REGISTERED NUMBER: 00288899 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31 December 2020

for

Exyte Hargreaves Limited

Contents of the Financial Statements for the Year Ended 31 December 2020

Company Information
for the Year Ended 31 December 2020

DIRECTORS:	A M Sneyd M A Rodd
REGISTERED OFFICE:	Lord Street Bury BL9 0RG
REGISTERED NUMBER:	00288899 (England and Wales)
AUDITORS:	Moore Chartered Accountants and Statutory Auditor 30 Gay Street Bath BA1 2PA

Strategic Report
for the Year Ended 31 December 2020

Principal Activities

The principal activity of Exyte Hargreaves Limited ("the Company") is project delivery including design, engineering, procurement and installation of HVAC, mechanical and electrical installations, fire resistant and smoke control systems for high integrity client sectors and the manufacture of stainless steel ventilation containment, air ventilation ducting and components and the manufacture of fire resistant duct systems.

Extensions to the principal activities form part of the strategic focus for growth. By building on the Company's reputation and heritage, it aims to become a leading principle partner for the design, engineering, manufacture and delivery of HVAC systems for high-tech industries.

Strategic Report
for the Year Ended 31 December 2020

REVIEW OF BUSINESS
The company's key financial and other performance indicators during the year were as follows:

	2020 Total £ s	2019 Total £ s
Revenue	36,309	26,125
Gross (loss) / profit	5,506	894
Gross profit %	15.2%	3.4%

The turnover has increased by a 39.0% contribution of the new wins reported in the last strategic report. The business has continued to focus on core sectors which include the nuclear market and remained fully removed from the previous trade counters and commercial sector contracts. The higher gross margin reflects the complete exit of previous loss making business and the pricing of newer contracts.

The retained profit in the year, together with a £2.5m recapitalisation of the Company, meant shareholder's funds increased from £0.7m to £4.2m. These positive assets, together with stronger profitability and the ongoing support of the Exyte Group, means the Company remains financially robust and able to deliver all its current and future planned projects.

The company has extensive experience in providing specialist service and is a key element in the supply chain of the nuclear, transport, high tech industrial and defence industries in the UK, as such it remains well placed to meet the future demands of these sectors and have maintained its focus of reputation and in maintaining a good collaborative working relationship with existing clients within these industries.

Further improvements have been made following the strategy review in 2018. Specific strategic activity during the last three years included:
Extensive changes to the management board and extended leadership team.
Refocusing of manufacturing and project delivery activities, including harnessing efficiencies in execution of both which include gearing manufacturing to support industrialised assembly of project delivery.
Implementation of an improved strategy for new business aligned to core markets and high integrity projects.

These steps have now started to yield the expected financial improvements and the directors believe that the actions taken, together with a roll out of further aspects of the new strategy, will provide further business growth in the future.

Internally the business has created much greater operational transparency through the P&L separation of business manufacturing and operations (project delivery).

The business has continued its focus of modernisation of systems and process, organisation structure, improved quality and quantity of sales pipeline as part of a back to basics programme which creates foundations for future growth.

PRINCIPAL RISKS AND UNCERTAINTIES
There are a number of potential risks and uncertainties, which could have a material impact on the Company's future performance and cause actual results to differ materially from expected or historical results.

The Company operates in competitive market sectors and competitive pressure is therefore a continuing risk for the business. In addition, the sectors in which the Company operates could fluctuate subject to the business to market risks. The Company also faces manufacturing and environmental risks. These risks have not changed from the prior year and include changes to economic conditions and government policy; breach of health, safety and environmental laws, regulations and standards; failure to win new contracts; commercial counterparty competence and solvency; loss of senior personnel; information technology and security; taxation, interest rate and foreign exchange risk. The implementation of the Risk Management Initiative introduced in previous years has started to reduce the risk and uncertainties that the company may have in the development of its business activities in future years

The Company's financial position and future prospects are described above. Due to its positive cash reserves and Group support the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board has continued to adopt the going concern basis in preparing the Company's financial statements.

The impact of the COVID-19 pandemic in 2020 has been unprecedented and significant across the world. Firstly the safety and wellbeing of our staff has been paramount in our considerations, but our operating model and business continuity plans have proved to be very effective.

We responded swiftly in the periods both leading up to and during "lockdown". Our staff quickly adapted to working from home and those who remained working on site were fully supported by the Company. As most sites remained open the effect on our revenues was minimal and our cashflows meant the Company was not required to access the Government support loan schemes. The Company did however make limited use of the Covid Job Protection Scheme and the deferral of quarter two VAT payments until 2021. The business has continued to operate normally in 2021.

Brexit remains an important short-term consideration with potential consequences ranging from increases in cost prices, lower consumer confidence, lower government expenditure and supply chain disruption. However, such disruptions are expected to be short term and the company has taken steps to attempt to mitigate these effects, whilst recognising that the high level of uncertainty of the potential implications of Brexit make the success of mitigation activities difficult to predict. Since the EU-UK Trade and Cooperation Agreement came into force on 1 January 2021, there has been no impact on our business.

ON BEHALF OF THE BOARD:

A M Sneyd - Director

30 September 2021

Report of the Directors
for the Year Ended 31 December 2020

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2020.

DIRECTORS
A M Sneyd has held office during the whole of the period from 1 January 2020 to the date of this report.

Other changes in directors holding office are as follows:

M A Rodd was appointed as a director after 31 December 2020 but prior to the date of this report.

Mrs J Fowler ceased to be a director after 31 December 2020 but prior to the date of this report.

ENGAGEMENT WITH EMPLOYEES
We value each individual who works for Exyte Hargreaves and believe that by having a strong team we can achieve the extraordinary. We provide support in every aspect that we can from mental health & wellbeing to providing opportunities by investing in training and development.

Equal opportunities

The Company is committed to creating a truly equal, diverse and inclusive workforce and inspiring the industry to make necessary change. As such the Company does not discriminate against employees on the basis of their age, disability, gender, sexual orientation, gender reassignment, pregnancy and maternity, race, religion or belief.

Any applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled all reasonable efforts are made to ensure that their employment within the Company continues, including enjoying the same career development and promotion opportunities and training.

Communication

The Company operates an Intranet system where news, notices and events are shared. The site also has access to digital services and tools including IMS, ethics, benefits portal, Covid-19 Information and business social media. The system is constantly monitored and updated by our internal marketing department. In addition the Company has commenced using sharepoint so documentation regarding meeting minutes, shared files etc are all saved and can be accessed by the relevant personnel.

Report of the Directors
for the Year Ended 31 December 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) 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.

AUDITORS
The auditors, Moore, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

A M Sneyd - Director

30 September 2021

Report of the Independent Auditors to the Members of
Exyte Hargreaves Limited

Opinion
We have audited the financial statements of Exyte Hargreaves Limited (the 'company') for the year ended 31 December 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

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

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page six, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 a Report of the Auditors 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:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK Financial Reporting Standards, and UK taxation legislation.

We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.

We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.

We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.

Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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

Mark Powell (Senior Statutory Auditor)
for and on behalf of Moore
Chartered Accountants and Statutory Auditor
30 Gay Street
Bath
BA1 2PA

4 October 2021

Income Statement
for the Year Ended 31 December 2020

	Notes	31.12.20 £'000	31.12.19 £'000
TURNOVER	3	36,309	26,125
Cost of sales		30,803	25,231
GROSS PROFIT		5,506	894
Administrative expenses		5,153	4,634
		353	(3,740)
Other operating income	4	870	801
OPERATING PROFIT/(LOSS)		1,223	(2,939)
Interest payable and similar expenses	6	69	27
PROFIT/(LOSS) BEFORE TAXATION	7	1,154	(2,966)
Tax on profit/(loss)	9	193	(650)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		961	(2,316)

Other Comprehensive Income
for the Year Ended 31 December 2020

	Notes	31.12.20 £'000	31.12.19 £'000
PROFIT/(LOSS) FOR THE YEAR		961	(2,316)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		961	(2,316)

The notes form part of these financial statements

Balance Sheet
31 December 2020

		31.12.20		31.12.19	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Owned					
Tangible assets	10		1,023		1,199
Right-of-use					
Tangible assets	10, 16		52		63
			1,075		1,262
CURRENT ASSETS					
Stocks	11	151		250	
Debtors	12	9,961		7,265	
Contract assets	3	5,928		3,465	
Cash at bank		1,972		1,671	
		18,012		12,651	
CREDITORS					
Amounts falling due within one year	13	(7,090)		(9,409)	
CONTRACT LIABILITIES					
Amounts falling due within one year	3	(7,777)		(3,782)	
NET CURRENT ASSETS/(LIABILITIES)			3,145		(540)
TOTAL ASSETS LESS CURRENT LIABILITIES			4,220		722
CREDITORS					
Amounts falling due after more than one year	14		38		-
NET ASSETS			4,182		722

The notes form part of these financial statements

continued...

Balance Sheet - continued
31 December 2020

		31.12.20		31.12.19	
	Notes	£'000	£'000	£'000	£'000
CAPITAL AND RESERVES					
Called up share capital	18		1,002		1,001
Share premium	19		5,723		3,225
Revaluation reserve	19		122		122
Other reserves	19		90		90
Retained earnings	19		(2,755)		(3,716)
SHAREHOLDERS' FUNDS			4,182		722

The financial statements were approved by the Board of Directors and authorised for issue on 30 September 2021 and were signed on its behalf by:

A M Sneyd - Director

Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
Balance at 1 January 2019	1,001	(1,400)	3,225
Changes in equity			
Total comprehensive income	-	(2,316)	-
Balance at 31 December 2019	1,001	(3,716)	3,225
Changes in equity			
Issue of share capital	1	-	2,498
Total comprehensive income	-	961	-
Balance at 31 December 2020	1,002	(2,755)	5,723

	Revaluation reserve £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2019	122	90	3,038
Changes in equity			
Total comprehensive income	-	-	(2,316)
Balance at 31 December 2019	122	90	722
Changes in equity			
Issue of share capital	-	-	2,499
Total comprehensive income	-	-	961
Balance at 31 December 2020	122	90	4,182

1. STATUTORY INFORMATION

Exyte Hargreaves Limited is a private company, limited by shares , registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Measurement convention

The financial statements are prepared on the historical cost basis.

The functional currency is GBP sterling.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company meets its day to day working capital requirements through cash balances and a loan from a parent company, Exyte GmbH, that is repayable on demand (see note 13). As at the date of approval of these financial statements, the amount owing in the loan was £2,858k.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's parent company, Exyte GmbH, not seeking repayment of the loan amounts currently due to the group, which at 31 December 2020 amounted to £2,850k. Exyte GmbH has indicated that it does not intend to seek repayment of the amounts owed for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, especially in the current climate with many Groups considering their overall strategy and structure, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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2. **ACCOUNTING POLICIES - continued**

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

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held for Sale and Discontinued Operations;
- the requirements of paragraph 24(6) of IFRS 6 Exploration for and Evaluation of Mineral Resources;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
  the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10)(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

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2. **ACCOUNTING POLICIES - continued**

Turnover

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Revenue is measured based on the consideration specified in a contract with a customer. Where consideration is not specified within the contract and is therefore subject to variability, revenue is based on an estimated amount of consideration to be received from a customer in respect of obligation performed. The consideration recognised is the amount which is highly probable not to result in a significant reversal in future periods. Where a modification to an existing contract occurs, the nature of the modification is assessed to determine whether it represents a separate performance obligation or whether it is a modification to the existing performance obligation. Due to the wide-ranging activities performed, and as such, depending on the nature of the product or service delivered and the timing of when control is passed onto the customer, revenue is accounted for over time and at a point in time. Where revenue is measured over time, the input method to measure progress of delivery is used. Revenue is recognised as follows: - revenue from project delivery activities is recognised over time and the input method to measure progress of delivery - revenue from direct supply of manufactured products is recognised at a point in time when title has passed to the customer.

Project delivery contracts

When the outcome of individual contracts can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the performance obligation at the reporting date. Costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs for the performance obligation as detailed within the contract. Estimates of the final out-turn on each contract may include cost contingencies to take account of the specific risks within each contract that have been identified during the early stages of the contract. The cost contingencies are reviewed on a regular basis throughout the contract life and are adjusted where appropriate. However, the nature of the risks on contracts are such that they often cannot be resolved until the end of the project and therefore may not reverse until the end of the project. The estimated final out-turns on contracts are continuously reviewed, and in certain limited cases, recoveries from insurers are assessed, and adjustments made where necessary. No margin is recognised until the outcome of the contract can be estimated with reasonable certainty. Provision is made for all known or expected losses on individual contracts once such losses are foreseen. Revenue in respect of variations to contracts and incentive payments is recognised when it is highly probable it will be agreed by the customer. Revenue in respect of claims is recognised only if it is highly probable not to reverse in future periods. Profit for the year includes the benefit of claims settled in the year to the extent not previously recognised on contracts completed in previous years

Government grants

Government grants are recognised at the fair value of the consideration received or receivable in the period in which the Company recognises the related costs for which the grants are intended to compensate.

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2. **ACCOUNTING POLICIES - continued**

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 2% on cost
Long leasehold	- Over the life of the lease
Plant, machinery and motor vehicles	- at varying rates on cost

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land and buildings that had been revalued to fair value prior to 1 January 2016, the date of transition to FRS101 are measured on the basis of deemed cost, being the revalued amount at the date of transition.

Stocks
Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are based on:

- Raw materials. Purchase cost on a weighted average basis, including carriage.

- Work in progress and finished goods. Cost of direct materials and labour, plus an appropriate 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 and sale.

Provision is made for obsolete, slowing moving or defective items where appropriate.

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2. **ACCOUNTING POLICIES - continued**

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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

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

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

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2. **ACCOUNTING POLICIES - continued**

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

Leases
Leases are recognised as finance leases. The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term.

Employee benefits
Defined contribution plans

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

continued...

2. **ACCOUNTING POLICIES - continued**

Financial instruments
Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:
(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Non-derivative financial instruments

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

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

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

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

continued...

2. **ACCOUNTING POLICIES - continued**

Construction contract debtors
Construction contract debtors represent unbilled revenue amounts relating to contract work recognised to date in accordance with performance against obligations contained within customer contracts. They are based on an estimated amount of uninvoiced consideration to be received from a customer in respect of obligation performed.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as creditors:amounts falling due within one year in the balance sheet.

Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. For expected losses a financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Any unexpected losses, in accordance with IFRS 9 Financial instruments, are calculated using a credit loss model approach informed by analysis of historic performance, principally relating to the sale of goods. Adoption of IFRS 9 resulted in no adjustments to previously reported results.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Trade debtors are initially recorded at their fair value and subsequently measured at amortised cost with allowance for any estimated irrecoverable amounts.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

continued...

2. **ACCOUNTING POLICIES - continued**

Provisions
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

3. **TURNOVER**

Revenue from contracts with customers
Contract assets arise where goods or services are transferred to the customer before the customer pays consideration, or before payment is due. Contract assets represent our unconditional right to consideration for the goods and services supplied and performance obligations delivered. Contract liabilities relate to consideration received when the Company still has an obligation to deliver goods or services for that consideration.

The amount of revenue recognised in the current period from performance obligations satisfied (or partially satisfied) in previous periods was £3,464,000.

The amount of revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was £3,782,000.

Contract balances

	31.12.20	31.12.19
	£'000	£'000
Contract assets		
Current		
Contract assets	5,928	3,465
Contract liabilities		
Current		
Contract liabilities	7,777	3,782

continued...

4. **OTHER OPERATING INCOME**

	31.12.20	31.12.19
	£'000	£'000
Sundry receipts	578	801
Government grants	292	-
	870	801

Government Grants represent amounts received and receivable for the Coronavirus Job Retention Scheme.

5. **EMPLOYEES AND DIRECTORS**

	31.12.20	31.12.19
	£'000	£'000
Wages and salaries	10,933	11,892
Social security costs	1,082	1,191
Other pension costs	587	566
	12,602	13,649

The average number of employees during the year was as follows:

	31.12.20	31.12.19
Production	234	272
Selling and marketing	7	5
Administration	16	20
	257	297

	31.12.20	31.12.19
	£	£
Directors' remuneration	234,765	225,000
Directors' pension contributions to money purchase schemes	11,536	11,000

Information regarding the highest paid director is as follows:

	31.12.20	31.12.19
	£	£
Emoluments etc	234,765	225,000
Pension contributions to money purchase schemes	11,536	11,000

continued...

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.20	31.12.19
	£'000	£'000
Interest on loans from Group undertakings	68	20
Leasing	1	7
	69	27

7. PROFIT/(LOSS) BEFORE TAXATION

The profit before taxation (2019 - loss before taxation) is stated after charging/(crediting):

	31.12.20	31.12.19
	£'000	£'000
Cost of inventories recognised as expense	30,803	25,231
Depreciation - owned assets	253	219
Depreciation - assets on hire purchase contracts or finance leases	71	150
Foreign exchange differences	(1)	9

8. AUDITORS' REMUNERATION

	2020	2019
	£	£
Audit of these financial statements		
Incumbent auditors	25	-
Previous auditors	-	35
Amounts receivable by the company's auditors and its associates in respect of:		
Taxation compliance services		
Incumbent auditors	4	-
Previous auditors	-	7

9. TAXATION

Analysis of tax expense/(income)

	31.12.20	31.12.19
	£'000	£'000
Current tax:		
Tax	-	(650)
Deferred tax	193	-
Total tax expense/(income) in income statement	193	(650)

continued...

9. **TAXATION - continued**

Factors affecting the tax expense
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.20 £'000	31.12.19 £'000
Profit/(loss) before income tax	1,154	(2,966)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	219	(564)
Effects of:		
Non-deductible expenses	-	8
Other short-term timing differences	(26)	(94)
Tax expense/(income)	193	(650)

10. **TANGIBLE FIXED ASSETS**

	Freehold property £'000	Long leasehold £'000	Plant, machinery and motor vehicles £'000	Totals £'000
COST				
At 1 January 2020	1,244	204	5,155	6,603
Additions	-	60	77	137
Disposals	-	-	(2,958)	(2,958)
At 31 December 2020	1,244	264	2,274	3,782
DEPRECIATION				
At 1 January 2020	458	144	4,739	5,341
Charge for year	23	68	233	324
Eliminated on disposal	-	-	(2,958)	(2,958)
At 31 December 2020	481	212	2,014	2,707
NET BOOK VALUE				
At 31 December 2020	763	52	260	1,075
At 31 December 2019	786	60	416	1,262

The net book value of freehold land which is not depreciated is £87,340 (2019 : £87,340).

continued...

11. **STOCKS**

	31.12.20	31.12.19
	£'000	£'000
Raw materials and consumables	151	250

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £30,803,000 (2019 : £25,231,000).

12. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.20	31.12.19
	£'000	£'000
Trade debtors	7,217	4,363
Amounts owed by group undertakings	-	443
Deferred tax asset	1,768	1,851
Prepayments and accrued income	976	608
	9,961	7,265

13. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.20	31.12.19
	£'000	£'000
Leases (see note 15)	15	65
Trade creditors	1,709	2,833
Amounts owed to group undertakings	2,910	5,146
Social security and other taxes	1,753	948
Accruals and deferred income	703	417
	7,090	9,409

14. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31.12.20	31.12.19
	£'000	£'000
Leases (see note 15)	38	-

15. **FINANCIAL LIABILITIES - BORROWINGS**

	31.12.20	31.12.19
	£'000	£'000
Current:		
Leases (see note 16)	15	65
Non-current:		
Leases (see note 16)	38	-

continued...

15. **FINANCIAL LIABILITIES - BORROWINGS - continued**

Terms and debt repayment schedule

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Totals £'000
Leases	15	15	23	53

16. **LEASING**

Right-of-use assets

Tangible fixed assets

	31.12.20 £'000	31.12.19 £'000
COST		
At 1 January 2020	213	-
Additions	60	213
	273	213
DEPRECIATION		
At 1 January 2020	150	-
Charge for year	71	150
	221	150
NET BOOK VALUE	52	63

continued...

16. **LEASING - continued**

Lease liabilities

Minimum lease payments fall due as follows:

	31.12.20	31.12.19
	£'000	£'000
Gross obligations repayable:		
Within one year	17	65
Between one and five years	41	-
	58	65
Finance charges repayable:		
Within one year	2	-
Between one and five years	3	-
	5	-
Net obligations repayable:		
Within one year	15	65
Between one and five years	38	-
	53	65

17. **DEFERRED TAX**

	£'000
Balance at 1 January 2020	(1,851)
Charge to Income Statement during year	83
Balance at 31 December 2020	(1,768)

18. **CALLED UP SHARE CAPITAL**

Allotted and issued:

Number:	Class:	Nominal value:	31.12.20 £'000	31.12.19 £'000
1,002,000	Ordinary	£1	1,002	1,001

1,000 Ordinary shares of £1 each were allotted at a premium of £2497.446 per share during the year.

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19. **RESERVES**

	Retained earnings £'000	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Totals £'000
At 1 January 2020	(3,716)	3,225	122	90	(279)
Profit for the year	961				961
Bonus share issue	-	2,498	-	-	2,498
At 31 December 2020	(2,755)	5,723	122	90	3,180

On 20 July 2020, 1,000 shares with a nominal value of £1 each were issued to the immediate parent company, Exyte Singapore Pte Ltd for £2.5 million.

20. **PENSION COMMITMENTS**

The company operates a defined contribution pension plan. The total expense relating to this plan was £570,000 (2019 : £566,000). Contributions that were payable to the scheme, which have been included in Creditors: amounts falling due within one year were £90,950 (2019 : £110,000).

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21. RELATED PARTY DISCLOSURES

During the year, the company entered into transactions, and had balances outstanding at the year end, with fellow group companies under common control.

	Sales 2020	Sales 2019	**Purchases 2020**	Purchases 2019
	£	£	**£**	£
M+W Group GmbH	-	-	36	-
Exyte Singapore Pte Ltd	-	-		5
MW High Tech Project Ltd	-	1,798	102	145
Exyte GmbH	-	2	371	67
Exyte Management GmbH	-	-	163	407
Exyte Europe Holding GmbH	-	-	117	155
	-	1,800	789	779

	Debtors 2020	Debtors 2019	**Creditors 2020**	Creditors 2019
	£	£	**£**	£
M+W Group GmbH	-	-	13	203
Exyte Singapore Pte Ltd	-	-	-	-
MW High Tech Project Ltd	-	443	-	175
Exyte GmbH	-	-	2,858	4,515
Exyte Management GmbH	-	-	34	209
Exyte Europe Holding GmbH	-	-	5	44
	-	443	2,910	5,146

22. ULTIMATE CONTROLLING PARTY

The immediate parent undertaking is Exyte Singapore Pte Limited, registered at 16 International Business Park 02-00 Singapore 609929, which owns 100% of the share capita.

The ultimate controlling party is Mag. Georg Stumpf by virtue of his shareholding in M+W Group GMBH.

The ultimate parent company is M+W Group GmbH. The consolidated accounts of this Company are available to the public and may be obtained from its registered office, which is M+W Group GmbH, Löwentorbogen 9B, 70376 Stuttgart, Germany.

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23. **FINANCIAL INSTRUMENTS**

The Company's financial instruments comprise cash balances, payables and receivables that arise from its operations.

The Company's activities expose it to various financial risks, market risk (foreign exchange risk) and credit risk.

Foreign exchange risk

The Company operates in the EU and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises primarily from recognised assets and liabilities. The directors consider, where the numbers involved are material to the business, utilising derivative financial instruments to mitigate this exposure.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to the financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company has a credit policy in place and exposure to credit risk is monitored on an on-going basis.

Credit risk arising on operating and other receivables, loans due to Group companies and cash and cash equivalents is mitigated by management involvement in Group companies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company evaluates and follows continuously the amounts of liquid funds needed for the business operations, in order to secure the funding needed for business activities and loan repayments. The availability and flexibility of the financing is needed to assure the Company's financial position. The Company's funding comes from shareholder loans.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

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24. **ACCOUNTING ESTIMATES AND JUDGEMENTS**

In preparing these financial statements, the directors are required to make judgements, estimates and assumptions that affect the application of polices and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical results, experience and other factors that are believed to be reasonable measures. Actual results may differ from estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Company's accounting policies are described below:

Revenue recognition
The Company has recognised construction assets and the recoverability is regularly reviewed for each contract, and specific provisions are recognised for balances considered to be irrecoverable. In order to apply the Company's policy for recognition of revenue from such contracts that are only partially complete at the reporting date, the directors must assess the value of the of work completed on each contract.

Provisions
Provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the value and timing of liabilities judgement is applied and re-evaluated at each reporting date.

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