Evolution Finco Limited

Annual Report and Audited Financial Statements

Year ended 31 March 2021

COMPANY REGISTRATION NUMBER: 11672861

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Strategic Report

The Directors present their Strategic Report for Evolution Finco Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2021.

The Company was incorporated in England and Wales on 12 November 2018.

The Directors, in preparing this report, have complied with the Companies Act 2006.

Principal activities

The principal activities of the Group are the development and manufacture of prosthetic and orthotic devices sold globally and the provision of prosthetic and orthotic services in the UK and Norway only.

There have not been any significant changes in the nature of the Group's activities during the year ended 31 March 2021.

The subsidiary undertakings affecting the profits or net assets of the Group in the year are listed in note 18 in the Notes to the financial statements.

Review of the business [illegible]

The financial year 2021 (FY21) saw an improvement in profitability vs financial year 2020 (FY20), with a large number of projects being completed to improve the service the business offers its customers and the efficiency of its operations. The Directors feel that the improvements seen from these projects will also support and sustain continued business improvements in terms of both sales and profitability going forward.

As with many industries, FY21 performance was affected by the impact of Covid-19, in particular in suppressing sales of our Advanced Technology business and requiring us to temporarily close clinics in our Patient Solutions division in both the UK and Norway at various points through the year. However, through the above-mentioned projects, working with commercial partners and availing ourselves of governmental support (e.g. furlough schemes), we were able to maintain service levels to customers and at the same time, preserve underlying profitability.

At a net income level, the business reported a lower loss from continuing operations for the year ended 31 March 2021 of £2,325,000 (year ended 31 March 2020: loss of £5,190,000).

Cash decreased from £10,396,000 at 31 March 2020 to £6,149,000 at 31 March 2021. However, the balance at 31 March 2020 included £5,000,000 of drawn down revolving credit facility which was repaid in June 2020 as business trading remained sufficiently robust to fund both day to day operations as well as investment for future growth in the form of systems infrastructure and increased New Product Development capability.

Key performance [illegible]

As per above comments the net loss for the year was £8,068,000, however, this reported loss includes interest costs due to the capital structure of the Group and business transformation costs incurred to generate future growth which impacts the underlying performance of the Group. As a result, management focus on Management Adjusted EBITDA as our key financial metric.

In the year ended 31 March 2021 Management Adjusted EBITDA (Adjusted Earnings Before Interest, Tax, Depreciation, Amortisation and Non-Recurring Costs) increased to £13,239,000 from £8,028,000 in the year to 31 March 2020. Non-recurring costs include severance costs, business transformation costs and other non-recurring operational expenses.

Review of key markets

UK

The Group saw its overall third-party revenues decrease to £30,442,000 for the year (year ended 31 March 2020: £40,669,000). Revenues during the year were affected by Covid-19 leading to reduced clinical access to patients and less prescribing of devices to help those patients maintain/increase their mobility. In addition, our Crystal Palace NHS contract ended on 31 December 2020. The effects of the end of this contract have been in part offset by the gain of the Derbyshire Orthotic contract which started on 1 June 2020. Orthotic device sales were £3,084,000 lower year on year although we expect this to recover in 2022 as business returns to normal after Covid-19 and the full year effects of the contracts gained in 2021 come through.

In our UK market, selling both Orthotic and Prosthetic devices as well as providing complete rehabilitation services is key for us to gain a full understanding of the end-to-end process that makes a real difference to patients' lives. This clinical input also underpins our Research and Development (R&D) efforts and provides us with a constant flow of patient feedback on our new Orthotic and Prosthetic devices. We support this feedback process through a Clinical Advisory Board that has strong links across both our Clinical as well as R&D teams.

US

Following a reorganisation of our sales team in the year ended 31 March 2020, we are now realising the benefits of these changes with the Group seeing its overall third-party revenues in the market reach £21,178,000 in the year ended 31 March 2021 (year ended 31 March 2020: £19,992,000).

A new Vice President Sales and Marketing was appointed in June 2020 and is focused on generating sales growth in the North American market.

During the year we have also successfully launched several significant new prosthetic devices into all our markets including a waterproof and induction charging Elan IC and an improved Echelon ER (Extended Range).

The PDAC-Medicare Contractor for Pricing in the USA announced a comprehensive review of a wide range of prosthetic products in 2021 and all but one Blatchford product that were assessed have been approved by PDAC.

Blatchford's US sales growth was also supported by the publication of the OASIS 1 clinical study which is the largest independent study of micro-processor knees ever conducted. It showed the Blatchford Orion MPK to be equivalent and in some instances deliver superior clinical outcomes when compared to the market leader and significantly better than the other two competitors. The study did not include Blatchford's Linx micro-processor knee and foot system as this continues to be the only fully integrated limb system in the world, delivering further clinical benefits over and above the Orion MPK.

Norway

The business in Norway saw third party revenues of £19,854,000 (year ended 31 March 2020: £21,939,000). Although revenues were impacted by Covid-19, this maintains the Group's position as the largest supplier by revenue of prosthetic and orthotic services in the country and the business believes that there is significant room for improvement in performance, both in terms of sales growth and profitability, post Covid-19.

Clinical revenue decreased to £16,925,000 in the year ended 31 March 2021 (year ended 31 March 2020: £18,585,000) due to Covid-19 with Norway entering lockdown measures in early March 2020, resulting in the closure of clinics until mid-May 2020.

Review of key markets [illegible]

Norway (continued)

Our distribution business, Ortopro AS, generated third party revenue of £2,929,000 (year ended 31 March 2020: £3,354,000) as we saw sales across Nordic countries decrease due to Covid-19.

Overall, the Norway business, despite its fall in revenue during the year due to Covid-19 continues to make progress with increased focus on efficiency through the increased capacity we have installed in the prior year. We are confident the business is well placed to deliver a significantly improved performance and increased revenue growth in the upcoming years whilst maintaining its market leading quality service proposition.

Other International ma[illegible]

Across other markets, the Group experienced a 16% decrease in sales compared to the prior year. This was driven by a decrease in sales to countries such as China as a result of Covid-19.

Brexit related issues have not had a significant impact on our EU markets as our products are excluded from any tariffs on the basis of being medical devices and we believe our supply chain counter measures to any disruption at borders allowed us to ensure largely uninterrupted supply to our EU customers from our distribution centre in Germany.

Principal risks and uncertainties [illegible]

1) Defined benefit pension schemes

The Company has four defined benefit schemes; two in the UK and two in Norway. Two of the schemes are in deficit at 31 March 2021 (31 March 2020: one scheme). The benefit schemes have combined net liabilities before deferred tax of £1,571,000 at 31 March 2021 (net assets before deferred tax of £6,567,000 at 31 March 2020), broken down as follows:

Country	Scheme	Surplus / (deficit)
		£'000
UK	Main Scheme	(1,721)
UK	Ex-NHS Scheme	191
Norway	Ortopediservice AS	(95)
Norway	Aktiv Ortopedi AS	54
		(1,571)

The main scheme in the UK, which is closed, represented the primary financial risk. At 31 March 2021, deficit under this scheme was £1,721,000 (31 March 2020: surplus of £6,236,000) before taxation. The scheme's asset values decreased by around £3,937,000 (31 March 2020: increased by £1,900,000) during the year and £nil (31 March 2020: £nil) was paid in employer contributions. As part of the transaction with CBPE Capital LLP, an additional £4,120,000 was paid into the main UK defined benefit scheme on 20 November 2018; this being an amount to cover the contributions that were due by Blatchford Limited over the course of the next 3 years following the transaction as described in the pension scheme recovery plan.

The Directors are currently working alongside the pension trustees to complete the buy-out of the main scheme by transferring the responsibility for meeting the main scheme members' benefits into an insurance backed scheme. It is anticipated that the buy-out will be concluded by 31 March 2022. For further information on the risks and sensitivities on all of the above schemes, please see note 28 to these financial statements.

Principal risks and [illegible]

2) Other risks

Apart from the Skills base, the other risks in this section are more fully detailed in note 34 on Financial Instruments.

Skills base

As is the case for many innovation-led businesses in the UK, the Group is faced with the challenge of finding staff with the skills it needs particularly in engineering and R&D. Whilst the Group does not expect this to prevent its achievement of its growth plans, this will continue to be an area of focus going forwards.

Following Brexit, the recruitment of skilled engineering and design staff continues to be a challenge in the UK in the short-term. Staff from within the EU in our existing staff base have remained with the Company following the end of the Brexit transitional arrangements on 31 December 2020.

The Group has put plans in place to ensure that it develops in-house, as far as possible, the skills it needs to support the business through new graduate recruitment schemes, apprenticeships and other initiatives. It has also continued to work on internal leadership and communication programmes to ensure staff retention rates are high.

Currency risk

Historically, the Group hedged its trading flows in Euros and US Dollars using participating forward exchange contracts and looked to cover 75% of its exposure in this way. A detailed review of our currency exposure and the available hedging tools available to us to mitigate FX risk is ongoing.

Credit risk

The Group has strict internal controls over the granting and monitoring of credit and does not believe it is unduly exposed to credit risk, not least because a significant proportion of Group revenues are to the UK public bodies such as the NHS and the Ministry of Defence and the Norwegian healthcare reimbursement authority ("NAV"), backed by the Norwegian state.

The comment regarding the UK still applies notwithstanding the increasing time taken to pay by NHS Trusts noted above as this is a liquidity risk (see below) and not a credit risk.

The Group's largest customer is in the United States and accounted for around 15% of Group revenues in the year ended 31 March 2021 (year ended 31 March 2020: 13%). The Group is not unduly concerned about this risk as the balance is with a large business that is profitable and has access to significant lines of credit. However, we regularly monitor that business' publicly released financial information and we are in regular contact with them.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group believes that its current and future projected profits and cash flows are sufficient to comfortably meet all payments as they fall due and to comply with all financial covenants on its borrowings. Further detail on the Group's assessment of liquidity risk can be found in note 34 to these financial statements.

Principal risks

Interest rate risk

The Group is exposed to cash flow interest rate risk from its £20,000,000, 7-year, bullet repayment term loan at 3-month LIBOR + 4% ('the Term Loan') which was entered into in November 2018.

The Term Loan required the Group to maintain a minimum hedge of 50% of the aggregate Term Loan amount for a minimum of two years from entering into the loan; the Group made use of an interest rate cap to meet this requirement for the year ended 31 March 2021.

The interest rate cap expired on 31 March 2021. Given the low level of leverage and therefore low exposure to interest rate changes, the Group is satisfied no further interest rate hedges are required.

Brexit

Following the formal withdrawal of the UK from the European Union on 31 December 2020, we have taken the appropriate steps for changes in legislation, trade agreements and working practices in order to take advantage of the changing commercial landscape and to mitigate business risk. The Group continues to source raw materials from within the European Union and to ship products to customers within the European Union with no significant changes apart from a slight increase in freight lead times.

We continue to monitor the UK's regulatory landscape post Brexit and will take necessary actions as and when required.

Covid-19

The financial year has been one of the most challenging in modern history. As a business, our key responsibility has been to ensure the health and well-being of our patients and colleagues. At the same time, we have worked to ensure our manufacturing and clinical sites remain operational to meet customers' needs. During the lock-down period, the Group saw some reductions in activities, which were partially mitigated by furloughing staff through the Job Retention Schemes in the UK and Norway. By utilising these Job Retention Schemes, we were able to furlough workers and safeguard their jobs until such time that Covid-19 no longer posed a threat on the health of employees and we are able to return to normal. Teams who were working on-site during the lock-down were well-protected. In addition to the provision of personal protective equipment, on-site inductions and signage, social distancing measures were underpinned by weekly lateral flow tests before the start of the week and random testing during the week. All office-based staff were provided with the equipment needed to enable home working.

The Directors would like to put on record their thanks to all of Blatchford's employees for the phenomenal effort undertaken during the pandemic in ensuring our patients and users of our devices across the world continued to be supported despite the significant challenges faced by all.

From April 2020, the Group availed of revised short-term payment arrangements offered by the NHS in the UK and NAV in Norway to help with the short-term cash-flows of the Group, where payments were made up-front for services to be offered during the year ended 31 March 2021, with accelerated payment terms. These short-term payment arrangements ended on 31 October 2020 and the business continues to report a healthy cash position following cash payment timings reverting to pre-Covid-19 arrangements.

In the US, the Group availed of the Paycheck Protection Program, a loan designed to provide a direct incentive to keep employees on the payroll. Repayment of the loan is dependent on meeting employee retention criteria. As the Group met the conditions regarding employee retention, the loan was forgiven.

Statement of Directors [illegible]

The Directors of the Group have a duty to promote the success of the Company. A Director of the Company must act in the way they consider, in good faith, to promote success of the Group for the benefit of its members, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;
b) the interests of the Group's employees;
c) the need to foster the Group's business relationships with suppliers, customers and others;
d) the impact of the Group's operations on the community and the environment;
e) the desirability of the Group maintaining a reputation for high standards of business conduct; and
f) the need to act fairly between members of the Group.

The Directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

Fairness

The Board's policy is to behave responsibly, ethically and fairly at all times towards shareholders and other external stakeholders, in line with our Group values, and to ensure that our management teams operate the business in a responsible and fair manner and to the highest standards of business conduct and good governance.

The Group is committed to enhancing engagement with all our stakeholders through a combination of:

- regular reports and presentations at scheduled monthly Board meetings, including operational reports presented by the Chief Executive and updates from senior management on operational performance, financial performance, strategic progress, people matters (including employee engagement) and health and safety to the representatives of CBPE Capital LLP, the ultimate controlling undertaking of the Group;
- a rolling agenda of matters to be considered by the Board throughout the year, including a strategy review which considers the purpose of the Group, and the strategy to be followed which is supported by an annual budget, quarterly reforecasts and a medium-term 3-year financial plan;
- formal consideration of new business leads, business improvement projects and other matters, including any factors which are relevant to major decisions taken by the Board through the year;
- further review of many of these topics through risk management processes and other standard meetings, and:
- regular updates meetings with external stakeholders such as lenders and major customers / suppliers

Statement of Directors

Engagement with Employees

The Group continues to focus on building channels that ensure the Group is effectively listening and responding to employees. In doing so, the company can identify opportunities to better meet employee needs, help them with their career progression and build the skills required to continue helping our business thrive.

During the year, the Group continued to focus, through a new electronic performance management tool, on internal performance management and development to ensure employees have clear objectives and an understanding of their contribution to our overall business success and goals. In addition, as a business we developed a new business Vision and Behaviours called "Being Blatchford" which has started to be rolled out and will over 2021, be rolled out to all staff members.

The Group strives to create a diverse and inclusive working environment where every employee feels welcome and can do their best work. We believe in the benefits of diversity and the importance of bringing wide range of skills, experience and perspectives into our business. The Directors continually work with senior management to promote the Group's values and to monitor attitude and behaviours to ensure that they are consistent with our culture.

Employee involvement by the Group is supported by communicating information of interest to all members of staff on a regular basis and the holding of monthly Town Hall Meetings, chaired by the Chief Executive Officer. The Group runs various training programmes for different levels within the Group as well as supporting individuals own development needs with external parties. In addition, the Company focused on internal performance management to ensure that employees have clear objectives and an understanding of their contribution to the overall business success and goals of the Company.

Engagement with suppliers, customers and others in a business relationship with the Company

Suppliers

As a Group dependent on suppliers and partners to deliver services for all our stakeholders, we strive to manage these relationships as closely as possible to ensure they meet our standards. The Group is committed to ensuring the highest standards and quality across our operations and require both our suppliers and partners to operate the same high standards.

Customers

Our goal is to deliver superior clinical outcomes for the patients we serve, either directly or indirectly. This means designing and manufacturing the best-in-class medical devices and in the UK & Norway, providing high quality clinical services on behalf of public bodies such as the NHS and the Ministry of Defence and the Norwegian healthcare reimbursement authority ("NAV"), backed by the Norwegian state.

Environment

The Group acknowledges its responsibilities for environmental matters and where practicable adopts environmentally sound policies in its working practices, such as recycling paper and packaging waste. A major consideration when replacing company vehicles is their impact on the environment.

The Group also makes use of in-house collaboration tools to reduce the need for travel to meetings and operates flexible working practices where possible, reducing the environmental impact of commuting. Positive experience of an increase in these activities during the Covid-19 pandemic suggests these will continue at a higher level after the end of the pandemic than before.

Future developments

The Group continues with its business activities and operations as normal following the investment by CBPE Capital LLP in November 2018. The Group is expected to continue to grow as we expect the global prosthetic and orthotic market to continue to grow at 5-6% per annum and for the Group to remain profitable at a Management Adjusted EBITDA level as a result.

The Group has access to sufficient funding via internal cash generation and its intermediate subsidiary, Evolution Bidco Limited, who holds the group banking facility with HSBC UK Bank plc, to continue trading for the foreseeable future.

The Strategic Report has been approved by the Board of Directors and signed on behalf of the Board by A R Hollyhead:

A R Hollyhead
Director

17 August 2021

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2021. The Company was incorporated in England and Wales on 12 November 2018.

Going concern

Whilst the Group has a net deficit of £14,186,000 as at 31 March 2021, which includes both goodwill (£28,994,000), £38,318,000 of borrowings due in greater than 5 years and amounts due to its immediate parent undertaking of £41,997,000, the Group has net current liabilities of £28,927,000 at 31 March 2021.

The Group meets its day-to-day working capital requirements through its existing cash balances and its banking facilities. Working capital levels are reviewed monthly at the Board Meeting. From 31 December 2019, the Group undertakes quarterly covenant reporting to HSBC Bank plc, reporting on leverage cover. Based on the current forecast and the reverse stress testing of this forecast to identify the revenue decrease required and the cost impact of the non-delivery of cost optimisation projects in order to breach our banking covenant, the Group has sufficient headroom to meet its covenants for a period of at least 12 months from the date of the report.

The Directors have considered the business activities, together with the factors likely to affect its future development, performance and position, as set out in the Strategic Report on page 10, and concluded that the Group will continue to generate sufficient cash and covenant headroom. Based on this, the Directors have concluded that it is appropriate to prepare the financial statements on the going concern basis.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Existence of branches outside the UK

The Company has no branches outside the UK.

Dividends

No dividends will be distributed for the year ended 31 March 2021 or for the year ended 31 March 2020. The Directors do not recommend the payment of a final dividend.

Directors

The Directors, who served throughout the year and up to the date of approving the financial statements, except as noted, were as follows:

P G Roberts
A R Hollyhead

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of professional indemnity insurance, which is also for the benefit of one or more Directors of any parent, subsidiary or fellow subsidiary. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year, Directors' and Officers' liability insurance in respect of itself and its Directors.

Political contributions

No political contributions were made during the year ended 31 March 2021 and the year ended 31 March 2020.

Health and Safety

We consider health and safety to be key to the core values of the business and central to the way we operate. We are committed to making our working environment as safe as possible for our employees, customers and end users. We have adopted a proactive approach to safety management and invested in additional resources to achieve continuous improvement in this area. In the context of Covid-19 to ensure staff and patient safety we have invested in significant PPE in terms of masks, separating desks and increased number if canteens to facilitate social distancing as well as funding weekly Covid-19 tests for all staff required to work on site.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. The Group continues to employ a number of amputees and disabled persons with other needs throughout its operations.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company.

This is achieved through a number of means:

a) Regular presentations and management briefings, which provide information on how the company is performing against our short and longer-term plans. All employees are able to access these presentations by either attending in person or watching the presentations online.
b) The holding of monthly Town Hall Meetings, chaired by the Chief Executive Officer, which provides a forum for employees to ask questions.
c) Our internal social media communication, via Twitter and Facebook, has continued, with more employees engaging with our various sites and becoming keener to share feedback and commentary from around the business.
d) The Group has an internal newsletter. Distributed twice a year, it has developed into a publication which truly reflects the contribution from all areas around the Group, signifying the increased relevance our international teams have to the delivery of our strategy.

We also continue to work on our areas of improvement as identified by the Investors in People assessment process and have been re-certified as a Gold standard organisation during FY21.

Climate change

Blatchford is committed to:

a) The protection of the environment, the prevention of pollution and the improvement of company waste management performance relative to the waste hierarchy;
b) Compliance with all applicable legal, regulatory and other requirements relating to our environmental aspects; and
c) Continually improve its environmental management system to enhance environmental performance.

The Company operates an environmental management system (EMS) certified to BS EN ISO 14001 on a site-specific basis, with senior management involvement throughout the management review process. The EMS drives the Company to focus on the following:

- Assessment and regular review of the Company's environmental impacts;
- Prevention of adverse environmental impacts occurring as a result of its activities; and
- Minimisation of material useage and waste of energy

The establishment and review of environmental objectives based upon the above activities.

Streamlined Energy and Carbon Reporting

Annual GHG emissions within the UK have been 220.28 tco2e (year ended 31 March 2020: 209.88 tco2e) from activities for which the Group is directly responsible involving gas combustion. Emissions from buying electricity have been 442.63 tco2e (year ended 31 March 2020: 523.70 tco2e).

Annual energy consumption within the UK have been 1,069,081kWh (year ended 31 March 2020: 1,009,877kWh), being energy consumed from activities for which the Group is directly responsible involving gas combustion. The energy consumed from buying electricity for our own use has been 1,898,564kWh (year ended 31 March 2020: 2,246,305kWh).

The methodology used to calculate these figures has been from taking actual kWh data from gas and electricity invoices received from our energy suppliers during the year.

This corresponds to an intensity ratio in terms of "Tonnes of CO2e per total £m sales revenue" of 8.26 (year ended 31 March 2020: 8.26).

During the year ended 31 March 2020, the Group engaged the services of a firm of energy consultants to undertake an Energy Savings Opportunity Scheme "ESOS" audit in its UK operations, designed to assess the energy performance of the business. The audit recommended energy efficiency savings around improving energy monitoring and targeting, sub-metering, air conditioning inspections, lighting improvements and gas boiler replacement. Some of the recommended works have been carried out, but due to Covid-19, have not been fully completed. Once it is safe to bring external contractors back on site, the recommended works will be completed. We have entered into discussions to engage the same firm of energy consultants to ensure that we meet the compliance date for ESOS Phase 3, which is 5 December 2023.

Future developments and events after the balance sheet date

Details of future developments are given in the Future Developments section of the Strategic Report. No disclosable events have occurred after the balance sheet date.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that year.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group and Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that 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.

Disclosure of information to auditor

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

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

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

Auditor

The Board passed a resolution during the year to change the Group's auditors from Deloitte LLP to BDO LLP for the audit for the year ended 31 March 2021. A resolution to reappoint BDO LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

A R Hollyhead
Director

17 August 2021

Unit D Antura
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Bond Close
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Hampshire
RG24 8PZ

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard (FRS 101 Reduced Disclosure Framework); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Evolution Finco Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Compan[illegible]

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

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

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on our understanding of the Group, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management incentives and opportunities for fraudulent manipulation of the financial statements including management override, and considered that the principal risk were related to the posting of inappropriate journal entries to improve the result before tax for the year.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

Procedures performed by the group audit team included:

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations;
- Evaluation of controls designed to prevent and detect irregularities; and
- Assessing journals entries as part of our planned audit approach.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

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

Use of our report

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
James Newman
EBEF481B701B459

James Newman (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
Date: 17 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

	Notes	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Continuing operations			
Revenue	5	**80,290**	88,779
Cost of sales		**(55,867)**	(60,157)
Gross profit		**24,423**	28,622
Distribution costs		**(693)**	(277)
Administrative expenses		**(23,613)**	(30,581)
Share of results of associates	19	**-**	24
Operating profit/(loss)	6	**117**	(2,212)
Interest income	11	**217**	48
Other gains and losses	12	**-**	(112)
Finance costs	13	**(3,422)**	(3.414)
Impairment of investment in associates	19	-	(153)
Loss before tax		**(3,088)**	(5,843)
Tax	14	**763**	653
Loss for the year		**(2,325)**	(5,190)

The loss for the year ended 31 March 2021 and 31 March 2020 derives from continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

	Year ended 31 March 2021		Year ended 31 March 2020	
	£'000	**£'000**	£'000	£'000
Loss for the year		**(2,325)**		(5,190)
Items that will not be reclassified subsequently to profit or loss:				
Re-measurement of defined benefit liability	**(7,679)**		3,504	
Deferred tax thereon	**1,531**		(669)	
Recognition of retirement benefit asset	**1,721**		-	
		(4,498)		2,835
		(6,823)		(2,355)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations net of tax		**(351)**		(6)
		(351)		(6)
Total comprehensive loss		**(7,174)**		(2,361)

Company registration no. 11672861

	Notes	2021 £'000	2020 £'000
Non-current assets			
Goodwill	15	**28,994**	28,994
Intangible assets	16	**18,226**	18,799
Property, plant and equipment	17	**6,569**	6,599
Right-of-use assets	17	**8,741**	10,127
Interest in associates	19	**258**	258
Retirement benefit obligations	28	**-**	6,567
Deferred tax asset	29	**1,108**	-
		63,896	71,344
Current assets			
Inventories	22	**9,614**	10,447
Trade and other receivables	23	**14,326**	11,966
Retirement benefit receivable	28	**1,721**	-
Cash and bank balances	34	**6,149**	10,396
		31,810	32,809
Total assets		**95,706**	104,153
Current liabilities			
Trade and other payables	24	**(56,751)**	(53,845)
Current tax payables		**(1,057)**	(635)
Lease liabilities	25	**(1,748)**	(1,799)
Borrowings	26	**-**	(5,000)
Provisions	27	**(1,181)**	(1,005)
Derivative financial instruments	21	**-**	-
		(60,737)	(62,284)
Net current liabilities		**(28,927)**	(29,475)

Company registration no. 11672861

	Notes	2021 £'000	2020 £'000
Non-current liabilities			
Lease liabilities	**25**	**(7,138)**	(8,337)
Borrowings	**26**	**(37,663)**	(35,553)
Provisions	**27**	**(2,783)**	(3,209)
Derivative financial instruments	**21**	**-**	-
Deferred tax liabilities	**29**	**-**	(1,782)
Retirement benefit obligations	**28**	**(1,571)**	-
		(49,155)	(48,881)
Total liabilities		**(109,892)**	(111,165)
Net deficit		**(14,186)**	(7,012)
Equity			
Share capital	**30**	**-**	-
Translation reserve	**31**	**(534)**	(183)
Accumulated loss	**32**	**(13,652)**	(6,829)
Total equity		**(14,186)**	(7,012)

The financial statements were approved and authorised for issue and approval by the Board on 17 August 2021 and signed on its behalf by:

A R Hollyhead
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Company registration no. 11672861

	Notes	**31 March 2021 £'000**	31 March 2020 £'000
FIXED ASSETS			
Investment in subsidiary	44	**-**	-
CURRENT ASSETS			
Trade and other receivables	45	**55,997**	55,976
TOTAL ASSETS		**55,997**	55,976
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade and other payables	47	**(42,006)**	(41,976)
NET CURRENT ASSETS		**13,991**	14,000
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,991**	14,000
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Borrowings	48	**(18,318)**	(16,355)
TOTAL LIABILITIES		**(60,324)**	(58,332)
NET LIABILITIES		**(4,327)**	(2,355)
CAPITAL AND RESERVES			
Called up share capital	30	**-**	-
Retained losses	46	**(4,327)**	(2,355)
TOTAL SHAREHOLDER'S DEFICIT		**(4,327)**	(2,355)

The financial statements were approved and authorised for issue and approval by the Board on 17 August 2021 and signed on its behalf by:

A R Hollyhead
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

	Notes	Share capital £'000	Retained Earnings £'000	Translation reserve £'000	Total £'000
Balance as at 31 March 2019		-	(4,473)	(177)	(4,650)
Loss for the year	**32**	-	(5,190)	-	(5,190)
Other comprehensive loss for the year	**31,32**	-	2,834	(6)	2,828
Balance as at 31 March 2020		**-**	**(6,829)**	**(183)**	**(7,012)**
Balance as at 31 March 2020		**-**	**(6,829)**	**(183)**	**(7,012)**
Loss for the year	**32**	-	(2,325)	-	(2,325)
Other comprehensive loss for the year	**31,32**	-	(4,498)	(351)	(4,849)
Total comprehensive loss for the year		**-**	**(6,823)**	**(351)**	**(7,174)**
Balance as at 31 March 2021		**-**	**(13,652)**	**(534)**	**(14,186)**

	Notes	Share capital £'000	Retained Earnings £'000	Total £'000
Balance as at 31 March 2019		-	(603)	(603)
Total comprehensive loss for the year				
Loss for the year	46	-	(1,752)	(1,752)
Balance as at 31 March 2020		**-**	**(2,355)**	**(2,355)**
Balance as at 31 March 2020		**-**	**(2,355)**	**(2,355)**
Total comprehensive loss for the year				
Loss for the year	46	-	(1,972)	(1,972)
Balance as at 31 March 2021		**-**	**(4,327)**	**(4,327)**

	Note	2021 £'000	2020 £'000
Net cash generated from operating activities	**33**	**7,636**	5,306
<u>Investing activities</u>			
Proceeds on disposal of property, plant and equipment		**133**	-
Purchases of property, plant and equipment	**17**	**(2,262)**	(4,593)
Purchases of patents and trademarks	**16**	**(142)**	(127)
Deferred development expenditure	**16**	**(1,668)**	(1,598)
Purchases of software	**16**	**(1,133)**	(340)
Net cash used in investing activities		**(5,072)**	(6,658)
<u>Financing activities</u>			
Interest received		**16**	48
Borrowings, net of loan arrangement fees	**26**	**-**	5,000
Repayments of obligations under leases		**(1,895)**	(2,068)
Repayment of term facilities		**-**	(39)
Repayment of borrowings		**(5,000)**	-
Net cash generated from financing activities		**(6,879)**	2,941
Net (decrease)/increase in cash and cash equivalents		**(4,315)**	1,589
Cash and cash equivalents at beginning of year		**10,396**	8,769
Effect of foreign exchange rate changes		**68**	38
Cash and cash equivalents at end of year		**6,149**	10,396

Included in the cash and cash equivalents balances at the balance sheet date is £207,000 (2020: £261,000) of restricted cash. Of the current year balance, £nil (2020: £67,000) relates to cash received from the EU related to a research project that the Group is leading. A corresponding liability is included in other creditors.

1 General information

Evolution Finco Limited (the "Company") together with its subsidiaries (the "Group") is a private company limited by shares and incorporated on 12 November 2018 in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2 Adoption of new and revised Standards

Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective on or after 1 January 2020, unless otherwise disclosed. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards	The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010 or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.
Amendments to IFRS 3 *Definition of a Business*	The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together, significantly contribute to the ability to create outputs. The amendments narrow the definitions of and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. Guidance and illustrative examples are added to help entities assess whether a substantive process has been acquired. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. Finally, an option concentration test is added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
Amendment to IAS 1 and IAS 8 *Definition of Material*	The amendments clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

2. Adoption of new

Impact of initial application of other amendments to IFRS Standards and Interpretations

Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*	The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedged instrument are based will not be altered as a result of interest rate benchmark reform.
Amendment to IFRS 16 *Covid-19 Related Rent Concessions (effective 1 June 2020)*	The amendment provides lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification.

3 Significant accounting

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the following items recognised at fair value, whose accounting policies are set out in this note:

- Net defined benefit asset / (liability)

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

3 Significant accounting policies

Going concern

Whilst the Group has a net deficit of £14,186,000 as at 31 March 2021, which includes both goodwill (£28,994,000), £38,3180,000 of borrowings due in greater than 5 years and amounts due to the immediate parent undertaking of £41,997,000, the Group has net current liabilities of £28,927,000 at 31 March 2021.

The Group meets its day-to-day working capital requirements through its existing cash balances and its banking facilities. Working capital levels are reviewed monthly at the Board Meeting. From 31 December 2019, the Group undertakes quarterly covenant reporting to HSBC Bank plc, reporting on leverage cover. Based on the current forecast and the reverse stress testing of this forecast to identify the revenue decrease required and the cost impact of the non-delivery of cost optimisation projects in order to breach our banking covenant, the Group has sufficient headroom to meet its covenants for a period of at least 12 months from the date of the report.

The Directors have considered the business activities, together with the factors likely to affect its future development, performance and position, as set out in the Strategic Report on page 10, and concluded that the Group will continue to generate sufficient cash and covenant headroom. Based on this, the Directors have concluded that it is appropriate to prepare the financial statements on the going concern basis.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

3. Significant

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition date.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Investments in associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Investments in joint arrangements

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

3. Significant [illegible]

Investments in joint arrangements (continued)

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in Associates (i.e. using the equity method – refer above).

Revenue

Performance obligations and timing of revenue recognition
A portion of the group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Some goods sold by the Group include warranties which require the group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with IFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the warranties in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. On some product lines, a customer is able to take out extended warranties. These are accounted for as separate performance obligations, with the revenue earned recognised on a straight-line basis over the term of the warranty.

The Group also has two divisions which carries out clinical rehabilitation services for clients. Whilst these contracts are long-term in nature (2-7 years), revenue is recognised in the month in which the service has been physically delivered provided both parties that all relevant conditions of service delivery have been met. On some contracts a small amount (+/- 5%) may be retained and paid annually upon meeting of all relevant KPIs. This revenue is deferred and taken once satisfactory sign-off from the client has been achieved.

Determining the transaction price
Most of the group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. There are no notable exceptions from this policy.

Allocating amounts to performance obligations
For most contracts, there is a fixed unit price for each product sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

3 Significant ac

Revenue (continued)

Allocating amounts to performance obligations (continued)
All extended warranties are sold by Group companies directly to end customers. There is therefore also no judgement required for determining the amounts received for extended warranties– it is the priced charged to the purchaser of the warranty. The extended warranty is a separate performance obligation and is recognised in the years in which the warranty is satisfied.

In order to win significant repeat business with key customers, the Group might enter into contracts entitling them to discounts if it places repeat orders in the future. Such discounts constitute a 'material right' and result in some of the consideration received for the initial sale being deferred and recognised as revenue when subsequent sales are fulfilled or (if later) when the rights to receive a discount expire. The Group estimates both the probability that the customer will take up its future discount offer and the value of future purchases that might be made in order to estimate the value of the rights granted. This has to be done on a contract–by-contract basis for each customer to whom material rights have been granted. The Directors do not consider past experience an appropriate basis for estimating the amount of total contract revenue to allocate to future discount rights for two reasons. Firstly, there is not a significant number of such contracts on which past experience can be extrapolated. And secondly, each customer has unique circumstances which will impact both the probability and value of additional orders being placed. Therefore, the estimates are made by reference to discussions had with the relevant customers as to the extent the discount options will be taken up when the original contracts were negotiated.

Costs of obtaining long-term contracts and costs of fulfilling contracts
No commissions are paid to sales staff for work in obtaining contracts of periods longer than one year, therefore, no judgement is needed to measure the amount of costs of obtaining contracts.

There are no other costs of fulfilling contracts that result in the recognition of a separate asset because set-up costs are minimal due to contracts, including staff and premises, being handed over in their entirety from one provider to another.

Exceptional items

Items which are material either because of their size or their nature, and which are non-recurring, are presented within their relevant consolidated income statement category, but highlighted through separate disclosure. The separate reporting of exceptional items helps provide a better picture of the Group's underlying performance.

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 1. The details of the accounting policies under IAS are disclosed separately if they are different from those under IFRS. This change in policy is applicable from 1 April 2019.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

3 Significant

Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within the property, plant and equipment line in the balance sheet.

3. Significant [illegible]

Leases (continued)

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in the income statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value items. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation, in which case exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve along with the exchange differences arising on the retranslation of the foreign operation.

Exchange gains and losses arising on the retranslation of monetary available for sale financial assets are treated as a separate component of the change in fair value and recognised in profit or loss. Exchange gains and losses on non-monetary available for sale financial assets form part of the overall gain or loss recognised in respect of that financial instrument.

On consolidation, the results of overseas operations are translated into GBP at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grant income is disclosed under other operating income in the income statement.

3 Significant [illegible]

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet, with a charge or credit to the statement of comprehensive income in the period in which they occur. Re-measurement recorded in the statement of comprehensive income is not recycled. Past service cost is recognised in profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net-interest expense or income; and
- re-measurement.

The Group presents the first two components of defined benefit costs within cost of sales and administrative expenses (see note 29) in its consolidated income statement. Curtailments gains and losses are accounted for as past-service cost.

Net interest income is recognised within Interest income (see note 11).

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3. Significant ...

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3 Significant accounting policies

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are held in the balance sheet at cost less any accumulated depreciation and less any accumulated impairment losses in accordance with the cost model of IAS16 Property, Plant and Equipment.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Land	Not depreciated
Buildings	4%
Fixtures, fittings and equipment	10% - 30%
Plant and machinery	10% - 15%
Loaners and demonstrators	33%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3 Significant accounting policies

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

In its consolidated financial statements, the Group has recognised intangible assets in this category that are shown in note 16 under the heading "Other intangibles". These intangibles are being amortised on a straight-line basis down to nil value using useful lives of 5 to 17 years.

Internally generated intangible assets - *research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

After initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Internally generated research and development expenditure recognised as an intangible asset is amortised to nil value on a straight-line basis over a maximum useful life of 10 years unless management determines that a shorter life is more appropriate due to likely technological or other changes that may reduce this life.

Patents, trademarks and software

Patents, trademarks and software are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives which are capped at the maximum number of years shown below:

Patents	21 years
Trademarks	10 years
Software	5 years

3 Significant accounting policies

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs of disposal and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises of direct material costs and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Inventory is accounted for on a first in first out (FIFO) basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents

In presenting its cash flow statements the Group and the Company includes in cash and cash equivalents all cash balances which are freely accessible (i.e. not held in escrow or subject to any other restrictions) and available (i.e. not earmarked for imminent investment) and also short-term borrowings such as overdrafts which are an integral part of managing the Group's working capital cycle.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant ac[illegible]

Financial assets (continued)

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated balance sheet. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flow from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the income statement.

Financial liabilities

Financial liabilities are required to be classified at initial recognition, as financial liabilities at fair value through the profit or loss, loans and borrowings, or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include payables.

Other financial liabilities

Other financial liabilities include bank borrowings and the Group's redeemable preference shares are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Liability components of convertible loan notes are measured as described above. Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when and only when the Group's obligations are discharged or cancelled. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Signific[illegible]

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

Dilapidations

A dilapidations provision is provided by the Group, at the Directors' best estimate of the expenditure required to reinstate buildings, located in the United Kingdom and leased under operating leases, to their original condition, at the expiry of their leases.

4 Critical accou[illegible] uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical Accounting Judgements

Exceptional items

Exceptional items consist of items of income or expenditure that management consider to be outside the normal course of business due to either their size or nature. Such items are rare in their occurrence with no two accounting periods expected to yield similar items. Management believes that the separate presentation of these items will enable a better like for like comparison of underlying results.

4 Critical [illegible] uncertainty (continued)

4.2 Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Carrying value of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3. Under IFRS this assessment has to be carried out for all CGUs (as defined in note 15) and these calculations require the use of estimates. The most critical estimates relate to the assumed growth of revenues and related profits and the discount rate, which are disclosed in note 15.

Each financial year management assesses, based on actual performance and any known factors that may influence the future, whether the estimates used are still valid. At the balance sheet date, the annual management assessment has not revealed any indications of impairment to the goodwill balance booked at the date of acquisition.

A key estimate relates to the allocation of profits from the sale of products to CGUs which carry out clinical service. Profits on products are allocated to CGUs according to how much of the product revenue that these CGUs are directly responsible for generating. It is possible even if the acquisition in total delivers the increase in shareholder value that the Group expects that an individual CGU might be deemed to have suffered impairment in future if this estimated allocation of product-related profits proves to be incorrect.

Retirement benefit obligations

The Group has four defined benefit pension schemes, of which three are closed. Two out of the four schemes are in deficit; however, the main UK Scheme is in deficit. The value of the obligations under these schemes and recorded in the balance sheet is greatly affected by the assumptions chosen by management, particularly those assumptions related to discount rate, life expectancy, inflation and (in the case of the smaller, open schemes) wage inflation. Also, the value of the pension schemes' assets used in the projections is greatly affected by the assumed rates of return, particularly with regard to bonds and equities. Details of the estimates used are disclosed in note 28 to the financial statements.

Management takes actuarial advice regarding the assumptions. If the estimates turn out to be incorrect, which they frequently do, there can be a significant change in the value of both the pension obligation as well as the market value of scheme assets. The actuarial gains and losses disclosed in note 28 related to the obligations and the re-measurement gains and losses related to scheme assets give an indication of the potential size of these variations which are booked to other comprehensive income in these financial statements. The sensitivity analyses in note 28 also show the effect on the value of the pension obligation of selected incremental changes in the main estimates.

Warranty and service provisions

The Group provides a warranty against failure due to manufacturing defects for some of its products for a specified time period. In addition, some of the Group's products require a scheduled service whose cost is borne by the Group. The Group makes estimates of its obligations under these warranties and scheduled services at the time of sale of the product. For existing products, these estimates are based on historical data (the number of units sold and still under warranty, historical return rates and average costs of those returns). In the case of new products where no historical data is available, estimates are based on comparative data for existing products with similar function and technological content. Information on the key sensitivities and the carrying value of warranty provisions at the end of the reporting period can be found in note 27.

5 Revenue

An analysis of the Group's revenue is as follows:	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Continuing operations		
Sale of goods	**35,468**	37,094
Provision of clinical services	**44,822**	51,685
	80,290	88,779
Sales by geography		
US	**21,178**	19,987
Europe	**24,345**	27,580
UK and Rest of World	**34,767**	41,212
	80,290	88,779

There are no remaining performance obligations relating to the above revenue.

6 Operating profit/(loss) ...

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Profit/(loss) for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**2,052**	3,346
Depreciation of right-of-use assets	**2,031**	1,956
Movement on provisions	**(250)**	(370)
Lease rentals - other	**473**	485
Research and expensed development costs	**1,282**	906
Net foreign exchange loss	**476**	486
Amortisation of other intangible assets included in administrative expenses	**3,516**	2,807
Inventory write-downs	**76**	96
Movement on provision for loss allowance	**51**	576
R&D grant income recognised including R&D tax credits	**(166)**	(96)
Non-recurring redundancy costs	**2,411**	627
Non-recurring operating costs	**2,635**	1,189
Non-recurring acquisition costs	**-**	86
IAS 19 administration costs on defined benefit pension schemes	**654**	342

Government grants include amounts received in the United Kingdom under the Coronavirus Job Retention Scheme and in the United States of America under the Payroll Paycheck Protection Scheme, offset by the refund of amounts claimed by the Group under the Coronavirus Job Retention Scheme in the United Kingdom to the NHS.

7 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Fees payable to the Company's auditor for the audit of the consolidated annual financial statements	**55**	65
The audit of the Company's subsidiaries pursuant to legislation	**152**	251
Total audit fee	**207**	316
Tax compliance services	**65**	81
Tax advisory services	**-**	2
Total non-audit fees	**65**	83

8 Staff costs

	Year ended 31 March 2021 Number	Year ended 31 March 2020 Number
The average monthly number of persons (including Directors) employed by the Group during the year was:		
Manufacturing, logistics and clinical services	**525**	621
Sales, marketing and product development	**107**	98
General and administration	**188**	170
	820	889

Staff costs for above persons:	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Wages and salaries	**30,308**	35,487
Social security costs	**3,363**	3,703
Other pension costs	**1,361**	1,601
	35,032	40,791

During the year ended 31 March 2021, the Group claimed amounts in the United Kingdom under the Coronavirus Job Retention Scheme and in the United States of America under the Payroll Paycheck Protection Scheme. Further details can be found in note 6 to these financial statements.

9 Directors remuneration

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Remuneration in respect of Directors was as follows:		
Emoluments	**575**	348
Company contributions to money purchase pension schemes	**21**	16
	596	364

	Year ended 31 March 2021 Number	Year ended 31 March 2020 Number
The number of Directors who:		
Are members of a defined benefit pension scheme	**-**	-
Are members of a money purchase pension scheme	**2**	2

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Remuneration of the highest paid Director:		
Emoluments	**329**	169
Company contributions to money purchase pension schemes	**10**	7
	339	176

P Roberts and A Hollyhead are remunerated for their services by Evolution Bidco Limited, a group undertaking. During the year and the prior year, the Directors' costs have been recharged to the relevant group undertaking in accordance with the appropriate Management Services Agreement.

10 Monitoring fees

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Monitoring fees	**21**	60

CBPE Capital LLP are the ultimate controlling undertaking of the Group. During the years ended 31 March 2021 and 31 March 2020, CBPE Capital LLP invoiced monitoring fees to Evolution Bidco Limited, a group undertaking, in respect of their services to the Group.

11. Interest income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Bank interest	**16**	48
Net interest income on defined benefit obligations	**201**	-
	217	48

12. Other gains and losses

The Group has no financial assets measured at fair value through profit or loss. The Group has the following financial liabilities measured at fair value through profit or loss:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Forward currency contracts	**-**	116
Interest rate cap	**-**	(4)
	-	112

See note 21 for further information on derivative financial instruments.

13. Finance costs

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Interest on long term borrowings	**2,740**	2,710
Other bank interest	**99**	88
Amortisation of loan arrangement fees	**148**	142
Amortisation of interest rate cap arrangement fees	**-**	6
Non-utilisation fee on RCF	**66**	55
Net interest income on defined benefit obligations	**-**	3
Interest on lease liabilities	**369**	410
	3,422	3,414

14. Taxation

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
The tax charge represents:		
UK Corporation tax (credit)/charge on loss of the year at 19%	**-**	(68)
Foreign tax charge	**544**	1,219
Total current tax charge	**544**	1,151
Total deferred tax (note 29)	**(2,767)**	(1,135)
Total taxation charge	**(2,223)**	16

	Year ended 31 March 2021		
Recognised in:	**Current tax £'000**	**Deferred tax £'000**	**Total £'000**
Profit and loss account	**544**	**(1,307)**	**(763)**
Other comprehensive income	**-**	**(1,460)**	**(1,460)**
	544	**(2,767)**	**(2,223)**

	Year ended 31 March 2020		
Recognised in:	Current tax £'000	Deferred tax £'000	Total £'000
Profit and loss account	1,151	(1,804)	(653)
Other comprehensive income	-	669	669
	1,151	(1,135)	16

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Loss on ordinary activities before tax	**(3,088)**	(5,843)
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	**(587)**	(1,110)
Effect of:		
Income not subject to tax	**(184)**	(139)
Expenses that are not tax deductible	**-**	380
Movement on defined benefit pension obligations	**(1,460)**	669
Tax rate changes	**-**	105
Differences between UK and foreign subsidiary tax rates	**21**	(42)
Tax benefit of loss carry back for subsidiaries	**-**	(41)
Amounts not recognised	**-**	194
R&D expenditure credits	**(13)**	-
Total tax (credit)/charge for the year	**(2,223)**	16

The deferred tax rate at 31 March 2021 is 19%. This rate was substantively enacted on 17 March 2020 and repeals the previously enacted 17% tax rate which was due to come into force on 1 April 2020. The future impact of the changes on the deferred tax provision is not considered material.

	£'000
Cost and carrying amount	
At 31 March 2020 and at 31 March 2021	**28,994**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of any impairment losses, the carrying amount of goodwill had been allocated as follows:

	2021 £'000	2020 £'000
CGU 1 – Products business	**21,939**	21,939
CGU 2 – UK service business	**3,765**	3,765
CGU 3 – Norway business	**3,290**	3,290
	28,994	28,994

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year.

The goodwill held on the balance sheet at 31 March 2021 relates to the acquisition of Stevton (No.664) Limited, Chas. A. Blatchford & Sons Holdings Limited and Blatchford Norway AS businesses on 20 November 2018.

The price paid for the businesses was based on Management's assessment of the profits and cash flows that those businesses would generate for the Group in future. There have been no changes since the dates of acquisition in Management's assessment of the future cash that the acquired businesses will generate or in Management's view of general market and economic conditions affecting the business. The estimated recoverable amounts of each CGU exceed their carrying values and therefore no impairment of goodwill has been recognised.

In calculating the estimated recoverable amounts management has used projections prepared prior the acquisition of the expected future sales and costs of each CGU over the coming three years. These sales and costs were based on its own knowledge of the market, the knowledge of the sellers and Management's past experience in terms of previous acquisitions or investments. After the initial three years, management has assumed a real growth rate of 3% per annum for CGU 1, 1% for CGU 2 and 2% for CGU 3 that it believes, is a conservative estimate of longer-term growth in the market.

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. The amount by which revenues would need to reduce on average over future timescales considered varies according to CGU. These sensitivities assume a simple fall in all years of the percentage of revenue quoted and does not consider, any countermeasures that the Group might deploy to reduce the impact on cash flows of a revenue reduction.

All of the CGUs are exposed to the same market and economic risks and pre-tax discount rate of 14.07% is used in all cases to calculate the present value of forecast cash flows. The sensitivity analysis undertaken confirmed that no goodwill impairment was required at 31 March 2021 or at 31 March 2020.

[illegible]

	Patents and trademarks £'000	Development expenditure £'000	Software £'000	Other intangibles £'000	Total £'000
Cost					
At 31 March 2019	1,128	3,804	1,697	14,095	20,724
Additions	127	1,598	340	-	2,065
Disposals	-	-	-	-	-
Translation difference	-	-	(182)	-	(182)
At 31 March 2020	1,255	5,402	1,855	14,095	22,607
Additions	142	1,668	1,133	-	2,943
Translation difference	-	-	(10)	-	(10)
At 31 March 2021	**1,397**	**7,070**	**2,978**	**14,095**	**25,540**
Accumulated Depreciation					
At 31 March 2019	(31)	(227)	(372)	(512)	(1,142)
Charge for the year	(382)	(1,492)	(426)	(507)	(2,807)
Translation difference	-	-	141	-	141
At 31 March 2020	(413)	(1,719)	(657)	(1,019)	(3,808)
Charge for the year	(548)	(2,020)	(441)	(507)	(3,516)
Translation difference	-	-	10	-	10
At 31 March 2021	**(961)**	**(3,739)**	**(1,088)**	**(1,526)**	**(7,314)**
Net book value					
At 31 March 2021	**436**	**3,331**	**1,890**	**12,569**	**18,226**
At 31 March 2020	842	3,683	1,198	13,076	18,799

Development costs and trademarks are amortised over a maximum 10-year useful life and patents over a maximum of 21 years. The other intangibles are being amortised over 5 to 17 years. Software is amortised over a useful life of 3 to 5 years. The amortisation charge is included within administrative expenses in the income statement.

The assets capitalised under the software, patents and trademark and other intangible headings are acquired. The assets capitalised under the development expenditure heading are internally generated. The amortisation policy is set out in note 3. The Group has no contractual commitments in respect of intangible asset additions at 31 March 2021.

Other intangibles represent the carrying value of customer contracts, product technology and brands acquired as part of the acquisition of Stevton (No.664) Limited (the products business), Chas. A. Blatchford & Sons Holdings Limited (the service business) and Blatchford Norway AS (the Norway business) on 20 November 2018.

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Loaners equipment £'000	Right-of-use assets Building £'000	Right-of-use assets Equipment £'000	Total £'000
Cost							
Acquisition	2,257	2,996	877	-	-	-	6,130
Additions	213	232	529	3,619	11,154	929	16,676
Disposals	-	(4)	(8)	(337)	-	-	(349)
Translation difference	(70)	45	(127)	16	-	-	(136)
At 31 March 2020	2,400	3,269	1,271	3,298	11,154	929	22,321
Additions	383	389	401	1,089	535	109	2,906
Disposals	-	(735)	(68)	(499)	-	-	(1,302)
Translation difference	36	(78)	6	(184)	-	-	(220)
At 31 March 2021	**2,819**	**2,845**	**1,610**	**3,704**	**11,689**	**1,038**	**23,705**
Accumulated Depreciation							
At 31 March 2019	(49)	(412)	(37)	-	-	-	(498)
Charge for the year	(204)	(764)	(285)	(2,093)	(1,615)	(341)	(5,302)
Disposals	-	-	-	284	-	-	284
Translation difference	46	(45)	72	(152)	-	-	(79)
At 31 March 2020	(207)	(1,221)	(250)	(1,961)	(1,615)	(341)	(5,595)
Charge for the year	(210)	(651)	(357)	(835)	(1,649)	(381)	(4,083)
Disposals	-	673	40	400	-	-	1,113
Translation difference	(24)	90	11	93	-	-	170
At 31 March 2021	**(441)**	**(1,109)**	**(556)**	**(2,303)**	**(3,264)**	**(722)**	**(8,395)**
Net book value							
At 31 March 2021	**2,378**	**1,736**	**1,054**	**1,401**	**8,425**	**316**	**15,310**
At 31 March 2020	2,193	2,048	1,021	1,337	9,539	588	16,726

Right-of-use assets

The Group leases several assets including buildings, equipment and vehicles. The average lease term is 2.5 years.

The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

Approximately one tenth of the leases for buildings, equipment and vehicles expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of £644,000 (31 March 2020: £647,000).

	2021	2020
Amounts recognised in profit and loss	**£**	£
Depreciation expense on right-of-use assets	**1,981,000**	1,956,000
Interest expense on lease liabilities	**369,000**	408,000

All lease payments for right of use assets are fixed payments.

The total cash outflow for leases amount to £2,308,000 (31 March 2020: £2,320,000).

The subsidiary undertakings of Evolution Finco Limited are as follows:

	Country of Incorporation	Registered office address	Class of share capital held	Held by the Company	Held by the Group
Evolution Midco Limited** Holding company	England and Wales	Unit D, Antura, Kingsland Business Park, Basingstoke RG24 8PZ	Ordinary	100%	-
Evolution Bidco Limited** Holding company	England and Wales	Unit D, Antura, Kingsland Business Park, Basingstoke RG24 8PZ	Ordinary	-	100%
Chas. A. Blatchford & Sons Holdings Limited** Holding company	England and Wales	Unit D, Antura, Kingsland Business Park, Basingstoke RG24 8PZ	Ordinary	-	100%
Stevton (No.664) Limited** Holding company	England and Wales	Unit D, Antura, Kingsland Business Park, Basingstoke RG24 8PZ	Ordinary	-	100%
Blatchford Limited** Provision of rehabilitation services	England and Wales	Lister Road, Basingstoke, Hampshire, RG22 4AH	Ordinary	-	100%
Blatchford Products Limited** Development and manufacture of artificial limb components and related products	England and Wales	Lister Road, Basingstoke, Hampshire, RG22 4AH	Ordinary	-	100%
Blatchford Inc. Distributor of artificial limb components and related products	U.S.A.	1031 Byers Road, Miamisburg, Ohio 45342, U.S.A.	Ordinary	-	100%
Blatchford Europe GmbH Distributor of artificial limb components and related products	Germany	Am Prime-Parc 4, 65479 Raunheim, Germany	Ordinary	-	100%
Blatchford SAS Dormant	France	4 Rue de Marivaux, 75002 Paris, France	Ordinary	-	100%

[illegible] Subsidiaries [illegible]

	Country of incorporation	Registered office address	Class of share capital held	Held by the Company	Held by the Group
Blatchford Norway AS Holding company for Norway operations	Norway	Skibåsen 42 B – Sørlandsparken 4636 Kristiansand S, Norway	Ordinary	-	100%
Blatchford Ortopedi AS Provider of rehabilitation services	Norway	Skibåsen 42 B – Sørlandsparken 4636 Kristiansand S, Norway	Ordinary	-	100%
Ortopro AS Distributor of artificial limb components and related products	Norway	Skibåsen 42 B – Sørlandsparken 4636 Kristiansand S, Norway	Ordinary	-	100%

** The above subsidiary undertakings are exempt from the requirements of UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act.

During the year ended 31 March 2021, the Group struck off its 100% wholly owned dormant companies Medicare Group Limited, Independent Orthotic Services Limited, Podo First Limited and Prostech Limited, companies incorporated in England and Wales and registered at Lister Road, Basingstoke, Hampshire RG22 4AH. In addition, the Group struck off its 100% wholly owned company Blatchford Management and Technology Services Limited, a company incorporated in England and Wales and registered at Lister Road, Basingstoke, Hampshire RG22 4AH. The company used to provide management information services and traded on a limited basis. All subsidiaries, including dormant companies have prepared individual financial statements.

At 31 March 2020, all of the subsidiary undertakings have been consolidated in the Group financial statements with the exception of Blatchford Management and Technology Services Limited which had only traded on a limited basis as at the balance sheet date and its results are immaterial to those of the Group. All subsidiaries, including dormant companies have prepared individual financial statements.

In the case of all subsidiaries except for Blatchford Limited, Chas. A. Blatchford & Sons Holdings Limited and Stevton (No.664) Limited, there is only one class of share in issue and all shares rank pari passu. Blatchford Limited, Chas. A. Blatchford & Sons Holdings Limited and Stevton (No.664) Limited have A and B class ordinary shares in issue, which entitle the holders to full voting rights, a share of dividends and a share of capital. The A and B ordinary share classes all rank pari passu with the exception of certain differences related to transfer rights and voting rights.

All subsidiaries have a financial year end of 31 March.

Investments [illegible]

The Group has the following investments in associates at 31 March 2021:

Name of associate	Class of share capital held	Principal activities	Country of incorporation and registered office address	Proportion of ownership interest / voting rights held by the Group 2021	2020
Endolite India Limited	Ordinary	Provider of rehabilitation services and distributor of prosthetic products	India A-4 Naraina Industrial Area, Phase 1, New Delhi, 110028, India	**50%**	50%
Endolite Russia Holding Limited	Ordinary	Holding company	Cyprus 1 Lampousas Street, 1095 Nicosia, Cyprus	**30%**	30%
Endolite Center LLC**	Ordinary	Provider of rehabilitation services	Russian Federation 4 Proektiruemyi 4586 proezd, Building 13, Floor 2, Room 28, Office 9, 109380, Moscow, Russian Federation	**30%**	30%

** Holding is indirect through Endolite Russia Holding Limited.

None of the associates are individually material to the results of the Group.

All of the above associates are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 3.

The financial year end of Endolite Russia Holding Limited and Endolite Center LLC is 31 December. The financial year end of Endolite India is 31 March.

At 31 March 2020, the Group impaired its investment in Endolite India Limited by £153,000 to mirror the Group's share of the associate's net assets at 31 March 2020. There was no further impairment required for the year ended 31 March 2021.

All investments in associates are held by the subsidiary undertaking Blatchford Limited.

Aggregate information of associates

	2021	2020
	£'000	£'000
The Group's share of profit/(loss) from continuing operations	-	24
The Group's share of other comprehensive (loss)/profit	-	(11)
The Group's share of total comprehensive profit/(loss)	-	13
Impairment of investments in associates	-	(153)
Aggregate carrying amount of the Group's interests in these associates at 31 March	**258**	258

The Group has an interest in the following joint arrangement:

Name of Joint Arrangement	Class of share capital held	Principal activities	Country of incorporation and registered office address	Proportion of ownership interest / voting rights held by the Group	
				2021	2020
Endolite Protez ve Ortez Ticareti, Ithalat, Rehabilitasyon ve Saglik Hizmetleri Sanayi ve Ticaret A.S. ("Endolite Turkey")	Ordinary	Provider of rehabilitation services and distributor of prosthetic products	Turkey Aksemsettin Mahallesi, Koca Sinan Sokak, No: 28, Fatih, Istanbul, Turkey	**50%**	50%

The joint arrangement was incorporated during the year ended 31 March 2015. The investment in the joint arrangement is held by Blatchford Limited and has a financial year end of 31 March.

The joint venture is accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 3. The investment in the joint venture is fully impaired at 31 March 2021 and at 31 March 2020.

The Turkish Lira has weakened significantly over the past number of years. The Group's view is that the socio-economic drivers behind that currency devaluation are of a permanent / long-term nature and therefore recognise that it is no longer able to trade profitably in the country. On 18 February 2019, the Group made the decision to close its joint venture in Turkey.

20 Joint ventures [illegible]

Aggregate information of joint venture	2021 £'000	2020 £'000
The Group's share of loss from continuing operations	-	-
The Group's share of other comprehensive result	-	-
The Group's share of total comprehensive loss	-	-

21 [illegible]

	Current		Non-current	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Financial liabilities carried at fair value through profit or loss (FVTPL):				
Interest rate cap	-	-	-	-
Total derivative liabilities	-	-	-	-

Interest rate cap
The derivative is in respect of an Interest Rate Cap (the "Cap") which was entered into by Evolution Bidco Limited, a group undertaking, with HSBC UK Bank plc on 14 March 2019. The Cap is an over-the-counter financial derivative product designed to manage interest rate exposures. The Cap requires the Group to maintain a hedge of 50% of the £20,000,000 Term Loan to 31 March 2021, with GBP 3-month LIBOR capped at 1.5%.

Further details of derivative financial instruments are provided in note 34.

	2021	2020
	£'000	£'000
Raw materials	**1,483**	1,080
Work-in-progress	**1,663**	1,522
Finished goods	**6,468**	7,845
	9,614	10,447

The cost of inventories recognised as an expense during the year, excluding write-downs of inventory to net realisable value or the reversal of such write-downs in respect of continuing operations was £28,465,000 (year ended 31 March 2020: £32,274,000).

Additional cost of inventories recognised as an expense includes £94,000 (31 March 2020: £96,000) in respect of write-downs of inventory to net realisable value and has been reduced by £nil (31 March 2020: £nil) in respect of the reversal of such write-downs.

	2021	2020
	£'000	£'000
Amount receivable for the sale of goods	**13,604**	11,202
Provision for loss allowance	**(520)**	(512)
	13,084	10,690
Amount owed by associated undertakings	**1,003**	1,292
Provision for loss allowance from associated undertakings	**(834)**	(1,021)
	169	271
Other debtors	**400**	105
Prepayments	**673**	900
	14,326	11,966

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The average credit period taken on sales of goods is 51 days (31 March 2020: 55 days). Interest is generally not charged on overdue debtors. Ledgers are reviewed quarterly as a minimum to assess the collectability of amounts outstanding. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed at least once a year depending on the size and risk category assigned internally to the customer.

Related party Endolite Turkey receivable has had a full provision booked against it following a decision by the Company's former parent, Blatchford Limited to withdraw its financial support from the Endolite Turkey joint venture. Full details can be found in note 20. At 31 March 2021, the Group holds a loss allowance provision of £261,000 (31 March 2020: £261,000) against its receivable balance due from Endolite India Limited, a related party. With the exception of our Endolite Turkey debtor, we believe our customer base has strong credit quality due in most part to the majority of our debtors being due from related parties. Furthermore, we define credit limits based upon potential credit quality and review annually to help ensure we can continue to collect amounts owed.

Of the trade receivables balance at the year end, £1,767,000 (31 March 2020: £1,445,000) is due from the Group's largest customer. There are no other customers who represent more than 5 percent of the total balance of trade receivables. This statement assumes that amounts due under contracts with the UK and Norwegian healthcare systems are not treated as one customer. See comments under "Credit Risk" in note 34.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Movement in the provision for loss allowance	**2021 £'000**	2020 £'000
Balance at the beginning of the year	**512**	199
Impairment losses recognised	**-**	2
Amounts written off during the year as uncollectible	**(26)**	(3)
Amounts provided during the year	**51**	315
Impairment losses reversed	**(16)**	(4)
Foreign exchange translation gains and losses	**(1)**	3
Balance at the end of the year	**520**	512

Movement in the provision for loss allowance from joint arrangement	**2021 £'000**	2020 £'000
Provision for loss allowance at beginning of the year	**1,021**	836
Amounts provided during the year	**-**	261
Foreign exchange translation gains and losses	**(187)**	(76)
Provision for loss allowance at the end of the year	**834**	1,021

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The majority of trade receivables are owed to the Company by UK public bodies such as the NHS and the Ministry of Defence and the Norwegian healthcare reimbursement authority ("NAV"), backed by the Norwegian state. However, for the reasons described in the Strategic Report and note 34, the Directors are not concerned by this concentration of credit risk.

The Group has strict internal controls over the granting and monitoring of credit and does not believe it is unduly exposed to credit risk, not least because a significant proportion of Group revenues are to government backed organisations. The Directors considers that the carrying amount of trade and other receivables approximates the fair value.

	2021	2020
	£'000	£'000
Trade creditors	**5,720**	5,726
Other creditors	**616**	727
Other taxation and social security	**2,573**	2,525
Accruals	**3,882**	1,725
Deferred income	**1,963**	1,166
Amounts owed to parent undertaking	**41,997**	41,976
	56,751	53,845

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 36 days (31 March 2020: 41 days). Suppliers do not charge the Group interest on overdue amounts. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Other creditors include an amount of £nil (31 March 2020: £67,000) in respect of an EU funded research project of which the Blatchford Limited, a group undertaking is the consortium lead.

Current amounts owed to parent undertakings are unsecured, non-interest bearing and are repayable on demand.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

[illegible] Lease liabilities

	2021 £'000	2020 £'000
Amount due for settlement		
Between one and five years	**5,662**	5,834
After five years	**1,476**	2,503
	7,138	8,337
Within one year	**1,748**	1,799
	8,886	10,136

	2021 £'000	2020 £'000
Amounts payable under finance leases:		
Within one year	**12**	22
In the second to fifth years inclusive	**-**	6
	12	28
Less: future finance charges	**(1)**	(1)
Present value of lease obligations	**11**	27

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 5 years. For the year ended 31 March 2021, the average effective borrowing rate is estimated at 3.96 per cent (year ended 31 March 2020: 4.05 per cent). Interest rates are a mixture of fixed and variable rates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets concerned.

[illegible]

	2021 £'000	2020 £'000
Secured borrowing		
Term Loan	**20,000**	20,000
Loan arrangement fees	**(655)**	(802)
Loan Notes	**18,318**	16,355
Revolving Credit Facility	**-**	5,000
Total borrowings	**37,663**	40,553
Amount due for settlement within 12 months	**-**	5,000
Amount due for settlement after 12 months	**37,663**	35,553

	2021 Sterling £'000	2021 Total £'000	2020 Sterling £'000	2020 Total £'000
At 31 March				
Term Loan	**20,000**	**20,000**	20,000	20,000
Loan arrangement fees	**(643)**	**(643)**	(790)	(790)
Interest rate cap arrangement fees	**(12)**	**(12)**	(12)	(12)
Loan Notes	**18,318**	**18,318**	16,355	16,355
Revolving Credit Facility	**-**	**-**	5,000	5,000
	37,663	**37,663**	40,553	40,553

The Group had funding under long-term committed facilities as follows:

Bank Term Loan and Revolving Credit Facility

On 20 November 2018, Evolution Midco Limited, a group undertaking, entered into a new agreement with HSBC UK Bank plc to allow Evolution Bidco Limited, its immediate subsidiary undertaking to enter into new banking facilities with HSBC UK Bank plc, consisting of a £20,000,000 Term Loan repayable on an interest only basis with a bullet repayment due at the end of the 7-year term and a £5,000,000 multi-currency Revolving Credit Facility ("RCF"). The term loan accrues interest at 4% + LIBOR with the RCF attracting a non-utilisation fee. The new facilities are subject to a quarterly leverage covenant test, which commenced on 31 December 2019. The Company incurred loan arrangement fees of £989,000, which are being amortised over the 7-year term of the loan. £141,000 of loan arrangement fees were amortised in the year ended 31 March 2021 (31 March 2020: £142,000). The Term Loan was drawn down on 20 November 2018. On 20 March 2020, the £5,000,000 RCF was drawn down by Evolution Bidco Limited, which was repaid in full on 20 June 2020.

[illegible]

Bank Term Loan and Revolving Credit Facility (continued)

The Term Loan and RCF was secured by a debenture incorporating a fixed and floating charge over all assets of Chas. A. Blatchford & Sons Limited, Chas. A. Blatchford & Sons Holdings Limited, Stevton (No.664) Limited, Blatchford Products Limited, Blatchford Inc., Blatchford Norway AS and Blatchford Ortopedi AS, in favour of HSBC Bank plc as security agent.

In order to remove the interest rate risk on the Term Loan, Evolution Bidco Limited entered into an Interest Rate Cap (the "Cap") with HSBC UK Bank plc on 14 March 2019. The Cap is an over-the-counter financial derivative product designed to manage interest rate exposures. The Cap requires the Company to maintain a hedge of 50% of the £20,000,000 Term Loan to 31 March 2021, with GBP 3-month LIBOR capped at 1.5%. The Company incurred an arrangement fee of £12,000 in setting up the Cap, which is being amortised over the 2-year term of the Cap. £6,000 was amortised during the year ended 31 March 2021 (year ended 31 March 2020: £6,000) – see note 12.

The weighted average effective interest rate applicable to the Term Loan for the year ended 31 March 2021 is 3.52% (year ended 31 March 2020: 4.52%).

Investor and Management Loan Notes

On 20 November 2018, Evolution Finco Limited, the Company's wholly owned subsidiary undertaking issued 12,763,534 £1 Investor loan notes at par value, totalling £12,763,534 and 1,236,466 £1 Management loan notes at par value, totalling £1,236,466. Both the Investor loan notes and the Management loan notes accrue a 12% interest charge, calculated monthly and compounding annually. Interest on the Investor and Management loan notes shall be paid by the sole discretion of the Evolution Finco Limited, either by the creation and issue of further Investor and Management loan notes on the basis of £1 of Notes for each £1 of accrued interest and any amount withholding taxes deducted on account in respect of that interest or by paying in cash. The Investor and Management loan notes are repayable at the earlier of their ten-year term, redeeming on 20 November 2028 or on the successful completion of an exit by the current shareholders in the Company, whichever is earlier. £12,738,449 12% Investor Loan notes, which have accrued interest of £3,928,858 at 31 March 2021 (31 March 2020: £2,143,075) are controlled by the ultimate controlling undertaking of the Company.

Provisions

	2021	2020
	£'000	£'000
Warranty and service provision	**2,769**	3,058
Dilapidation	**1,195**	1,156
	3,964	4,214
Current	**1,181**	1,005
Non-current	**2,783**	3,209
	3,964	4,214

	Warranty provision	Dilapidation	Total Group
	£'000	£'000	£'000
At 1 April 2020	3,058	1,156	4,214
Additional provision in the year	681	50	731
Utilisation of provision	(942)	(11)	(953)
Translation difference	(28)	-	(28)
At 31 March 2021	**2,769**	**1,195**	**3,964**

The warranty and service provision represent the estimated future costs of product returns and service cost, based on the number of units sold and still under warranty, historical return rates and average costs of those returns. The majority of these provisions related to warranties and scheduled service costs where the liability expires in three years or less.

The key sensitivity within the provision is whether historical return rates represent those expected in the future. A 1% increase in return rates used in calculating the warranty provision at 31 March 2021 would result in a £36,000 (31 March 2020: £31,000) increase in the warranty provision.

The dilapidation provision relates to premises in the UK and the provision is based on the estimated amount of expenditure to re-instate the premises to their original condition. Provisions are expected to be utilised over varying time periods of between 1 and 12 years.

The development expenditure provision represents the estimated level of uncertainty of the commercialisation of patents filed for on-going development projects and is based upon the latest information on technical feasibility to complete and market conditions needed to generate future economic benefit. The patent provision is related to patents where the liability expires been 1 and 10 years.

Defined contribution schemes

The Group operates a defined contribution scheme for the benefit of the employees in the United Kingdom in service after 6 April 1996. The Group contributes directly to a personal pension plan of two Directors and key employees. The assets of the schemes are administered by trustees in funds independent of those of the Group.

Group contributions to the United Kingdom defined contribution scheme for the year was £904,000 (year ended 31 March 2020: £1,007,000). The total cost charged to income of £900,000 (year ended 31 March 2020: £1,013,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 March 2021, contributions of £79,000 (year ended 31 March 2020: £83,000) due in respect of the current reporting year had not been paid over to the schemes.

Defined benefit schemes

The Group operates four defined benefit pension schemes, two in the UK and two in Norway. Under all of the schemes, the nature of benefits is the payment of a regular pension.

UK Main Scheme

In the UK the original Company pension scheme (referred to here as the "main" scheme) consisted of two sections, a defined contribution section and a defined benefit section.

In March 2008 the funds of the defined contribution section were transferred to the current defined contribution scheme described above (the Group Personal Pension) and the section was wound up. The defined benefit section of the main scheme is for the benefit of eligible employees that were in service before 6 April 1996. The Company closed this defined benefit section of the Company pension scheme on 31 October 2003.

The Directors are currently in ongoing discussions with the pension trustees to progress the buy-out of the main scheme by transferring the responsibility for meeting the main scheme members' benefits into an insurance backed scheme. The buy-out will be concluded by 31 March 2022.

The assets of the main scheme were administered by Aviva on behalf of the members in a fund independent from the assets of the Group. However, on 7 August 2020, the invested assets of the scheme (primarily bonds, gilts and LDI) were disposed and annuities purchased as an early stage of the process to complete the buy-out of the main scheme. Company contributions for the year were nil (31 March 2020: £nil).

Costs and liabilities of the scheme are based on actuarial valuations. A full valuation was due at 5 April 2020, but given the buy-out of the main scheme is in progress, a valuation was not required. The previous full valuation was carried out on 5 April 2017 by a qualified independent actuary, First Actuarial LLP, and the scheme has a deficit.

On 20 November 2018, at the time of the transaction with CBPE Capital £4,120,000 was paid into the main UK defined benefit scheme; this was an amount to cover the contributions that were due by the Company over the course of the next 3 to 4 years as described in the pension scheme recovery plan.

The valuation of the pension scheme used the Projected Unit Credit Method and was based on an overall duration of the scheme's benefit obligation at 31 March 2021 of 13 years.

At 31 March 2021, the main scheme has a deficit before deferred tax of £1,721,000 (31 March 2020: a surplus before deferred tax of £6,236,000). As part of the buy-out of the main scheme, any liability on the main scheme at the time of the buy-out will be reimbursed by the former owners of the Group. As a result, a reimbursement retirement benefit receivable of £1,721,000 (31 March 2020: £nil) has been recognised in the consolidated balance sheet under "Current assets" at 31 March 2021 to account for the receivable due from the former owners of the Group. This reimbursement asset has been accounted for in accordance with IAS 19 para 116.

Retirement benefits

Defined benefit schemes (continued)

Ex-NHS UK Scheme

In addition, the Company operates another UK defined benefit scheme for employees transferred from NHS employment. Company contributions for the year to this scheme were £29,000. The last full actuarial valuation was carried out by a qualified, independent actuary on 31 December 2019. The next full valuation is therefore due as at 31 December 2022.

The Scheme is set up on a tax relieved basis as a separate trust independent of the Company and is supervised by an Independent Trustee. The assets and liabilities of the scheme are clearly identifiable and separate from those of the Company. Costs and liabilities of the scheme are based on actuarial valuations.

The valuation of the pension scheme used the Projected Unit Method and was based on an overall duration of the scheme's benefit obligation at 31 March 2021 of 22 years.

On 20 November 2018 a contribution of £348,000 was paid by the Company's previous owners to the Company to cover the contributions due from the Company to the Ex-NHS UK Scheme over the course of the next 3 to 4 years. The Company paid this additional amount into the scheme on 16 July 2019.

The scheme administrator in the Ex-NHS UK scheme has primarily invested in gilts and bonds. The Ex-NHS scheme is not subject to buy-out discussions that are currently ongoing for the UK Main Scheme.

Norway

The Group operates two defined benefit schemes in Norway - Ortopediservice AS and Aktiv Ortopedi AS.

The Schemes are fully independent of the Group and managed by independent Trustees. The total Group contributions for the year were £18,000 (31 March 2020: £21,000). The Group expects contributions for the next year to be similar to the amounts for this year. Costs and liabilities of the scheme are based on actuarial valuations. The last actuarial valuation was carried out on 31 March 2019 by a qualified, independent actuary, Nordic Insurance Administration AS, and both schemes have a deficit.

The valuation of the pension scheme was based on an overall duration of the schemes' benefit obligation at 31 March 2021 of 32 years for the Ortopediservice AS scheme, 21 years for the Aktiv Ortopedi AS scheme.

The Norway defined benefit schemes are not subject to buy-out discussions that are currently ongoing for the UK Main Scheme.

Investment strategy

As part of the investment transaction by CBPE Capital LLP, the selling shareholders have agreed to provide the extra funds needed to achieve the future buyout of the UK Main scheme which has commenced and is due to be completed by 31 March 2022. To minimise the volatility of the extra funds required, the trustees agreed in the prior year to change the investment strategy of the UK Main scheme to a mix of bonds, gilts and LDIs to match the liability profile that an insurer would acquire during a buyout process. However, on 7 August 2020, the invested assets of the main scheme were disposed and annuities purchased as an early stage of the process to complete the buy-out of the scheme.

Defined benefit schemes (continued)

The main assumptions of the UK schemes' actuaries were:	**2021**	2020
	%	%
Inflation	**3.5**	2.9
Salary increase (Ex-NHS UK Scheme only)	**n/a**	3.4
Rate of discount	**1.9**	2.3
Rate of increase of pension in payment	**2.4 – 3.3**	2.2 – 2.5
Rate of increase for deferred pensions	**2.6**	2.0

The main assumptions of the Norway schemes' actuaries were:

Inflation	**1.5**	1.5
Salary increase	**2.25**	2.25
Rate of discount	**1.7**	1.7
Rate of increase of pension in payment	**1.25**	2.0
Rate of increase for deferred pensions	**2.0**	2.0

Through the four defined benefit schemes the Group is exposed to a number of risks which are listed below. The salary increase risk relates only to the Ex-NHS UK Scheme and comments regarding the risk of investment in equities and property do not apply to the Ex-NHS UK Scheme as its assets are invested only in corporate bonds and UK government gilts.

Asset volatility: the defined benefit obligations are calculated using a discount rate set with reference to corporate bond yields, but the Schemes also invest in equities and property. These assets are expected to outperform corporate bonds in the long term but provide volatility and risk in the short term.

Changes in bond yields: a decrease in corporate bond yields would increase the defined benefit obligation but this would be partially offset by an increase in the value of the bond holdings.

Inflation risk: a significant proportion of the defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place).

The majority of the Scheme assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.

Life expectancy: if Scheme members live longer than expected retirement benefits will need to be paid for longer increasing the Scheme's defined benefit obligation.

Salary inflation risk: projected scheme obligations are affected by assumptions of wage inflation related to members who are still employed by the Group. If wage inflation turns out to be higher than the assumptions used, then the defined benefit obligation will increase.

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Defined benefit schemes (continued)

Amounts recognised in the income statement are as follows:

Service cost	2021 £'000	2020 £'000
Current service cost	**6**	14
Past service cost	**27**	-
Administrative expenses	**669**	357
Net interest income	**(201)**	(67)
Components of defined benefit costs recognised in profit or loss	**501**	304

Of the expense (service cost) for the year £33,000 has been included in the income statement as administrative expenses.

The net interest income has been included within interest income; see note 11.

The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the statement of comprehensive income are as follows:

	2021 £'000	2020 £'000
The return on plan assets (excluding amounts included in net interest expense)	**(7,398)**	1,952
Actuarial gains and losses arising from changes in demographic assumptions	**80**	(68)
Actuarial gains and losses arising from changes in financial assumptions	**(4,966)**	1,701
Actuarial gains and losses arising from experience adjustments	**106**	30
Other actuarial gains and losses	**4,499**	(121)
Re-measurement of the net defined benefit liability	**(7,679)**	3,494

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2021 £'000	2020 £'000
Present value of defined benefit obligations	**(47,167)**	(42,818)
Fair value of plan assets	**45,596**	49,385
Net asset arising from defined benefit obligation	**(1,571)**	6,567
Related deferred tax liability	**298**	(1,324)
	1,273	5,243

Defined benefit schemes (continued)

Movements in the present value of defined benefit obligations in the year were as follows:

	2021 £'000	2020 £'000
Opening defined benefit obligation	**42,818**	44,871
Current service cost	**2**	10
Past service cost	**27**	-
Interest cost	**962**	1,020
Actuarial gains arising from changes in demographic assumptions	**(80)**	68
Actuarial gains and losses arising from changes in financial assumptions	**4,966**	(1,637)
Actuarial losses arising from experience adjustments	**(106)**	(30)
Other actuarial losses	**109**	(161)
Benefits paid	**(1,531)**	(1,325)
Contributions from employees	**-**	2
Closing defined benefit obligation	**47,167**	42,818

The average duration of the defined benefit obligation at the end of the reporting year is 13 years.

Movements in the fair value of plan assets in the year were as follows:

	2021 £'000	2020 £'000
Opening fair value of plan assets	**49,385**	47,790
Interest income	**1,155**	1,081
The return on plan assets (excluding amounts included in net interest expense)	**(7,428)**	1,927
Other	**87**	(135)
Contributions from the employer	**27**	399
Contributions from former selling shareholders	**4,551**	-
Contributions from plan participants	**-**	1
Benefits paid	**(1,543)**	(1,336)
Other - Administrative expenses	**(638)**	(342)
Closing fair value of plan assets	**45,596**	49,385

Defined benefit schemes (continued)

The major categories and fair values of plan assets at the end of the reporting year for each category are as follows:

	2021 £'000	2020 £'000
Equities	**206**	209
Bonds	**587**	11,355
Gilts	**-**	14,195
Property	**132**	126
Cash	**124**	7,263
LDI	**2**	9,011
Debt instruments		
- Corporates	**1,172**	1,084
- Index linked	**1,058**	6,142
Annuities	**42,315**	-
	45,596	49,385

Virtually all equity and debt instruments have quoted prices in active markets.

Significant actuarial assumptions for the determination of the defined benefit obligation under the main closed UK scheme are discount rate, inflation and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant.

Sensitivity analysis for the main UK scheme:

	Change in assumption	Change in defined benefit obligation
Discount rate	+0.5%	+7.2%
	-0.5%	-6.5%
RPI Inflation	+0.5%	+3.7%
	-0.5%	-3.8%
Assumed life expectancy	+1 year	+4.1%

Defined benefit schemes (continued)

Sensitivity analysis for the Ex-NHS UK Scheme:

	Change in assumption	Change in defined benefit obligation
Discount rate	+/-0.1%	+/-2.2%
RPI Inflation	+/-0.1%	+/-2.1%
Assumed life expectancy	+1 year	+4.2%

Sensitivity analysis for the Norway schemes:

The main actuarial assumption affecting the Scheme in Norway is the discount rate.

	Change in assumption	Change in defined benefit obligation
Discount rate	+0.5% -0.5%	-7.7% +8.8%

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting year.

	Accelerated tax depreciation £'000	Intangible costs £'000	Retirement benefit obligations £'000	Other timing differences £'000	Totals £'000
1 April 2020	(113)	(3,245)	(1,161)	2,737	(1,782)
(Charge)/credit to profit or loss	(86)	163	-	1,230	1,307
Charge to other comprehensive income	-	-	1,460	-	1,460
Translation	-	-	-	123	123
At 31 March 2021	**(199)**	**(3,082)**	**(299)**	**4,090**	**1,108**

At the balance sheet date, the Group had unrelieved capital losses of £309,000 which it has assumed can be used in reducing future tax payable on disposable of its freehold properties.

No deferred tax liability is recognised on temporary differences relating to the unremitted earnings of overseas subsidiaries, associates and joint arrangements as the Company is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

A deferred tax asset has been recognised on the basis that the Directors consider that the company or companies where a tax group applies will generate sufficient future taxable profits to recover the asset in future years.

The deferred tax rate at 31 March 2021 is 19%. This rate was substantively enacted on 17 March 2020 and repeals the previously enacted 17% tax rate which was due to come into force on 1 April 2020.

The reversal of existing temporary differences will therefore occur at differing tax rates in future. Management have applied a weighted average rate of 19% to all temporary differences as they consider this provides a good approximation of the sum total effect of the future reversal of all individual temporary differences and their applicable tax rates.

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2021 £**	2020 £
1	Ordinary Shares	£1.00	**1**	1

On 12 November 2018, the Company was incorporated with 1 £1 ordinary share.

The holder of the ordinary share has the right to vote at a general meeting of the Company, and to participate in any dividends or any distribution of assets on winding up of the Company.

Translation reserve

	£'000
Balance at 1 April 2020	(183)
Exchange differences on translating the net assets of foreign operations	(351)
Balance at 31 March 2021	**(534)**

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being Sterling, are recognised directly in the translation reserve.

Accumulated losses

	£'000
Balance at 1 April 2020	(6,829)
Loss for the year	(2,325)
Other comprehensive loss arising from measurement of defined benefit obligation net of income tax	(4,498)
Balance at 31 March 2021	**(13,652)**

	2021 £'000	2020 £'000
Loss for the year	**(2,325)**	(5,191)
Adjustments for:		
Share of result of associates and joint venture	**-**	(24)
Interest income	**(217)**	(48)
Finance costs	**3,422**	3,414
Income tax	**(165)**	(653)
Depreciation of property, plant and equipment	**4,083**	5,302
Loss on disposal of property, plant and equipment	**56**	65
Amortisation of intangible assets	**3,516**	2,807
Impairment of investment in associates	**-**	153
Operating cash flows before movements in working capital	**7,772**	5,825
Decrease/(increase) in inventories	**833**	(779)
(Increase)/decrease in receivables	**(2,359)**	1,798
Increase in payables	**2,656**	254
Cash generated by operations	**8,901**	7,098
Interest paid	**(1,311)**	(1,514)
Corporation tax paid	**(230)**	(278)
Corporation tax refund	**276**	-
Net cash used in operating activities	**7,636**	5,306

Cash and cash equivalents

	2021 £'000	2020 £'000
Cash and bank balances	**6,149**	10,396

Analysis of changes in net debt

	2020 £'000	Cash Flow £'000	Fair value gains and losses £'000	Exchange movement £'000	Other non-cash movement £'000	2021 £'000
Cash and bank balances	10,396	(4,205)	-	(42)	-	**6,149**
Leases	(10,137)	1,895	-	-	(644)	**(8,886)**
Term loan	(20,000)	-	-	-	-	**(20,000)**
Other loans	(5,000)	5,000	-	-	-	**-**
Derivative liabilities	-	-	-	-	-	**-**
Loan notes	(16,355)	-	-	-	(1,963)	**(18,318)**
Net debt	(41,096)	2,690	-	(42)	(2,607)	**(41,055)**

Balances at 31 March 2021 comprise:

	Current assets £'000	Current liabilities £'000	Non-current liabilities £'000	Total £'000
Cash and bank balances	**6,149**	**-**	**-**	**6,149**
Leases	**-**	**(1,748)**	**(7,138)**	**(8,886)**
Term Loan	**-**	**-**	**(20,000)**	**(20,000)**
Other loans	**-**	**-**	**-**	**-**
Derivative liabilities	**-**	**-**	**-**	**-**
Loan notes	**-**	**-**	**(18,318)**	**(18,318)**
Net debt	**6,149**	**(1,748)**	**(45,456)**	**(41,055)**

Balances at 31 March 2020 comprise:

	Current assets £'000	Current liabilities £'000	Non-current liabilities £'000	Total £'000
Cash and bank balances	10,396	-	-	10,396
Leases	-	(1,800)	(8,337)	(10,137)
Term Loan	-	-	(20,000)	(20,000)
Other loans	-	(5,000)	-	(5,000)
Derivative liabilities	-	-	-	-
Loan notes	-	-	(16,355)	(16,355)
Net debt	10,396	(6,800)	(44,692)	(41,096)

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk, and
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Variable rate bank loans
- Loan notes
- Preference shares
- Interest rate cap, and
- Forward currency contracts

Financial instruments by category

Financial assets

31 March 2021	**Fair value through profit or loss £'000**	**Amortised cost £'000**
Cash and cash equivalents	-	**6,149**
Trade and other receivables	-	**14,326**
Total financial assets	-	**20,475**

31 March 2020	Fair value through profit or loss £'000	Amortised cost £'000
Cash and cash equivalents	-	10,396
Trade and other receivables	-	11,966
Total financial assets	-	22,362

Financial instruments by category (continued)

Financial liabilities

31 March 2021	**Fair value through profit or loss £'000**	**Amortised cost £'000**
Trade and other payables	-	**56,751**
Loans and borrowings	-	**38,318**
Lease liabilities	-	**8,886**
Derivatives	-	-
Total financial liabilities	-	**103,955**

31 March 2020	Fair value through profit or loss £'000	Amortised cost £'000
Trade and other payables	-	53,845
Loans and borrowings	-	41,355
Lease liabilities	-	10,137
Derivatives	-	-
Total financial liabilities	-	105,337

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, leases and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

Variable rate bank loans, loan notes and preference shares are all valued at amortised cost.

Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below:

31 March 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Derivative Financial liabilities			
Interest rate cap	-	-	-
	-	-	-

34 Financial instruments [illegible]

Financial instruments measured at fair value (continued)

31 March 2020	Level 1	Level 2	Level 3
	£'000	£'000	£'000
Derivative Financial liabilities			
Interest rate cap	-	-	-
	-	-	-

There were no transfers between levels during the year. There were no changes to the valuation techniques during the year.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Group seeks to minimise the effects of financial risks by using derivative financial instruments to hedge significant risk exposures where this possible. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of derivatives to hedge a risk is subject to Group Board approval.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are considered by local business practices.

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board.

The Group finance function monitors the creditworthiness of existing customers through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics. Customers that are graded as "high risk" are placed on a restricted customer list, and future credit sales are made only with approval of the Board, otherwise payment in advance is required.

Overall management considers the Group's credit risk to be relatively low. Nonetheless the risk varies quite significantly from one market to the other due to certain significant customer concentrations.

Credit risk (continued)

In the United States, the Group's largest customer accounted for around 59% of sales in the US market and 15% of group sales. The Group's largest customer in the US is a company whose shares are traded publicly, is profitable and has access to funding; therefore, the Group is not unduly concerned about this risk.

In the UK and Norway, the concentrations are even greater: the main customers in the UK are the National Health Service and the Ministry of Defence which account for more than 90% of sales in the market and in Norway the main customer is NAV, the Norwegian healthcare reimbursement authority, which likewise accounts for more than 90% of sales into the market.

In the UK and Norway, the concentration on these customers reduces the credit risk in the view of management as these organisations are funded by their respective national governments.

The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 23.

A significant amount of cash is held with the following institutions:

	Country	**S&P Rating**	**31 March 2021 £'000**	31 March 2020 £'000
HSBC Bank plc	UK	A+	**3,816**	7,012
Lloyds Bank plc	UK	A+	**-**	375
DNB ASA	Norway	AA-	**668**	1,935
HSBC Bank plc	US	A+	**1,040**	105
Citizens Bank	US	A-	**90**	215
Commerzbank AG	Germany	A-	**427**	641
Société Marseillaise De Crédit	France	A	**108**	113
Total cash at bank			**6,149**	10,396

The Group's finance function monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

Interest rate risk

The Group is exposed to cash flow interest rate risk from its £20,000,000, 7-year, bullet repayment term loan at 3-month LIBOR + 4% ('the Term Loan').

The interest rate risk policy is managed centrally and that policy must, at a minimum, comply with the conditions laid down in the Term Loan. Local operations are not permitted to borrow long-term from external sources.

The Term Loan requires the Group to maintain a minimum hedge of 50% of the aggregate Term Loan amount for a minimum of two years; the Group currently makes use of an interest rate caps to meet this requirement.

The effective date of the present interest rate cap is 14 March 2019, with a termination date of 31 March 2021. The notional amount of the cap is £10,000,000 and has been taken out with HSBC Bank plc. The floating rate is 3-month LIBOR and the cap rate is 1.50%. The premium paid for the cap was £12,000.

The Group intends to keep the cap of the length of its 2 year-term.

Although the board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

<u>Sensitivity analysis</u>

At 31 March 2021 3-month LIBOR was 0.08963% (31 March 2020: 0.57450%). Up until the interest rate cap became effective, the annualised effect on the group consolidated net assets and profit and loss of a 25 basis points increase in would be £50,000. After that, the effect would be £25,000 (31 March 2020: £25,000) per 25 basis points.

34 Financial instruments

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

Forward exchange contracts
During the prior year, the Group employed forward foreign exchange contracts to mitigate the exchange rate risk arising on the sale of goods to the United States of America and to the Eurozone countries in US Dollars and Euros respectively. In the case of the US Dollar and the Euro much of the profit and loss exposure in the consolidated books relates to intercompany trading.

The Group hedged as part of the approval of its annual financial budget and took out contracts for the budget year to mitigate the effects on budgeted gross margins of changes in exchange rates.

Depending on the volatility of the currency of the high-probability future transactions that the Group looked to hedge, it hedged between 75% and 90% of its exposure. Even though, as mentioned above, these derivatives do not qualify for hedge accounting at 31 March 2020 they were still valid economic hedges and the Group's approach to hedging is unaffected by the accounting.

Note that the contracts taken out to hedge the Group's exposure to Euros and US Dollars in relation to 2019 sales were not designated as hedges under IFRS 9. However, because the hedges all mature within the financial year the full effect of these hedges is recorded in the profit and loss for the year and still provides an effective profit and loss hedge. Notwithstanding the accounting, the underlying economic effectiveness of these derivatives remains unchanged even if they fail to qualify for hedge accounting under IFRS 9.

With the uncertainty around Covid-19 during the year ended 31 March 2021, we did not enter into foreign exchange contracts but held Euros and US Dollars and utilised these to settle liabilities in local currency to reduce our exposure to currency risk. Post year-end, we aim to complete a review of available hedging and other operational tools available to us to mitigate FX risk. We also monitor FX effects on product profitability and reflect this in our pricing policies for non-GBP denominated markets.

Apart from these particular cash-flows the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

Net foreign currency financial assets /(liabilities)

	Functional currency of individual entity				
31 March 2021	**GBP £'000**	**NOK £'000**	**USD £'000**	**EUR £'000**	**Total £'000**
Cash and cash equivalents	**670**	**819**	**3,199**	**1,461**	**6,149**
Trade and other receivables	**4,409**	**5,170**	**3,503**	**1,244**	**14,326**
Trade and other payables	**(50,052)**	**(4,670)**	**(944)**	**(1,085)**	**(56,751)**
Loans and borrowings	**(38,318)**	**-**	**-**	**-**	**(38,318)**
Lease liabilities	**(3,370)**	**(4,936)**	**(376)**	**(204)**	**(8,886)**
Total net exposure	**(86,661)**	**(3,617)**	**5,382**	**1,416**	**(83,480)**

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Foreign exchange risk (continued)

Net foreign currency financial assets /(liabilities) (continued)

	Functional currency of individual entity				
31 March 2020	GBP £'000	NOK £'000	USD £'000	EUR £'000	Total £'000
Cash and cash equivalents	6,867	2,027	371	1,131	10,396
Trade and other receivables	4,806	2,389	4,058	713	11,966
Trade and other payables	(48,348)	(3,551)	(918)	(1,028)	(53,845)
Loans and borrowings	(41,355)	-	-	-	(41,355)
Lease liabilities	(3,649)	(5,813)	(462)	(213)	(10,137)
Total net exposure	(81,679)	(4,948)	3,049	603	(82,975)

Foreign currency sensitivity analysis

The Group is primarily exposed to movements in the exchange rates between Pounds Sterling and the US dollar, the Euro and the Norwegian Krone.

Effect on group consolidated net assets and profit and loss of a change in exchange rates affecting financial instruments:

The following tables detail the Group's profit and loss and consolidated net asset sensitivity to a 10 per cent increase and decrease in Sterling against the relevant foreign currencies, all other variables held constant.

10 per cent is the sensitivity rate used when reporting foreign currency risk internally to the Board and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10 per cent change in foreign currency rates.

A positive number below indicates an increase in profit and loss where Sterling strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of Sterling against the relevant currency, there would be a comparable impact on the profit and loss, and the balances below would be negative.

Effect on consolidated net assets of a 10% weakening of sterling against the exchange rates affecting financial instruments:

Currency	**2021** **£'000**	2020 £'000
US Dollar	**(489)**	(277)
Euro	**(129)**	(55)
Norwegian krone	**329**	450

Effect on profit and loss of a 10% weakening of sterling against the exchange rates affecting financial instruments:

Currency	**2021** **£'000**	2020 £'000
US Dollar	**(230)**	(216)
Euro	**(120)**	(71)
Norwegian krone	**(145)**	(137)

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 30 days. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings, this is further discussed in the 'interest rate risk' section above.

The Board receives rolling 3-month cash flow projections on a monthly basis as well as information regarding cash balances on a weekly basis. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations.

The liquidity risk of each Group entity is managed centrally by the group finance function. Each operation has a facility with group treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the board in advance, enabling the Group's cash requirements to be anticipated. Where facilities of group entities need to be increased, approval must be sought from the Chief Financial Officer. Where the amount of the facility is above a certain level, agreement of the board is needed.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

31 March 2021	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	**54,985**	**299**	**656**	**811**	**-**
Loans and borrowings	**-**	**-**	**-**	**-**	**38,318**
Leases	**466**	**1,282**	**1,609**	**4,053**	**1,476**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**-**
Total	**55,451**	**1,581**	**2,265**	**4,864**	**39,794**

31 March 2020	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	52,706	212	472	455	-
Loans and borrowings	-	-	-	-	41,355
Leases	453	1,336	1,622	4,223	2,503
Derivative financial liabilities	-	-	-	-	-
Total	53,159	1,548	2,094	4,678	43,858

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged during the year. The Group is not subject to any external capital requirements.

The capital structure of the Group consists of net debt (borrowings as disclosed in note 26, after deducting cash and bank balances), obligations under leases (note 25) and equity of the Group (comprising issued capital, reserves and retained earnings as disclosed in notes 30, 31, 32 and 33).

The Group's Board of Directors reviews the financial position of the Group at monthly Board meetings including projections of cash flows and compliance with banking covenants. The Group does not have a targeted gearing ratio but debt levels are part of the Group's on-going assessment of the cash flows that it needs to generate in order to fund the strategic growth plans of the business and pay debts as they fall due.

	31 March 2021 £'000	31 March 2020 £'000
Loans and borrowings	**38,318**	41,355
Lease liabilities	**8,886**	10,137
Less: loan notes	**(18,318)**	(16,355)
Less: cash and cash equivalents	**(6,149)**	(10,329)
Net debt	**22,737**	24,808
Total equity	**(14,186)**	(7,012)
Less: loan notes	**18,318**	16,355
Less: amount due to parent undertaking	**41,997**	41,976
Total adjusted equity	**46,129**	51,319
Net debt to adjusted equity (gearing) ratio	**49%**	48%

Net debt is defined as long and short-term borrowings (excluding derivatives, loan notes and preference shares).

Equity is total equity as shown on the face of the balance sheet.

Note that cash and bank balances do not include the funds related to the EU research grant. This is because the related liability is included in other creditors and does not form part of the borrowings shown above. Inclusion of this cash would distort the gearing ratio.

[illegible] Financial [illegible]

Bank covenant

On 20 November 2018, Evolution Bidco Limited entered into a new banking facility with HSBC UK Bank plc, consisting of a £20,000,000 Term Loan repayable on an interest only basis with a bullet repayment due at the end of the 7-year term and a £5,000,000 multi-currency Revolving Credit Facility (see note 26 for further information).

The facility is subject to a quarterly leverage covenant test, based upon a rolling twelve month Adjusted EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation and Non-Recurring Costs) over Total Net Debt, which commenced on 31 December 2019.

Based on the current forecast, the Group has sufficient headroom to meet its covenants for a period of at least 12 months from the date of the signing of these financial statements. The Directors have considered the business activities, together with the factors likely to affect its future development, performance and position, as set out in the Strategic Report.

[illegible]

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions between the Group and its associates and joint ventures are disclosed below.

Trading transactions

During the year, group companies entered into the following transactions with joint ventures and associates:

	Sale of goods	
	2021	2020
	£'000	£'000
Endolite India Limited	**410**	599
Endolite Center LLC and related parties	**605**	514

The following gross amounts before bad debt provision were outstanding at the balance sheet date:

	2021	2020
	£'000	£'000
Endolite India Limited	**429**	532
Endolite Center LLC and related parties	**114**	17
Endolite Turkey	**573**	760

Sales of goods to related parties were made at prices that reflect an arm's-length relationship following OECD guidelines on transfer pricing. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. At 31 March 2021 and at 31 March 2020, the Group has fully provided against the amount outstanding from Endolite Turkey. At 31 March 2021, the Group holds a provision of £261,000 (31 March 2020: £261,000) against the amount outstanding from Endolite India Limited.

Remuneration of Key Management Personnel

The key management personnel of the Group are the Non-Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Operations Director, the Human Resources Director, the Chief Technology Officer and the Sales & Marketing Directors responsible for US and International product sales. Remuneration is disclosed as follows:

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Remuneration*	**1,517**	811
Company contributions to money purchase pension schemes*	**68**	41
	1,585	852

* only the Chief Executive Officer and Chief Financial Officer are current directors of Evolution Finco Limited.

Director and former director transactions

B S Blatchford and A Stenson

On 20 November 2018, as part of a Private Equity backed Management Buy-Out, the entire share capital of Stevton (No.664) Limited and Chas. A. Blatchford & Sons Holdings Limited was acquired by Evolution Bidco Limited, an intermediate subsidiary of the Company. The following related party transactions have occurred as part of that transaction:

At 31 March 2021, B S Blatchford, a Director of the immediate parent undertaking holds:

- £1,123,813 (31 March 2020: £1,123,813) 12% Management Loan notes in Evolution Finco Limited, a subsidiary undertaking, which have accrued interest of £346,612 at 31 March 2021 (31 March 2020: £189,067).

At 31 March 2021, A Stenson, a former Director of the Company holds:

- £112,653 (31 March 2020: £112,653) 12% Management Loan notes in Evolution Finco Limited, a subsidiary undertaking, which have accrued interest of £34,745 at 31 March 2021 (31 March 2020: £18,952).

Other transactions

Key management personnel

At 31 March 2021, key management personnel of the Group holds:

- £25,085 (31 March 2020: £25,085) 12% Investor Loan notes in Evolution Finco Limited, a subsidiary undertaking, which have accrued interest of £7,737 at 31 March 2021 (31 March 2020: £4,220).

During the year ended 31 March 2020, an interest-free loan was granted by Evolution Bidco Limited for £37,500 to a member of the key management personnel to acquire 37,500 D Ordinary Shares in the immediate parent undertaking, which is repayable on the successful completion of an exit by the current shareholders in the immediate parent undertaking. The outstanding loan balance at 31 March 2021 is £37,500 (31 March 2020: £37,500).

All other related party disclosures are detailed in the notes to the consolidated financial statements to which they relate to.

At 31 March 2021 and at 31 March 2020, the immediate parent undertaking of Evolution Finco Limited is Blatchford Group Limited, a company incorporated in Jersey. The smallest group which prepares consolidated financial statements of which the Company forms a part, is Evolution Finco Limited, a company incorporated in England and Wales. The largest group which prepares consolidated financial statements of which the Company forms a part, is Blatchford Group Limited, a company incorporated in Jersey.

The consolidated financial statements of the immediate parent company are available to the public and may be obtained from its registered office, 28 Esplanade, St Helier, Jersey, JE2 3QA.

At 31 March 2021 and at 31 March 2020, the ultimate controlling undertaking of the Company is CBPE Capital LLP, a limited liability partnership registered in England and Wales under the registration number OC305899.

Blatchford Group Limited is the largest parent company preparing group accounts into which, the results of the Group will be consolidated.

There are no post balance sheet events requiring adjustments in or disclosure for in the financial statements.

[illegible] Signif[illegible]

The details of the accounting policies applied by the Company are set out in note 3 under the Group's accounting policy.

[illegible]

These are the same as for the consolidated Group and are detailed under note 3.

[illegible]

The Directors did not receive any remuneration for their services from the Company in the year ended 31 March 2021 or the year ended 31 March 2020. The Directors were paid for their services to the Company by other group companies. Please refer to Directors' Report for Directors appointed and resigned during the year.

There were no employees employed directly by the Company during the year (year ended 31 March 2020: nil).

[illegible]

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Interest on loan notes	**1,963**	1,752

[illegible]

Audit fees for the year ended 31 March 2021 of £3,000 (year ended 31 March 2020: £3,000) in respect of the audit of the Company's financial statements has been borne by a fellow group company.

[illegible] Taxation

	Year ended 31 March 2021 £	Year ended 31 March 2020 £
Current tax:		
UK corporation tax on loss for the year	**-**	-
Total current tax	**-**	-
Deferred tax	**-**	-
Taxation on loss on ordinary activities	**-**	-

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Loss before tax	**(1,972)**	(1,752)
Loss multiplied by the standard rate of corporation tax in the UK of 19%	**(375)**	(333)
Effects of:		
Expenses not deductible	**80**	16
Amounts not recognised	**295**	317
Current tax credit	**-**	-

A deferred tax asset of £643,000 (31 March 2020: £425,000) has not been recognised in respect of the cumulative retained losses at 31 March 2021. There are no temporary differences associated with investments in subsidiaries, for which deferred tax has not been recognised.

The deferred tax rate at 31 March 2021 is 19%. This rate was substantively enacted on 17 March 2020 and repeals the previously enacted 17% tax rate which was due to come into force on 1 April 2020. The future impact of the changes on the deferred tax provision is not considered material.

[illegible]

	2021 £	2020 £
COST		
At 1 April	**1**	-
Additions during the year	**-**	1
At 31 March	**1**	1
DISPOSALS		
Disposals during the year	**-**	-
NET BOOK VALUE		
At 31 March	**1**	1

Evolution Finco Limited holds an investment in the following company:

	Country of Incorporation	Registered office address	Class of share capital held
Evolution Midco Limited Holding company	England and Wales	Unit D, Antura, Kingsland Business Park, Basingstoke RG24 8PZ	Ordinary

[illegible]

	2021 £'000	2020 £'000
Current:		
Amounts owed by wholly owned subsidiary undertaking	**55,997**	55,976

Current amounts owed by the Company's wholly subsidiary undertaking are unsecured, non-interest bearing and are repayable on demand.

Retained losses

	2021 £'000	2020 £'000
Balance at 1 April	**2,355**	603
Net loss for the year	**1,972**	1,752
Balance at 31 March	**4,327**	2,355

	2021 £'000	2020 £'000
Current:		
Amounts owed to parent undertaking	**41,997**	41,976
Amounts owed to wholly owned subsidiary undertaking	**9**	-
	42,006	41,976

Current amounts owed to the Company's parent undertakings are unsecured, non-interest bearing and are repayable on demand.

The Company has no contingent liabilities at 31 March 2021 or at 31 March 2020.

	2021 £'000	2020 £'000
Non-current:		
Management loan notes	**1,618**	1,444
Investor loan notes	**16,700**	14,911
	18,318	16,355

On 20 November 2018, the Company issued 1,236,466 £1 Management loan notes at par, totalling £1,236,466 and 12,763,534 £1 Investor loan notes at par, totalling £12,763,534. Both the Management loan notes and the Investor loan notes accrue a 12% interest charge, calculated monthly and compounding annually. The Investor loan notes are listed on The International Stock Exchange in Guernsey. Interest on the Management and Investor loan notes shall be paid by the sole discretion of the Company, either by the creation and issue of further Management and Investor loan notes on the basis of £1 of Notes for each £1 of accrued interest and any amount withholding taxes deducted on account in respect of that interest or by paying in cash. The Management and Investor loan notes are repayable at the earlier of their ten-year term, redeeming on 20 November 2028 or on the successful completion of an exit by the current shareholders in Blatchford Group Limited, the Company's immediate parent undertaking.