Day max

The mortality assumptions adopted at 31 May 2021 are 108% of the standard tables S3PMA/S3PFA_M, Year of Birth, no age rating for males and females, projected using CMI-2020 converging to 1.25% pa. These imply the following life expectancies:

NOTES TO THE FINANCIAL STATEMENTS (continued)

21) Retirement benefit obligations (continued)

	Life expectancy at age 65 (Years)
Male retiring in 2021	21.5
Female retiring in 2021	23.3
Male retiring in 2041	22.8
Female retiring in 2041	24.8

(i) Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation

	Change in assumption	Change in liabilities
Discount rate	Increase of 0.10% pa	Decrease by 1.6%
Rate of inflation	Increase of 0.10% pa	Increase by 1.5%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.0%
Commutation	Members commute an extra 10% of Post A Day pension on retirement	Decrease by 0.3%

The sensitivities shown are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the year ended 31 May 2021 is 16 years (2020:17)

The plan typically exposes the Company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact on the balance sheet position and may give rise to increased charges in future P&L accounts. This effect would be partially offset by an increase in the value of the plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The best estimate of contributions to be paid by the Company to the scheme for the year commencing 1 June 2021 is £799k (2020: £689k).

Defined Contribution Scheme

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

22) Related parties and controlling interests

The Directors regard Calder Group Limited as the immediate parent company.

The ultimate parent company for the purposes of consolidation for the year ended 31 May 2021 is Calder Group Holdings Limited. This is both the largest and smallest group of undertakings for which financial statements are publicly available from.
The Calder Group Holdings Limited financial statements are publicly available from its registered office, Jupiter Drive, Chester West Employment Park, Chester, Cheshire, United Kingdom, CH1 4EX.

(a) Transactions with Other Group companies

	2021 £000	2020 £000
Revenues from Other Group companies	386	1,582
Purchases from Other Group companies	13,960	14,632

(b) Balances with Other Group companies

	2021 £000	2020 £000
Amounts due from Other Group companies	6	45
Amounts due from Parent companies	12,689	18,443
Amounts due to Other Group companies	(1,298)	(6.278)

Amounts due to or due from Group companies are interest free and unsecured, repayable on demand with the exception of trading balances which are subject to trading terms of 30 days.

Key management comprises the Directors of the Company. Their compensation is set out in note 5.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22) Restatement of Comparatives in the Statement of Cash Flows

Company treated certain non cash items as cash outflows / inflows due to misinterpretation of the standard. Following the review performed, the Company has reconsidered the treatment and have restated the following components of the cash flow Statement:

Cash flows from investing activities £ 000	As previously stated	Adjustment	Restated
Purchase of property, plant and equipment	(422)	279	*(143)
Disposal of subsidiary	50	-	50
Net cash used in investing activities	**(372)**	**279**	**(93)**
Cash flows from financing activities			
Proceeds from borrowings	831	-	831
Proceeds from borrowings - New ROU Asset	-	(279)	*(279)
Capex Loan Payments	(77)	-	(77)
ROU Asset Lease Payments	(506)	-	(506)
Leased Asset	(21)	-	(21)
Revolver	(1775)	-	(1775)
Net cash generated from/(used in) financing activities	**(1548)**	**(279)**	**(1,827)**

Independent auditors' report to the members of Calder Industrial Materials Limited

Report on the audit of the financial statements

Opinion

In our opinion, Calder Industrial Materials Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2021 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 May 2021; the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended; the statement of significant accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

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.

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 May 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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 of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of fraudulent journal entries, designed to manipulate financial performance and/or position of the company and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- inquiry of those charged with governance to assess if there any are instances of non-compliance with laws or regulations that have a material effect on the financial statements;

- reviewing minutes of board meetings held between the directors to assess if there have been any instances of non-compliance with relevant laws or regulations;
- testing journal entries meeting specific risk criteria, testing accounting estimates for indication of management bias and evaluating the business rationale of any significant transactions outside the normal course of business;
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- reviewing legal expense listings to identify indications of potential non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Studholme

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
5 May 2022