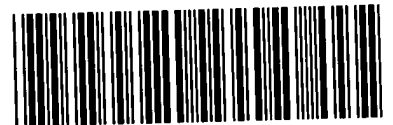


REGISTERED NUMBER: 01511975 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
FOR
HORSTMAN DEFENCE SYSTEMS LIMITED**

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HORSTMAN DEFENCE SYSTEMS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2020**

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HORSTMAN DEFENCE SYSTEMS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020**

DIRECTORS:

M Masur
I Pain

SECRETARY:

Oakwood Corporate Secretary Limited

REGISTERED OFFICE:

Locksbrook Road
Bath
United Kingdom
Avon
BA1 3EX

REGISTERED NUMBER:

01511975 (England and Wales)

AUDITORS:

Haines Watts, Statutory Auditor
Chartered Accountants
Advantage
87 Castle Street
Reading
Berkshire
RG1 7SN

HORSTMAN DEFENCE SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the design, manufacture, refurbishment and sale of suspension systems, gearboxes, auxiliary power units and components, high precision maritime built to print parts and naval instrumentation equipment.

REVIEW OF BUSINESS

The company performed in line with the directors' expectations and exceeded targets which were set in 2019 prior to the emergence of the Coronavirus pandemic.

The contributions of our skilled and flexible workforce ensured that revenue and operating profit remained strong throughout the full year. Early adoption of dispersed working, excellent IT infrastructure, a robust business continuity plan, dual-sourced (NATO origin) supply chains, healthy cash reserves and a can-do spirit ensured that the pace of operations did not slacken. All medically vulnerable employees have been supported to shield at home. As a designated essential industry Horstman was not subject to business lockdown and our key workers continued to operate safely from a Covid secure site, while our support and engineering employees worked remotely.

Turnover in the year of £25.6M and operating profit of £3.4M reflected a steady delivery pace, a good mix of sales and small additional costs to operate in a Covid-secure manner, as compared to the unusually strong mix of 2019. Continuous improvement in the business saw a reduction in total inventory to £5.7M (2019: £6.4M) as on time delivery and arrears improved.

The acquisition by Triton of RENK, and as such the company, advised in our 2019 report achieved regulatory approval and became effective on 6th October 2020.

Strong proceeds of trading allowed a dividend of £2.5M to be released to Horstman Holdings Ltd. Shareholders' funds nevertheless strengthened during the period to £15.1M (2019:14.6M)

Order book grew through the year with large repeat export orders in the Indo-Pacific and a number of small but significant UK orders for new vehicle programmes. A backlog at year end of £47.5M (2019: £38.3M) provides a solid foundation for both continued operations and investment in research and development.

The technology portfolio of the business, coupled with a global customer base and the strong Horstman brand in the armoured vehicle mobility market, provides the directors confidence that the level of activity achieved in 2020 will continue in 2021.

HORSTMAN DEFENCE SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

PRINCIPAL RISKS AND UNCERTAINTIES

Business risks

The company is part of the Horstman group and wider RENK ownership and benefits from a balanced multi-site capability, an international operating footprint and a strong brand with multiple products spread across multiple markets. As such, and with good financial reserves and profitable operations, the business is well placed to handle localised risks and business continuity events in any one location or in likely combinations.

We minimise product quality risks with close attention to quality assurance processes, supply chain oversight and an experienced and well-trained team. The company takes an appropriate warranty provision.

Potential changes in future year defence budgets could lead to slow down of order intake in some markets, offset by stimulus measures that include defence spending in other countries. The exposure for the Company is not the total size of defence budget, but rather is due to programme by programme funding outcomes. Fundamental drivers to new defence programmes include regional tensions and emerging peer threats around the borders of NATO and the Indo-Pacific - these have if anything heightened as a result of economic shocks from the pandemic. In consequence a majority of current and projected programmes with the company's products are expected to continue or in some cases accelerate.

Horstman is economically and mentally well prepared for complex situations such as Covid-19 and plans on maintaining Covid secure working practices and dispersed working capability into 2022. Our supply chain has proved generally robust, although we continue to monitor specialist finishing/coating suppliers that rely heavily on aerospace and automotive volume.

We continued to monitor Brexit related outcomes and have no reason to anticipate significant impacts to long term good trading, though short term freight cost and timing issues are emerging as we expected and generally prepared for. The flexible operating footprint RENK have secured in both Germany and the UK presents opportunities to mitigate any issues which may arise on the UK and German programmes that represent the company's key exposure in these markets.

Financial risks

Financial instruments

The group's principal financial instruments, other than derivatives, comprised finance leases and hire purchase contracts, trade finance and cash and short-term deposits. The main purpose of these financial instruments was to raise finance for the company's operations. Following the acquisition by RENK, the majority of these instruments were repaid with shareholder loans and the retained profits from trading providing finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations.

The company enters into forward foreign currency contracts when appropriate, whose purpose is to manage the foreign currency risks arising from the company's operations.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments of a speculative nature shall be undertaken. The principal risks associated with the company's financial assets and liabilities are set out below:

Interest rate risk

The company's borrowings were principally its trade finance and property mortgage which attract interest at contracted values for each drawdown of funds. Therefore, financial liabilities, interest charges and cash flows can be affected by movements in interest rates. Surplus cash is transferred to the parent company.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Price risk

There is no significant exposure to changes in the carrying value of financial instruments, assets and liabilities, except as a result of foreign currency exchange rate fluctuations, as described below.

Credit risk

The company makes appropriate credit checks on its customers and maintains strict credit limits to minimise its exposure to external credit risk.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations. The principal form of financing was through trade finance and a property mortgage. As noted above, these finance instruments were repaid post acquisition.

Under ownership of RENK the Liquidity risk management approach has been modified to align with the owner's approach and financial strength. In this approach the profile of borrowings is reduced, inflows and outflows of cash are monitored and managed at all times to safeguard liquidity. Moreover, cash flow trends are monitored in the context of detailed financial planning. The company's inclusion as part of RENK financial planning ensures the availability of the necessary funds in the coming period.

SECTION 172(1) STATEMENT

The directors are committed to their responsibilities to promote the success of the Company in accordance with Section 172 of the Act. Our intention is to behave responsibly and ensure that management operate the business in an appropriate manner, operating within the high standards of business conduct and good governance expected of us.

The directors have had regard to the Stakeholder agenda when performing their duty under section 172. The company is in an industry with decade long programme lifecycles and stable long term strategic relationships are recognised as critical to our business success. The company's internal vision statement recognises a ten year forward view of the market and directly relates this to employee engagement, customer, supplier and other strategic partnerships. Our Quality Management System (to AS9100) maps all stakeholder relationship and is reviewed and audited frequently. Our safety management system (to ISO45001) maps the roles of employees, suppliers and contractors in maintaining a safe and healthy environment for all stakeholders.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

OUR STAKEHOLDERS

Understanding what matters to stakeholders is achieved by building strong, constructive relationships and engaging regularly. We value the diverse perspectives that a broad range of stakeholders, representing different and often competing interests, can bring to our decision making.

Customers

Customer and other business partnerships such as overseas representatives, and group companies are reviewed at monthly internal management meetings against key performance metrics. Horstman fully engage with customers to create bespoke solutions tailored to customers need. The customer relationship is typically a long term engagement. We adapt our communications and improve our service delivery based on customer feedback.

Employees

Horstman rely upon employees to deliver quality service and takes steps to enable an engaged, motivated and productive workforce to deliver on customer needs. The company's active employee engagement strategy includes frequent Employee Consultation Group discussion, all-hands company briefings and written business updates. These include key metrics and an update on the business environment. Employees share in the benefits of the company through a discretionary employee bonus scheme, related to productivity and performance. Employees have a structured personal development review with objectives set according to the company Vision and then training needs analysis, ad-hoc engagement surveys and employee turnover metrics are used to promote employee engagement topics to the internal board. In addition our HR team communicate proactively with any employees temporarily outside the business (e.g. remote working, maternity, paternity, illness, Covid related isolation). Given significant challenges to our employees work life balance caused by national Covid control measures we have significantly enhanced our mental health awareness training and mental health first aid provision.

SUPPLIERS

Effective relationships with suppliers are critical to manage the supply chain and maintain high quality production. Our engagement with suppliers has included regular contact to discuss current work and future business, to review capacity and to agree optimised payment terms. We explore opportunities to create shared value by developing innovative solutions and minimising environmental impact.

HORSTMAN DEFENCE SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

LOCAL COMMUNITY

We are proud to support projects at a local level. With over a century headquartered in Bath, Horstman's workforce has deep historic ties to the local areas. Horstman donated surplus PPE to local NHS units early in the pandemic, released St John's ambulance volunteers on paid leave and preferentially sourced cleaning and temporary labour to cover covid-isolation absences from veterans and those within our community 'bubble'.

ENVIRONMENT

The company is committed to conserving natural resources and protecting the environment. We endeavour to shape operations, processes and products to bring sustainable ecological benefits.

Specifically the company is committed to:

- Introduce ISO14001
- Incorporate sensitivity to environmental issues and objectives in all appropriate business decisions
- Monitor and review our performance on a regular basis
- Train our employees in environmental awareness and encourage them to contribute voluntarily
- Develop and market products which are environmentally friendly
- Respond positively to customers environmental programmes
- Encourage suppliers to apply standards compatible with our own area
- Bench-mark our achievements against enlightened environmental policies
- Pursue a philosophy of continuous improvements that will enhance environmental management performance

PARENT COMPANY

Strategic decisions, whilst driven by management and assessed in the context of being beneficial to the company and its stakeholders, are now also ratified/approved by RENK as the parent company. We draw on the expertise and resources of a multinational organisation, with expertise in precision engineering.

"Grow together" a joint strategic project identifies areas of cooperation in the fields of technology, business development/sales, operations and sourcing.

Other significant stakeholders include audit bodies, banks, government agencies (HMRC, local government, export licensing and overseas trade).

ON BEHALF OF THE BOARD:



.....
I Pain - Director

Date: 23rd June 2021
.....

HORSTMAN DEFENCE SYSTEMS LIMITED

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.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the design, manufacture, refurbishment and sale of suspension systems, gearboxes, auxiliary power units and components, high precision maritime built to print parts and naval instrumentation equipment.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2020 will be £2,500,000.

FUTURE DEVELOPMENTS

The directors have every reason to believe that the company will continue its good trading performance in the coming year. Demand in Horstman's addressable market is high, with armoured vehicle fleet recapitalisation in response to peer threats and regional tension creating strong end-user demand. This is combining with pressure by NATO allies on governments to increase their share of defence spend. Given these pressures, slow-down in world economies has not translated to reduced defence expenditure in the group's core markets: indeed - strong defence, exports and industrial capability appear to be key government messages in our home and export markets. Potential changes in future year defence budgets, post Covid-19, could lead to slow down of order intake in some markets, potentially offset by stimulus measures that include defence spending in other countries.

The directors continued to monitor Brexit related outcomes including specifically workforce availability, currency, tariff, export control, border checks or rules of origin, and have no reason to anticipate significant impacts to long term good trading performance. Notably, in our core markets, customers select RENK and Horstman products on the basis of superior performance over long product lifetimes and are relatively insensitive to the effects of border friction or short term disruption to shipping procedures. Our business process and teams are highly experienced in export compliance and trade to a wide variety of global destinations, so are prepared for any post-Brexit trade deals (eg with Australia or USA) that arise. The board notes that the flexible operating footprint RENK have secured in both Germany and the UK presents opportunities to mitigate any issues which arise on UK and German programmes.

The company's planning is based on assumptions by the company's directors and management. Among other things, these assumptions relate to business development or other external factors that are hard to predict and beyond Horstman's control. There is therefore a risk that planning assumptions could be incomplete or incorrect, giving rise to deviations between planned and actual results. There could also be opportunities for Horstman if actual developments deviate positively from forecasts.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

M Masur
I Pain

Other changes in directors holding office are as follows:

F Hofbauer ceased to be a director after 31 December 2020 but prior to the date of this report.

HORSTMAN DEFENCE SYSTEMS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company maintains cover under a qualifying third-party indemnity for all directors and officers against liabilities which may be incurred by them whilst acting as directors or officers.

RESEARCH AND DEVELOPMENT ACTIVITIES

The company is committed to a policy of investment in the future both by acquisition of new capital equipment and by expenditure on innovative research and product development and improvement.

EMPLOYEE INVOLVEMENT

During the year, regular meetings are held between local management and employees to allow a free flow of information and ideas.

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, Haines Watts, Statutory Auditor, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
I Pain - Director

Date: 23rd June 2021
.....

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HORSTMAN DEFENCE SYSTEMS LIMITED

Opinion

We have audited the financial statements of Horstman Defence Systems Limited (the 'company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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.

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic is one of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and wider economy. The Directors' view on the impact of COVID-19 is disclosed in the accounting policy note on Going Concern.

Other matter

The financial statements of the company for the period-ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion of those statements on 21 August 2020.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HORSTMAN DEFENCE SYSTEMS LIMITED

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 eight, 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HORSTMAN DEFENCE SYSTEMS LIMITED

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:

We obtained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates. We determined that the following laws and regulations were most significant: Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101), the Companies Act 2006 and relevant tax compliance regulations in the UK and ISO45001.

We obtained an understanding of how the Company is complying with those legal and regulatory frameworks by making enquiries of management.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where management considered there was susceptibility to fraud. Audit procedures performed by the audit team included:

- Challenging assumptions and judgements made by management in its significant accounting estimates;
- Identifying and testing journal entries, with a focus on entries made with unusual accounting combinations;
- Confirming with management whether they have knowledge of any actual, suspected or illegal fraud;
- Evaluating whether there was evidence of bias by management that represents a risk of material misstatement due to fraud.

These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance with all laws and regulations.

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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
HORSTMAN DEFENCE SYSTEMS LIMITED**

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.



Ben Loveday FCCA (Senior Statutory Auditor)
for and on behalf of Haines Watts, Statutory Auditor
Chartered Accountants

Advantage
87 Castle Street
Reading
Berkshire
RG1 7SN

Date: 24th June 2021

HORSTMAN DEFENCE SYSTEMS LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Year Ended 31.12.20 £'000	£'000	Period 1.4.19 to 31.12.19 £'000	£'000
REVENUE	4		25,573		20,929
Cost of sales			<u>13,560</u>		<u>10,819</u>
GROSS PROFIT			12,013		10,110
Distribution costs		2,613		1,808	
Administrative expenses		<u>5,906</u>		<u>4,176</u>	
			<u>8,519</u>		<u>5,984</u>
			3,494		4,126
Other operating income	5		<u>(77)</u>		<u>33</u>
OPERATING PROFIT			3,417		4,159
Interest receivable and similar income	7		<u>111</u>		<u>109</u>
			3,528		4,268
Interest payable and similar expenses	8		<u>111</u>		<u>365</u>
PROFIT BEFORE TAXATION	9		3,417		3,903
Tax on profit	10		<u>482</u>		<u>820</u>
PROFIT FOR THE FINANCIAL YEAR			2,935		3,083
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			<u>2,935</u>		<u>3,083</u>


The notes form part of these financial statements

HORSTMAN DEFENCE SYSTEMS LIMITED (REGISTERED NUMBER: 01511975)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2020**

	Notes	2020 £'000	2019 £'000
FIXED ASSETS			
Property, plant and equipment	12	5,664	5,792
CURRENT ASSETS			
Inventories	13	5,656	6,427
Debtors	14	13,670	15,912
Cash at bank and in hand		<u>3,952</u>	<u>2,487</u>
		23,278	24,826
CREDITORS			
Amounts falling due within one year	15	<u>4,559</u>	<u>6,283</u>
NET CURRENT ASSETS		<u>18,719</u>	<u>18,543</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,383	24,335
CREDITORS			
Amounts falling due after more than one year	16	(8,373)	(9,064)
PROVISIONS FOR LIABILITIES	19	<u>(882)</u>	<u>(578)</u>
NET ASSETS		<u>15,128</u>	<u>14,693</u>
CAPITAL AND RESERVES			
Called up share capital	20	50	50
Retained earnings	21	<u>15,078</u>	<u>14,643</u>
SHAREHOLDERS' FUNDS		<u>15,128</u>	<u>14,693</u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 23rd June 2021 and were signed on its behalf by:


I Pain - Director

The notes form part of these financial statements

HORSTMAN DEFENCE SYSTEMS LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2019	50	11,560	11,610
Changes in equity			
Total comprehensive income	<u>-</u>	<u>3,083</u>	<u>3,083</u>
Balance at 31 December 2019	<u>50</u>	<u>14,643</u>	<u>14,693</u>
Changes in equity			
Dividends	-	(2,500)	(2,500)
Total comprehensive income	<u>-</u>	<u>2,935</u>	<u>2,935</u>
Balance at 31 December 2020	<u>50</u>	<u>15,078</u>	<u>15,128</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. STATUTORY INFORMATION

Horstman Defence Systems 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.

The principal activity of the company in the year under review was that of the design, manufacture, refurbishment and sale of suspension systems, gearboxes, auxiliary power units and components, high precision maritime built to print parts and naval instrumentation equipment.

Statement of Compliance

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year in dealing with items which are considered material in relation to the company's financial statements.

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.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £1,000.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies, such areas being discussed further in note 3.

These financial statements are for the year ended 31 December 2020, the comparative period is the 9 months ended 31 December 2019.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- 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, 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 in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

This information is included in the consolidated financial statements of RENK Holding GmbH as at 31 December 2020. These financial statements may be obtained from the company, c/o Locksbrook Road, Bath, Avon, BA1 3EX.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. In particular, in response to the COVID-19 pandemic, the Directors have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of COVID-19, alongside the measures that they can take to mitigate the impact. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the Directors have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the customer, usually on despatch of the goods. Where contracts allow for milestone claims, revenue is recognised upon completion of works or services provided in accordance with the contract. Revenue from the provision of other services is recognised when the services have been provided.

Revenue is recognised net of VAT and any discounts offered to customers.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. ACCOUNTING POLICIES - continued

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method, on the following bases:

- Land & buildings - 2 to 4% straight line
- Plant and machinery - 7 to 25% straight line
- Fixtures, fittings and equipment - 10 to 25% straight line
- Motor vehicles - 25% straight line

Property, plant and equipment 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's fair value less costs to sell and value in use.

Financial instruments

The company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Other debt instruments, including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found an impairment loss is recognised in the income statement.

The impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Other financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including forward foreign exchange contracts are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for foreign exchange derivatives.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. ACCOUNTING POLICIES - continued

Inventory

Inventories and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

Trade and other receivables

Trade and other receivables are recognised by the company and carried at original invoice amount less an allowance for any uncollectible or impaired amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being bad.

Other receivables are recognised at fair value.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable. The tax charge is based on the results for the year and takes into account full provision for deferred tax due to temporary differences, using the liability method. Deferred tax assets and liabilities are not discounted.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the Company intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Current tax is the expected tax payable on the taxable income for the year, using rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of prior years.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. ACCOUNTING POLICIES - continued

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions to the scheme are charged to the income statement in the period in which they become chargeable. The assets of the plan are held separately from the subsidiary companies in independently administered funds.

Interest income

Interest income is recognised in the income statement using the effective interest method.

Provision for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the income statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Leases

Assets obtained under leases arrangements are recognised as right of use assets together with a lease liability for the net present value of minimum lease payments. The right of use asset has been included in the relevant category of property, plant and equipment and is depreciated over the shorter of the lease term and their useful lives. Obligations under such lease agreements are included in creditors, net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement as interest expense so as to give a constant effective interest rate on the net obligations outstanding in each period.

The company has taken advantage of the practical expedients within IFRS 16 to not recognise a lease liability and right of use asset for leases with an initial duration of less than 12 months and for low value leases of less than £5,000. The costs of such arrangements are recognised as an expense in the income statement as incurred.

Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ACCOUNTING POLICIES - continued

Foreign currency exchange

Transactions in currencies other than the functional currency of the company are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the Profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the Profit and loss account as the related expenditure is incurred.

Finance costs

Finance costs are charged to the income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction on the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the financial statements, management is required to use judgement in applying the company's accounting policies and to make estimates and assumptions which affect reported income, expenses, assets and disclosures of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The key judgement made in applying the accounting policies is whether revenue on certain contracts should be recognised at a point in time (on dispatch of product) or whether revenue should be recognised over time as work is performed. The directors do not believe that the criteria in IFRS 15 for recognition over time are met and hence all revenue has been recognised on dispatch of products, which the directors believe is the more prudent and appropriate treatment.

The following key estimates could result in a material change to assets or liabilities recognised in the financial statements in the next 12 months:

Tangible assets depreciation

Tangible fixed assets are depreciated over their useful economic lives taking into account residual values where appropriate. In assessing the useful economic lives, factors such as life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

Inventory valuation

At each balance sheet date, inventories are reviewed for impairment. If inventories are impaired the carrying value is reduced. The provision is based upon a percentage reduction linked to when the stock was last used, and where any future contracts need the items of stock.

Warranty provision

Provision is made for potential warranty claims in respect of completed projects which are within their warranty period. This is based upon previous experience of warranty claims. The movement on the warranty provision is shown in note 15. An accrual is also made for any claims made on specific contracts where the directors believe it is more likely than not the the company will be required to settle an obligation.

4. REVENUE

The revenue and profit before taxation are attributable to the one principal activity of the company.

An analysis of revenue by geographical market is given below:

	Year Ended 31.12.20 £'000	Period 1.4.19 to 31.12.19 £'000
United Kingdom	5,007	5,514
Europe	4,688	3,893
United States of America	4,139	3,343
Rest of World	11,740	8,179
	<u>25,574</u>	<u>20,929</u>

HORSTMAN DEFENCE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****5. OTHER OPERATING INCOME**

	Year Ended 31.12.20 £'000	Period 1.4.19 to 31.12.19 £'000
Royalty receivable	<u>(77)</u>	<u>33</u>

6. EMPLOYEES AND DIRECTORS

	Year Ended 31.12.20 £'000	Period 1.4.19 to 31.12.19 £'000
Wages and salaries	5,091	3,623
Social security costs	604	420
Other pension costs	<u>212</u>	<u>147</u>
	<u>5,907</u>	<u>4,190</u>

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

	Year Ended 31.12.20	Period 1.4.19 to 31.12.19
Sales, administration and distribution	37	28
Manufacturing	<u>78</u>	<u>78</u>
	<u>115</u>	<u>106</u>

	Year Ended 31.12.20 £	Period 1.4.19 to 31.12.19 £
Directors' remuneration	<u>282,445</u>	<u>438,000</u>

Information regarding the highest paid director is as follows:

	Year Ended 31.12.20 £	Period 1.4.19 to 31.12.19 £
Emoluments etc	<u>282,445</u>	<u>-</u>

Only one director was remunerated by the company in respect of his services to the company. Other directors were paid by other group companies, primarily for their services to those other companies.

HORSTMAN DEFENCE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****6. EMPLOYEES AND DIRECTORS - continued****KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel, including directors and senior management, aggregate emoluments in respect of qualifying services were:

	Year Ended 31.12.20 £'000	Period 1.4.19 to 31.12.19 £000
Emoluments receivable	820	943

The number of key management personnel who are members of a money purchase scheme	5	6
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7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31.12.20 £'000	Period 1.4.19 to 31.12.19 £'000
Interest on loans to group	<u>111</u>	<u>109</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31.12.20 £'000	Period 1.4.19 to 31.12.19 £'000
Other interest payable	-	13
Interest on loans by group	105	-
Interest on lease liabilities	<u>6</u>	<u>352</u>
	<u>111</u>	<u>365</u>

HORSTMAN DEFENCE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****9. PROFIT BEFORE TAXATION**

	2020 £'000	2019 £000
Operating profit is stated after charging:		
Depreciation - Owned assets	1,042	672
Depreciation - Right of use assets - Land and buildings	39	25
Depreciation - Right of use assets - Motor vehicles	14	22
Research and development expenditure	370	290
Auditors' remuneration	40	43
Foreign exchange differences	102	25
Profit on disposal of fixed assets	(12)	(16)

10. TAXATION**Analysis of tax expense**

	Year Ended 31.12.20 £'000	Period 1.4.19 to 31.12.19 £'000
Current tax:		
UK corporation tax	699	811
Prior year adjustment	(300)	-
Foreign tax	24	14
Total current tax	423	825
Deferred tax	59	(5)
Total tax expense in statement of comprehensive income	482	820

HORSTMAN DEFENCE SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

10. TAXATION - continued

Factors affecting the tax expense

The tax assessed for the year is lower (2019 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 31.12.20 £'000	Period 1.4.19 to 31.12.19 £'000
Profit before income tax	<u>3,417</u>	<u>3,903</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	649	742
Effects of:		
Effect of changes in tax rates (deferred tax)	29	1
Expenses not deductible for tax purposes	9	17
Other differences leading to an increase in the tax charge	35	53
Additional deduction for R&D expenditure	7	7
Adjustments in respect of prior periods	<u>(247)</u>	<u>-</u>
Tax expense	<u>482</u>	<u>820</u>

11. DIVIDENDS

	Year Ended 31.12.20 £'000	Period 1.4.19 to 31.12.19 £'000
Ordinary shares of £1 each		
Interim	<u>2,500</u>	<u>-</u>

HORSTMAN DEFENCE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****12. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and computer equipment £'000	Motor vehicles £'000	Totals £'000
COST					
At 1 January 2020	1,364	11,167	1,205	145	13,881
Additions	35	768	113	51	967
Disposals	-	(287)	-	(28)	(315)
At 31 December 2020	<u>1,399</u>	<u>11,648</u>	<u>1,318</u>	<u>168</u>	<u>14,533</u>
DEPRECIATION					
At 1 January 2020	913	6,011	1,066	99	8,089
Charge for year	79	912	73	31	1,095
Eliminated on disposal	-	(287)	-	(28)	(315)
At 31 December 2020	<u>992</u>	<u>6,636</u>	<u>1,139</u>	<u>102</u>	<u>8,869</u>
NET BOOK VALUE					
At 31 December 2020	<u>407</u>	<u>5,012</u>	<u>179</u>	<u>66</u>	<u>5,664</u>
At 31 December 2019	<u>451</u>	<u>5,156</u>	<u>139</u>	<u>46</u>	<u>5,792</u>

Land and buildings include Right of Use assets under lease arrangements with a net book value of £53,000 (31 December 2019: £92,000). There were no additions of such assets during the year.

Included in plant and machinery, fixtures, fittings and equipment, and motor vehicles are assets held under lease arrangements or hire purchase contracts with a net book value of £61,000 (31 December 2019: £145,000).

13. INVENTORIES

	2020 £'000	2019 £'000
Raw materials and consumables	3,702	5,291
Work-in-progress	<u>1,954</u>	<u>1,136</u>
	<u>5,656</u>	<u>6,427</u>

The value of inventory is stated net of provision for the impairment of £1,732,390 for the period ended 31 December 2020 (31 December 2019: £2,880,351).

The amount of inventories booked through cost of sales for the year ended 31 December 2020 were £11,091,249 (31 December 2019: £7,276,976).

HORSTMAN DEFENCE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****14. DEBTORS**

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	5,190	5,664
Amounts owed by group undertakings	2,320	1,630
Other receivables	375	290
Prepayments and accrued income	149	249
	<u>8,034</u>	<u>7,833</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>5,636</u>	<u>8,079</u>
Aggregate amounts	<u>13,670</u>	<u>15,912</u>

Amount owed by group undertakings due after more than one year to the Company represents a loan provided to Horstman Holding Limited, that bears interest at the 3 month London Interbank Offered Rate plus 2 percent per annum simple interest.

Amounts owed by group undertakings due within one year represents trading balances and a short term loan with the former parent company that was repaid during the period.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Leases (see note 17)	54	36
Trade payables	1,754	2,404
Amounts owed to group undertakings	9	6
Tax	-	825
Social security and other taxes	154	126
Accruals and deferred income	<u>2,588</u>	<u>2,886</u>
	<u>4,559</u>	<u>6,283</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Leases (see note 17)	38	60
Payments on account	788	1,457
Amounts owed to group undertakings	<u>7,547</u>	<u>7,547</u>
	<u>8,373</u>	<u>9,064</u>

HORSTMAN DEFENCE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****17. FINANCIAL LIABILITIES - BORROWINGS**

	2020 £'000	2019 £'000
Current:		
Leases (see note 18)	<u>54</u>	<u>36</u>
Non-current:		
Leases (see note 18)	<u>38</u>	<u>60</u>

Terms and debt repayment schedule

	1 year or less £'000	2-5 years £'000	Totals £'000
Leases	<u>54</u>	<u>38</u>	<u>92</u>

Obligations under lease arrangements and hire purchase contracts are secured against the assets to which they relate.

18. LEASING**Lease liabilities**

Minimum lease payments fall due as follows:

	2020 £'000	2019 £'000
Gross obligations repayable:		
Within one year	54	36
Between one and five years	38	60
	<u>92</u>	<u>96</u>

HORSTMAN DEFENCE SYSTEMS LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****19. PROVISIONS FOR LIABILITIES**

	2020 £'000	2019 £'000
Deferred tax	253	195
Warranty provision	<u>629</u>	<u>383</u>
	<u>882</u>	<u>578</u>

	Deferred tax £'000	Warranty £'000
Balance at 1 January 2020	195	383
(Credit)/Charge for the period	<u>59</u>	<u>246</u>
Balance at 31 December 2020	<u>254</u>	<u>629</u>

The deferred taxation liability consists of the tax effect of timing differences in respect of accelerated capital allowances and other short term timing differences.

The warranty provision represents the expected costs of meeting product warranty obligations issued in the normal course of business that typically are for up to two years duration.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2020 £'000	2019 £'000
50,000	Ordinary	£1	<u>50</u>	<u>50</u>

21. RESERVES

	Retained earnings £'000
At 1 January 2020	14,643
Profit for the year	2,935
Dividends	<u>(2,500)</u>
At 31 December 2020	<u>15,078</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

22. CAPITAL COMMITMENTS

	2020	2019
	£'000	£'000
Contracted but not provided for in the financial statements	<u>788</u>	<u>-</u>

Capital commitments contracted for but not provided in the financial statements amounted to £788,000 (31 December 2019 - £NIL).

23. RELATED PARTY DISCLOSURES

The company is exempt from disclosing transactions with other group companies by virtue of being included in the consolidated financial statements of RENK Holding GmbH.

24. EVENTS AFTER THE REPORTING PERIOD

On the 10th March 2021, Horstman Defence Systems Ltd entered into a Security Agreement relating to a senior facilities agreement dated 9th July 2020 between, among others, RENK Aktiengesellschaft (as legal successor of Rebecca Bidco GmbH) as the company and the original borrower.

25. ULTIMATE CONTROLLING PARTY

The company's immediate parent company is Horstman Holdings Limited, a company registered in England and Wales.

At 31 December 2020, the company's intermediate parent company was RENK Holding GmbH ("RENK"). RENK, registered in Germany, is a subsidiary of Triton V fund, which is deemed to be the ultimate controlling party.

The smallest group to consolidate the accounts of the company is that headed by RENK. Copies of the RENK consolidated financial statements for the year ended 31 December 2020 may be obtained from the company's registered office.