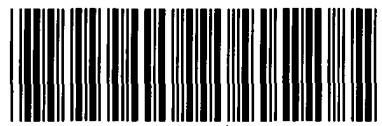


**REGISTERED NUMBER: 08949564 (England and Wales)**

**GROUP STRATEGIC REPORT,  
REPORT OF THE DIRECTORS AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
FOR  
HORSTMAN HOLDINGS LIMITED**

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**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)**

**CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**HORSTMAN HOLDINGS LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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<b>DIRECTORS:</b>	M Masur I Pain
<b>SECRETARY:</b>	Oakwood Corporate Secretary Limited
<b>REGISTERED OFFICE:</b>	Locksbrook Road Bath Avon BA1 3EX
<b>REGISTERED NUMBER:</b>	08949564 (England and Wales)
<b>AUDITORS:</b>	Haines Watts, Statutory Auditor Chartered Accountants Advantage 87 Castle Street Reading Berkshire RG1 7SN

**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)**

**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors present their strategic report of the company and the group for the year ended 31 December 2021.

**PRINCIPAL ACTIVITY**

The principal activity of the company is to hold investments in subsidiaries. The principal activities of the subsidiaries are the design, manufacture, refurbishment and sale of suspension systems, gearboxes, auxiliary power units and components, high precision maritime built to print parts and naval instrumentation equipment.

**REVIEW OF BUSINESS**

Customers continued to select Horstman to provide solutions to mobility challenges and orderbook rose substantially from 2020: £47.5M to 2021: £87.4M. This backlog provides substantial order cover in 2022 and a solid foundation into the following years. Large new multi-year contracts for UK MOD armoured vehicle programmes required investment in infrastructure and additional jobs creation, with first shipments of these high profile projects delivered on schedule in Q4 of 2021. The business embedded permanent changes to adapt to hybrid and flexible working patterns and continued to benefit from dual-sourced (NATO origin) supply chains.

Revenue and profit were however lower than planned. Turnover in the year of £30.7M (2020: £34.7M) and operating profit of £2.1M (2020: £3.2M) reflected the steady delivery pace despite distressed supply chain and continued logistics disruption due to the Coronavirus pandemic. The company met the needs of customers and the contributions of our skilled and flexible workforce ensured that revenue and operating profit remained steady and partly mitigated disruptions. Shareholders' funds strengthened during the period to £12.8M (2020: £11.4M)

The ramp up of work in progress to deliver future orderbook resulted as expected in inventory rising to £12.2M (2020: £11.4M).

The technology portfolio of the business, coupled with a global customer base and the strong Horstman brand in the armoured vehicle mobility market, provides the directors confidence that the level of activity achieved in 2021 will accelerate in 2022.

**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**PRINCIPAL RISKS AND UNCERTAINTIES**

**Business risks**

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

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

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

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

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

**Financial risks**

Financial instruments

The group's principal financial instruments, other than derivatives, comprised finance leases and hire purchase contracts, trade finance and cash and short-term deposits, trade debtors and trade creditors. These financial instruments arise directly from the group's operations.

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

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

Interest rate risk

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

Price risk

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

**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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Credit risk

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

Liquidity risk

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

**SECTION 172(1) STATEMENT**

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

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

**OUR STAKEHOLDERS**

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

Customers

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

Employees

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

**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**SUPPLIERS**

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

**LOCAL COMMUNITY**

We are proud to support projects at a local level. As Covid restrictions relaxed in 2021, Horstman resumed STEM work placements from local schools and colleges, extended its apprenticeship programme and built closer ties with local colleges and universities. A number of new hires for our expanded orderbook are drawn from the local community and military veterans.

**ENVIRONMENT**

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

Specifically the company is committed to:

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

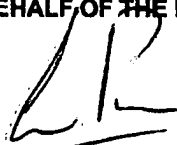
**PARENT COMPANY**

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

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

Other significant stakeholders include audit bodies, banks, and government agencies in each country (tax, local government, education, export licensing and overseas trade).

**ON BEHALF OF THE BOARD:**



I Pain - Director

22 December 2022

**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

---

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2021.

**PRINCIPAL ACTIVITY**

The company's principal activity is to hold investments in subsidiaries. The principal activities of the subsidiaries are the design, manufacture, refurbishment and sale of suspension systems, gearboxes, auxiliary power units and components, high precision maritime built to print parts and naval instrumentation equipment.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2021.

**FUTURE DEVELOPMENTS**

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

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

Horstman has seen no direct impacts from sanctions regimes changes resulting from events in Ukraine. Horstman supply chains anyway avoided Russian materials as a matter of policy, and the Horstman Holdings Limited and its subsidiaries have never exported goods to Russia or its allies. Horstman has a comparable level of exposure to secondary market effects on material and energy costs as typical in the defence sector - partly mitigated in 2021 and 2022 by prior long term purchase agreements.

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

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

M Masur  
I Pain

Other changes in directors holding office are as follows:

F Hofbauer - resigned 30 April 2021

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

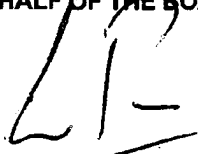
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**AUDITORS**

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

**ON BEHALF OF THE BOARD:**



I Pain - Director

22 December 2022

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HORSTMAN HOLDINGS LIMITED**

---

### **Opinion**

We have audited the financial statements of Horstman Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the Consolidated Statement of Cash Flows, 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 Financial Reporting Standards (IFRSs) as adopted by the UK.

#### **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 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the UK;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the UK and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the 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 in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
HORSTMAN HOLDINGS LIMITED**

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**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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

- adequate accounting records have not been kept 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 Statement of Directors' Responsibilities set out on page seven, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HORSTMAN HOLDINGS LIMITED**

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### **Auditors' responsibilities for the audit of the financial statements**

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates. We determined that the following laws and regulations were most significant: IFRS - the International Financial Reporting Standard, the Companies Act 2006 and the relevant tax compliance regulations in the UK..

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

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

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

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

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

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
HORSTMAN HOLDINGS LIMITED**

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**Use of our report**

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



Ben Loveday FCCA (Senior Statutory Auditor)  
for and on behalf of Haines Watts, Statutory Auditor  
Chartered Accountants  
Advantage  
87 Castle Street  
Reading  
Berkshire  
RG1 7SN

22 December 2022

**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)****CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
<b>CONTINUING OPERATIONS</b>			
Revenue	4	30,663,248	34,749,545
Cost of sales		(13,707,598)	(17,134,551)
<b>GROSS PROFIT</b>		<b>16,955,650</b>	<b>17,614,994</b>
Other operating income		222,123	282,331
Distribution costs		(3,397,376)	(2,918,257)
Administrative expenses		(11,697,841)	(11,755,537)
<b>OPERATING PROFIT</b>		<b>2,082,556</b>	<b>3,223,531</b>
Finance costs	6	(100,688)	(234,601)
<b>PROFIT BEFORE INCOME TAX</b>	7	<b>1,981,868</b>	<b>2,988,930</b>
Income tax	8	(539,779)	(504,838)
<b>PROFIT FOR THE YEAR</b>		<b>1,442,089</b>	<b>2,484,092</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Forex reserve movement		10,619	(101,172)
Income tax relating to item that will not be reclassified to profit or loss		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<b>10,619</b>	<b>(101,172)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,452,708</b>	<b>2,382,920</b>
Profit attributable to:			
Owners of the parent		1,442,089	2,484,092
Total comprehensive income attributable to:			
Owners of the parent		1,452,708	2,382,920

The notes form part of these financial statements

**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2021**

	Notes	2021 £	2020 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	10	85,091	141,392
Owned			
Intangible assets	11	197,439	318,361
Property, plant and equipment	12	7,531,194	6,413,679
Right-of-use			
Property, plant and equipment	12, 21	371,909	543,610
Investments	13	-	-
		<u>8,185,633</u>	<u>7,417,042</u>
<b>CURRENT ASSETS</b>			
Inventories	14	12,232,359	11,423,285
Trade and other receivables	15	8,254,576	9,677,012
Tax receivable		134,854	214,748
Cash and cash equivalents	16	2,435,350	4,314,831
		<u>23,057,139</u>	<u>25,629,876</u>
<b>TOTAL ASSETS</b>		<u><u>31,242,772</u></u>	<u><u>33,046,918</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	17	2,111	2,111
Share premium	18	4,075,889	4,075,889
Other reserves	18	323,484	323,484
Retained earnings	18	8,417,875	6,965,167
<b>TOTAL EQUITY</b>		<u>12,819,359</u>	<u>11,366,651</u>

The notes form part of these financial statements

**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued  
31 DECEMBER 2021**

	Notes	2021 £	2020 £
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	19	5,236,030	8,335,187
Financial liabilities - borrowings			
Interest bearing loans and borrowings	20	155,150	337,600
Deferred tax	24	367,671	253,351
		<u>5,758,851</u>	<u>8,926,138</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	11,856,701	11,814,056
Financial liabilities - borrowings			
Interest bearing loans and borrowings	20	233,302	289,831
Tax payable		84,559	21,242
Provisions	23	490,000	629,000
		<u>12,664,562</u>	<u>12,754,129</u>
<b>TOTAL LIABILITIES</b>		<u>18,423,413</u>	<u>21,680,267</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>31,242,772</u>	<u>33,046,918</u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 22 December 2022 and were signed on its behalf by:



I Pain - Director

The notes form part of these financial statements

**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)**

**COMPANY STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2021**

	Notes	2021 £	2020 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	10	-	-
Owned			
Intangible assets	11	-	-
Property, plant and equipment	12	-	-
Right-of-use			
Investments	13	18,215,336	18,215,336
Trade and other receivables	15	303,348	295,429
		<u>18,518,684</u>	<u>18,510,765</u>
<b>CURRENT ASSETS</b>			
Tax receivable		134,854	125,524
<b>TOTAL ASSETS</b>		<u><u>18,653,538</u></u>	<u><u>18,636,289</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	17	2,111	2,111
Share premium	18	4,075,889	4,075,889
Other reserves	18	10,341,314	10,341,314
Retained earnings	18	(1,486,413)	(1,446,636)
<b>TOTAL EQUITY</b>		<u>12,932,901</u>	<u>12,972,678</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	19	5,693,292	5,636,267
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	6,100	6,100
Tax payable		21,245	21,244
		<u>27,345</u>	<u>27,344</u>
<b>TOTAL LIABILITIES</b>		<u>5,720,637</u>	<u>5,663,611</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>18,653,538</u></u>	<u><u>18,636,289</u></u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 22 December 2022 and were signed on its behalf by:



I Pain - Director

The notes form part of these financial statements

**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Share premium £</b>	<b>Other reserves £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2020</b>	2,111	4,582,247	4,075,889	323,484	8,983,731
<b>Changes in equity</b>					
Total comprehensive income	-	2,382,920	-	-	2,382,920
<b>Balance at 31 December 2020</b>	<u>2,111</u>	<u>6,965,167</u>	<u>4,075,889</u>	<u>323,484</u>	<u>11,366,651</u>
<b>Changes in equity</b>					
Total comprehensive income	-	1,452,708	-	-	1,452,708
<b>Balance at 31 December 2021</b>	<u>2,111</u>	<u>8,417,875</u>	<u>4,075,889</u>	<u>323,484</u>	<u>12,819,359</u>

The notes form part of these financial statements

**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Share premium £</b>	<b>Other reserves £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2020</b>	2,111	(4,033,374)	4,075,889	10,341,314	10,385,940
<b>Changes in equity</b>					
Total comprehensive income	-	2,586,738	-	-	2,586,738
<b>Balance at 31 December 2020</b>	<u>2,111</u>	<u>(1,446,636)</u>	<u>4,075,889</u>	<u>10,341,314</u>	<u>12,972,678</u>
<b>Changes in equity</b>					
Total comprehensive income	-	(39,777)	-	-	(39,777)
<b>Balance at 31 December 2021</b>	<u>2,111</u>	<u>(1,486,413)</u>	<u>4,075,889</u>	<u>10,341,314</u>	<u>12,932,901</u>

The notes form part of these financial statements

HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,105,255	4,475,070
Interest paid		(88,253)	(212,445)
Lease interest paid		(12,435)	(22,156)
Forex gain on consolidation		10,619	(101,172)
Tax paid		(282,248)	(1,335,702)
Net cash from operating activities		<u>732,938</u>	<u>2,803,595</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(2,399,455)	(1,339,447)
Sale of tangible fixed assets		26,015	13,013
Net cash from investing activities		<u>(2,373,440)</u>	<u>(1,326,434)</u>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(238,979)	(181,753)
Net cash from financing activities		<u>(238,979)</u>	<u>(181,753)</u>
(Decrease)/increase in cash and cash equivalents		<u>(1,879,481)</u>	<u>1,295,408</u>
Cash and cash equivalents at beginning of year	2	4,314,831	3,019,423
Cash and cash equivalents at end of year	2	<u>2,435,350</u>	<u>4,314,831</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	2021	2020
	£	£
Profit before income tax	1,981,868	2,988,930
Depreciation charges	1,572,101	1,531,273
Profit on disposal of fixed assets	(19,296)	(13,013)
Loss on revaluation of fixed assets	52,044	67,999
Finance costs	100,688	234,601
	<u>3,687,405</u>	<u>4,809,790</u>
Increase in inventories	(809,074)	(1,331,294)
Decrease in trade and other receivables	1,422,436	1,578,754
Decrease in trade and other payables	(3,195,512)	(582,180)
	<u>1,105,255</u>	<u>4,475,070</u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31 December 2021**

	31/12/21	1/1/21
	£	£
Cash and cash equivalents	<u>2,435,350</u>	<u>4,314,831</u>

**Year ended 31 December 2020**

	31/12/20	1/1/20
	£	£
Cash and cash equivalents	<u>4,314,831</u>	<u>3,019,423</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1. STATUTORY INFORMATION**

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

The presentation currency of the financial statements is the Pound Sterling (£).

The financial statements are rounded to the nearest £.

**2. ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with UK-adopted international accounting standards and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Compliance with IFRS

The consolidated financial statements of Horstman Holdings Limited have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the revaluation of the assets and liabilities of the Group held in non-functional currencies.

New standards and interpretations not yet adopted

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 17 Insurance Contracts (effective date to be confirmed)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date to be confirmed)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed)
- Annual Improvements to IFRS Standards 2014-2016 (effective date to be confirmed)
- Amendments to IAS 40: Transfers of Investment Property (effective date to be confirmed)
- Amendments to IAS 28: Long-term Interest in Associates and Joint Ventures (effective date to be confirmed)
- Amendments to IFRS 4: Applying IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date to be confirmed)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective date to be confirmed)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date to be confirmed)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Going concern**

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

**Basis of consolidation**

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form 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 purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

**Revenue recognition**

Revenue from the sale of goods is recognised when the control of the goods have passed to the customer, usually on the despatch of the goods. Where contracts allow for milestone claims, revenue is recognised upon completion of works or services provided in accordance with the contract.

Revenue from the provision of other services is recognised when the services have been provided.

**Cash and cash equivalents**

Cash represents cash in hand and deposits held on demand with financial institutions. Cash equivalents are short-term, highly-liquid investments with original maturities of three months or less (as at their date of acquisition). Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of change in that cash value.

In the presentation of the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts. Any such overdrafts are shown within borrowings under 'current liabilities' on the Statement of Financial Position.

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of an acquiree at the date of acquisition. Goodwill is subject to an annual impairment review.

**2. ACCOUNTING POLICIES - continued**

**Property, plant and equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following basis:

Freehold buildings	-	2 to 4% straight line
Long term leasehold properties	-	15% straight line
Plant and machinery	-	5 to 33% straight line
Motor vehicles	-	25% straight line
Fixtures & fittings	-	25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and recognised in profit or loss.

**Impairment of property, plant & and equipment and intangible assets**

At each reporting end date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. ACCOUNTING POLICIES - continued**

**Financial instruments**

**Non-derivative financial instruments**

Non-derivative financial instruments are comprised of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables:

Trade receivables are measured at amortised cost using the effective interest method, less any allowance for expected credit losses. When assessing recoverability the Directors consider the aging of receivables, past experience of recoverability, and the credit profile of individuals or Companies when calculating a provision for expected credit loss. Provisions for expected credit losses are measured at each reporting date.

Trade and other payables:

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

Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings:

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

**Financial assets**

Trade debtors:

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Trade receivables are measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Expected credit losses are measured at each reporting date following a risk based and ageing based probability-weighted estimate of the potential credit loss.

**2. ACCOUNTING POLICIES - continued**

**Financial liabilities and equity**

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments:

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade creditors:

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings:

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities:

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**Inventories**

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

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

**2. ACCOUNTING POLICIES - continued**

**Taxation**

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

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

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

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

**Leases**

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

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

**Employee benefit costs**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company and its subsidiaries in various geographies make contributions, generally determined as a specified percentage of employee salaries, in respect of qualifying employees in accordance with the local laws and regulations in the respective countries which are defined contribution plans. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

**Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**Finance costs**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2. ACCOUNTING POLICIES - continued**

**Government grants**

Grants are accounted under the accruals model as permitted by IFRS. Grants relating to expenditure on tangible fixed assets are credited to the income statement at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of revenue nature are recognised in the income statement in the same period as the related expenditure.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

There are no key judgements that have been made in applying the company's accounting policies.

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

Carrying value of investments

At each balance sheet date the investment in subsidiary companies is reviewed for impairment. This review considers both the value of the current recorded net assets of the subsidiary companies as well as expected future cash flows from subsidiary companies.

The investment in the Canadian subsidiary has been fully impaired during the period. This business has been loss making and although the directors remain supportive of the business and view it as a key part of the group, they have taken a prudent view that it is appropriate to fully impair the investment balance as well as the loan receivable that was impaired in the prior year.

The investment in US subsidiary has not been impaired following a review performed by the directors. The key assumptions made in this assessment are:

- The company is profitable
- The company has a strong order book on established US defence projects
- Our long term planning shows strong growth and profitability
- The company continues to meet its commitments through its own cash flow

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021

4. REVENUE

**Segmental reporting**

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

An analysis of revenue by geographical market is given below:

	2021	2020
	£	£
United Kingdom	6,236,924	4,463,261
Europe	2,504,161	4,687,703
United States of America	11,727,760	12,715,119
Rest of world	10,194,810	12,883,462
	<u>30,663,066</u>	<u>34,749,545</u>

5. EMPLOYEES AND DIRECTORS

	2021	2020
	£	£
Wages and salaries	8,845,164	9,059,294
Social security costs	832,765	849,057
Other pension costs	299,278	261,784
	<u>9,977,207</u>	<u>10,170,135</u>

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

	2021	2020
Sales, administration and distribution	79	70
Manufacturing	106	113
	<u>185</u>	<u>183</u>

	2021	2020
	£	£
Directors' remuneration	<u>295,549</u>	<u>282,445</u>

Information regarding the highest paid director is as follows:

	2021	2020
	£	£
Emoluments etc	<u>295,549</u>	<u>282,445</u>

**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021****6. NET FINANCE COSTS**

	2021	2020
	£	£
Finance costs:		
Interest payable	88,253	212,445
Hire purchase	1,997	6,137
Leasing	10,438	16,019
	<u>100,688</u>	<u>234,601</u>

**7. PROFIT BEFORE INCOME TAX**

The profit before income tax is stated after charging/(crediting):

	2021	2020
	£	£
Depreciation - owned assets	1,201,738	1,141,484
Depreciation - assets on finance leases	190,988	196,482
Profit on disposal of fixed assets	(19,296)	(13,013)
Patents and licences amortisation	5,687	7,074
Development costs amortisation	118,487	125,693
Auditors' remuneration	40,000	40,000
Foreign exchange differences	(175,189)	201,119
	<u>1,201,738</u>	<u>1,141,484</u>

**8. INCOME TAX****Analysis of tax expense**

	2021	2020
	£	£
Current tax:		
Tax	417,283	717,685
Adjustment from prior year	(19,475)	(299,762)
Foreign tax	27,651	24,375
Total current tax	<u>425,459</u>	<u>442,298</u>
Deferred tax	<u>114,320</u>	<u>62,540</u>
Total tax expense in consolidated statement of profit or loss and other comprehensive income	<u>539,779</u>	<u>504,838</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021

8. INCOME TAX - continued

**Factors affecting the tax expense**

The tax assessed for the year is higher (2020 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020
	£	£
Profit before income tax	<u>1,981,868</u>	<u>2,988,930</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	376,555	567,897
Effects of:		
Effect of changes in tax rates (deferred tax)	88,241	29,139
Expenses not deductible for tax purposes	6,898	8,661
Other differences	60,004	139,569
Additional deduction for R&D expenditure	10,330	6,653
Adjustments in respect of prior periods	<u>(2,249)</u>	<u>(247,081)</u>
Tax expense	<u>539,779</u>	<u>504,838</u>

9. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(39,777) (2020 - £2,586,738 profit).

10. GOODWILL

**Group**

	£
<b>COST</b>	
At 1 January 2021	547,752
Exchange differences	3,779
At 31 December 2021	<u>551,531</u>
<b>AMORTISATION</b>	
At 1 January 2021	406,360
Charge for year	58,134
Exchange differences	1,946
At 31 December 2021	<u>466,440</u>
<b>NET BOOK VALUE</b>	
At 31 December 2021	<u>85,091</u>
At 31 December 2020	<u>141,392</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021

11. INTANGIBLE ASSETS

Group	Patents and Development licences £	costs £	Totals £
<b>COST</b>			
At 1 January 2021	100,451	1,097,371	1,197,822
Exchange differences	834	9,110	9,944
At 31 December 2021	<u>101,285</u>	<u>1,106,481</u>	<u>1,207,766</u>
<b>AMORTISATION</b>			
At 1 January 2021	71,318	808,143	879,461
Amortisation for year	5,687	118,487	124,174
Exchange differences	710	5,982	6,692
At 31 December 2021	<u>77,715</u>	<u>932,612</u>	<u>1,010,327</u>
<b>NET BOOK VALUE</b>			
At 31 December 2021	<u>23,570</u>	<u>173,869</u>	<u>197,439</u>
At 31 December 2020	<u>29,133</u>	<u>289,228</u>	<u>318,361</u>

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold buildings £	Long leasehold £	Leasehold improvements £
<b>COST</b>			
At 1 January 2021	1,399,330	684,633	194,954
Additions	129,037	-	11,824
Disposals	-	-	-
Impairments	-	-	-
Exchange differences	-	3,149	1,848
At 31 December 2021	<u>1,528,367</u>	<u>687,782</u>	<u>208,626</u>
<b>DEPRECIATION</b>			
At 1 January 2021	991,784	255,140	90,884
Charge for year	68,851	144,897	23,886
Eliminated on disposal	-	-	-
Exchange differences	-	-	979
At 31 December 2021	<u>1,060,635</u>	<u>400,037</u>	<u>115,749</u>
<b>NET BOOK VALUE</b>			
At 31 December 2021	<u>467,732</u>	<u>287,745</u>	<u>92,877</u>
At 31 December 2020	<u>407,546</u>	<u>429,493</u>	<u>104,070</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021

12. PROPERTY, PLANT AND EQUIPMENT - continued

Group

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
<b>COST</b>				
At 1 January 2021	13,218,015	1,866,297	253,578	17,616,807
Additions	2,100,244	135,414	22,936	2,399,455
Disposals	(103,359)	(7,176)	(95,492)	(206,027)
Impairments	(80,504)	-	-	(80,504)
Exchange differences	32,770	3,099	631	41,497
At 31 December 2021	15,167,166	1,997,634	181,653	19,771,228
<b>DEPRECIATION</b>				
At 1 January 2021	7,772,761	1,393,385	155,564	10,659,518
Charge for year	972,050	141,616	41,426	1,392,726
Eliminated on disposal	(103,359)	(7,176)	(88,773)	(199,308)
Exchange differences	12,127	1,452	631	15,189
At 31 December 2021	8,653,579	1,529,277	108,848	11,868,125
<b>NET BOOK VALUE</b>				
At 31 December 2021	6,513,587	468,357	72,805	7,903,103
At 31 December 2020	5,445,254	472,912	98,014	6,957,289

13. INVESTMENTS

Company

	Shares in group undertakings £
<b>COST</b>	
At 1 January 2021 and 31 December 2021	18,880,336
<b>PROVISIONS</b>	
At 1 January 2021 and 31 December 2021	665,000
<b>NET BOOK VALUE</b>	
At 31 December 2021	18,215,336
At 31 December 2020	18,215,336

**HORSTMAN HOLDINGS LIMITED (REGISTERED NUMBER: 08949564)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**13. INVESTMENTS - continued**

**Company**

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

**Subsidiaries**

**Horstman Defence Systems Limited**

Registered office: England & Wales

Nature of business: Manufacture of military mobility equipment

Class of shares:	%
Ordinary	holding 100.00

**Horstman Inc.**

Registered office: USA

Nature of business: Manufacture of military mobility equipment

Class of shares:	%
Ordinary	holding 100.00

**Horstman Systems Inc.**

Registered office: Canada

Nature of business: Design of mobility equipment

Class of shares:	%
Ordinary	holding 100.00

**14. INVENTORIES**

	Group	
	2021	2020
	£	£
Raw materials	8,212,951	8,233,785
Work-in-progress	4,019,357	3,181,840
Finished goods	51	7,660
	<u>12,232,359</u>	<u>11,423,285</u>

The value of inventory is stated net of provision for the impairment of £1,629,122 (2020: £1,880,740).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**15. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Current:				
Trade debtors	<b>7,246,612</b>	6,869,801	-	-
Other debtors	<b>707,636</b>	913,214	-	-
Prepayments and accrued income	<b>300,328</b>	1,893,997	-	-
	<b><u>8,254,576</u></b>	<u>9,677,012</u>	<u>-</u>	<u>-</u>
Non-current:				
Amounts owed by group undertakings	-	-	303,348	295,429
	<u>-</u>	<u>-</u>	<u>303,348</u>	<u>295,429</u>
Aggregate amounts	<b><u>8,254,576</u></b>	<u>9,677,012</u>	<u>303,348</u>	<u>295,429</u>

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

**16. CASH AND CASH EQUIVALENTS**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Cash in hand	<b>415</b>	551
Bank accounts	<b>2,434,935</b>	4,314,280
	<b><u>2,435,350</u></b>	<u>4,314,831</u>

**17. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	<b>2021</b>	<b>2020</b>
Number:	Class:		<b>£</b>	<b>£</b>
2,000	Ordinary	£1	<b>2,000</b>	2,000
111	"A" Ordinary	£1	<b>111</b>	111
			<b><u>2,111</u></b>	<u>2,111</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021

18. RESERVES

Group	Retained	Share	Other	Totals
	earnings	premium	reserves	
	£	£	£	£
At 1 January 2021	6,965,167	4,075,889	323,484	11,364,540
Profit for the year	1,442,089	-	-	1,442,089
Forex reserve	10,619	-	-	10,619
At 31 December 2021	<u>8,417,875</u>	<u>4,075,889</u>	<u>323,484</u>	<u>12,817,248</u>

Company	Retained	Share	Other	Totals
	earnings	premium	reserves	
	£	£	£	£
At 1 January 2021	(1,446,636)	4,075,889	10,341,314	12,970,567
Deficit for the year	(39,777)	-	-	(39,777)
At 31 December 2021	<u>(1,486,413)</u>	<u>4,075,889</u>	<u>10,341,314</u>	<u>12,930,790</u>

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Merger reserve

On 29 May 2014, 999 ordinary shares of £1 each were allotted and issued fully paid in exchange for the issued share capital of Horstman Defence Systems Limited, Horstman Inc and Horstman Systems Inc. The fair value of consideration received was deemed to be £10,342,000. The difference between fair value of consideration and nominal value of shares was credited to the merger reserve.

Retained earnings

Retained earnings includes all current and prior year retained profits and losses.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Current:				
Trade creditors	2,557,651	2,065,456	-	-
Amounts owed to group undertakings	4,373,958	2,483,545	-	-
Social security and other taxes	175,766	157,398	-	-
Other creditors	211,092	248,743	-	-
Accruals and deferred income	4,538,234	6,858,914	6,100	6,100
	<u>11,856,701</u>	<u>11,814,056</u>	<u>6,100</u>	<u>6,100</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021

19. TRADE AND OTHER PAYABLES - continued

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Non-current:				
Payments on account	1,008,116	787,833	-	-
Amounts owed to group undertakings	4,227,914	7,547,354	5,693,292	5,636,267
	<u>5,236,030</u>	<u>8,335,187</u>	<u>5,693,292</u>	<u>5,636,267</u>
Aggregate amounts	<u>17,092,731</u>	<u>20,149,243</u>	<u>5,699,392</u>	<u>5,642,367</u>

20. FINANCIAL LIABILITIES - BORROWINGS

	Group	
	2021 £	2020 £
Current:		
Leases (see note 21)	<u>233,302</u>	<u>289,831</u>
Non-current:		
Leases (see note 21)	<u>155,150</u>	<u>337,600</u>

Terms and debt repayment schedule

Group

	1 year or less £	1-2 years £	Totals £
Leases	<u>233,302</u>	<u>155,150</u>	<u>388,452</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021

21. LEASING

Group  
Right-of-use assets

Property, plant and equipment

	2021 £	2020 £
<b>COST</b>		
At 1 January 2021	902,687	862,027
Additions	22,857	51,103
Disposals	(12,501)	-
Exchange differences	3,149	(10,443)
	<u>916,192</u>	<u>902,687</u>
<b>DEPRECIATION</b>		
At 1 January 2021	359,077	162,595
Charge for year	190,988	196,482
Eliminated on disposal	(5,782)	-
	<u>544,283</u>	<u>359,077</u>
<b>NET BOOK VALUE</b>	<u>371,909</u>	<u>543,610</u>
Group Other leases	 <u>2021</u> £	 <u>2020</u> £

21. LEASING - continued

Group  
Lease liabilities

Minimum lease payments fall due as follows:

	2021 £	2020 £
Gross obligations repayable:		
Within one year	233,302	289,831
Between one and five years	155,150	337,600
	<u>388,452</u>	<u>627,431</u>
Finance charges repayable:	<u>          </u>	<u>          </u>
Net obligations repayable:		
Within one year	233,302	289,831
Between one and five years	155,150	337,600
	<u>388,452</u>	<u>627,431</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**22. FINANCIAL INSTRUMENTS**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy.

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	2021 £	2020 £
<u>Financial assets at amortised costs</u>		
Financial assets at amortised cost	7,954,248	7,783,015
Cash and cash equivalents	2,435,350	4,314,831
	<u>10,389,598</u>	<u>2,097,846</u>
	2021 £	2020 £
<u>Liabilities at amortised cost</u>		
Trade and other payables	16,916,965	19,991,845
	<u>16,916,965</u>	<u>19,991,845</u>

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables and amounts due to and from related parties approximate their fair values because these are short term in nature. Such items have been classified as under amortised cost in the above table.

**Measurement of fair values**

The fair value of financial assets and financial liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Financial liabilities at amortised cost approximate their carrying amounts either due to their short-term maturities or because they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.
- The fair value of unquoted debt securities is determined by reference to portfolio statements provided by third party fund managers. The appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations by management.
- Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for the asset or liability.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Financial risk management**

The Group has exposure to the following risks arising from financial instruments:

- Credit Risk
- Liquidity risk
- Market risk

**Risk management framework**

**Credit risk**

Financial risk management:

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The carrying amount of financial assets represents the maximum credit risk exposure at the reporting date. Trade receivables and unbilled revenue, if any are typically unsecured and are derived from revenue earned from customers. Credit risk has always been managed by the group through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. The Group uses expected credit loss model to assess the impairment loss or gain. The Group uses a provision matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account available external and internal credit risk factors.

Trade receivables and loans:

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Trade receivables and unbilled revenue are typically unsecured and are derived from revenue earned from external customers. Credit risk has always been managed by the Group through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business.

On account of adoption of IFRS9, the Group uses an expected credit loss model to assess the impairment loss or gain. The Group has used a simplified approach for its trade receivables and other receivables to compute loss allowance. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. The Group establishes an allowance for doubtful debts and impairment that represents its estimate of incurred losses in respect of the Group's trade receivables, certain loans and advances and other financial assets.

No single customer accounted for more than 10% of the trade receivables as of 31 December 2021 and as such, there is no significant concentration of credit risk.

Cash and bank balances (includes amounts classified under other bank balances and deposits and other receivables).

The Company holds cash and bank balances of £2,435,350 at 31 December 2021 (2020: £4,314,831). The Company holds cash and cash equivalents with credit worthy banks and financial institutions as at the reporting dates which has been measured on the 12-month expected loss basis. The creditworthiness of such banks and financial institutions are evaluated by the management on an ongoing basis and is considered to be good with low credit risk.

**Market risk**

Financial risk management:

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

The Group does undertake hedge accounting as many of its transactions are made in a currency that is the functional currency of the related subsidiary entity and so there is a natural economic hedge present.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021

23. PROVISIONS

	Group		
	2021	2020	
	£	£	
Warranty provision	340,000	629,000	
Dilapidation	50,000	-	
Other provision	100,000	-	
	<u>490,000</u>	<u>629,000</u>	
 Analysed as follows:			
Current	<u>490,000</u>	<u>629,000</u>	
		Warranty	Dilapidation
		provision	provision
		£	£
Balance at 1 January	629,000	-	-
Provided for during the year	-	50,000	100,000
Released to the P&L	<u>(289,000)</u>	<u>-</u>	<u>-</u>
Balance at 31 December	<u>340,000</u>	<u>50,000</u>	<u>100,000</u>

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

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

The dilapidation provision represents the expected costs of returning a leased warehouse to original condition.

The other provisions represent potential legal costs which may not be reimbursed by the Company's insurance.

24. DEFERRED TAX

Group		
	2021	2020
	£	£
Balance at 1 January	253,351	194,719
Deferred tax charge	<u>114,320</u>	<u>58,632</u>
Balance at 31 December	<u>367,671</u>	<u>253,351</u>

25. ULTIMATE CONTROLLING PARTY

At 31 December 2021, the company's intermediate parent company was RENK GmbH ("RENK"). RENK, registered in Germany, is a subsidiary of Triton V fund, which is deemed to be the ultimate controlling party.