Registered number: 05582765

MANTEC GROUP LIMITED

CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY INFORMATION

Director	A Misso
Company secretary	A Misso
Registered number	05582765
Registered office	Albion Works Uttoxeter Road Longton Stoke-on-Trent ST3 1PH
Independent auditors	Simmons Gainsford LLP Chartered Accountants & Statutory Auditors 7-10 Chandos Street London W1G 9DQ

CONTENTS

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors of the company with its subsidiary undertakings (which together comprise 'the Group') present their strategic report together with the audited consolidated financial statements for the year ended 31 December 2019.

Business review

The principal activity of the company during the year continued to be that of a holding company. The activities of the subsidiary undertakings are included in note 14 to the accounts.

Despite the disposal of Duchess China in early 2019 the Group saw an increase in turnover driven predominantly by recovering lost market in the Far East by Fairey Industrial Ceramics.

The overall profitability of the Group is also up as a result of the improved turnover and continued management of costs across the Group.

2019 saw the Group companies become strategically aligned with dedicated management teams to focus efforts on drinking water filtration, at Fairey Industrial Ceramics, and industrial filtration, at Mantec Technical Ceramics and Xtract Filtration Systems, initiatives are in place to broaden the customer bases and product offerings whilst improving plant efficiencies and overhead control.

Principal risks and uncertainties

The principal risk facing the Group results from the performance of its investments in subsidiary undertakings. The principal risks facing these subsidiaries continues to be pressure from competitors particularly those within lower cost economies.

Financial risk management

The Group's financial instruments principally comprise of cash at bank, trade debtors, trade creditors, hire purchase finance facilities and shareholder loans. In addition, the group has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from operations. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

Principal risks and uncertainties (continued)

The main risks arising from the Group's financial statements are liquidity, interest rates, foreign currency and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the period.

Liquidity risk

The Group manages its borrowing requirements to ensure the group has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The Group is exposed to cash flow interest rate risk on its floating rate borrowings. All borrowings are in Sterling.

Foreign currency risk

The Group is exposed to exchange rate fluctuations particularly where goods are invoiced in US Dollars. This is largely managed through a natural hedge generated from imports of raw materials denominated in US Dollars.

Credit risk

The recipients of all loans are subject to credit verification procedures by the board. Debtors are reviewed on a regular basis and provision is made for doubtful debts when necessary.

Financial key performance indicators

The financial key performance indicators of the Group are turnover, operating profit, profit before tax, net debt and net assets. A brief analysis of these is provided below:

	2019 **£'000**	**2018** **£'000**
Turnover	12,188	10,586
Operating profit / (loss)	208	(463)
Profit / (loss) before tax	95	(567)
Net debt	(2,862)	(3,424)
Net assets	1,454	1,359

This report was approved by the board on 31 December 2020 and signed on its behalf.

A Misso
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors

The directors who served during the year were:

T Kelly (resigned 1 March 2019)
A Bernhardt (appointed 18 February 2019, resigned 1 October 2020)
A Misso (appointed 18 February 2019)

Results and dividends

The profit for the year, after taxation, amounted to £94,766 (2018 - loss £566,930).

The directors do not propose the payment of a dividend.

The directors have highlighted in the strategic report on pages 1 and 2, a review of the current year results, future outlook expectations, risks and key performance indicators for the group.

Post balance sheet events

The global Coronavirus pandemic has caused unprecedented uncertainty across the manufacturing sector with the direct impact and ripple effect of the economic fallout currently unknown.

During this time the health & safety and welfare of our staff and suppliers was of paramount importance. The Group has invested in relevant PPE and implemented safety measures to ensure that the staff can attend work premises together.

The Group continues to monitor closely the government and WHO guidance and to ensure compliance with those guidelines in providing a safe environment for all concerned.

The Group has also taken certain financial measures to ensure that the it remains in a position where it can continue to meet its forecast liabilities as they fall due.

Steps include: -

• Additional funding;

• Enhanced cost reduction measures; and

• Making use of relevant government support including the Coronavirus Job Retention Scheme.

Based on the steps undertaken and with the continued support of the Group's bank, the financial statements have been prepared on a going concern basis.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Group's financial statements and then apply them consistently;
- make judgments 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, Simmons Gainsford LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 31 December 2020 and signed on its behalf.

A Misso
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MANTEC GROUP LIMITED

Opinion

We have audited the financial statements of Mantec Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Auditors' 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.

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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report 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 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 on page 4, 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.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members 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 an Auditors' 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 Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

Daryush Farshchi-Heidari (FCA) (Senior Statutory Auditor)
for and on behalf of
Simmons Gainsford LLP
Chartered Accountants
Statutory Auditors
7-10 Chandos Street
London
W1G 9DQ

31 December 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover		12,187,882	10,586,339
Cost of sales		(7,160,953)	(6,683,888)
Gross profit		5,026,929	3,902,451
Distribution costs		(568,124)	(443,597)
Administrative expenses		(4,503,556)	(3,921,699)
Exceptional items	5	252,921	-
Operating profit/(loss)	6	208,170	(462,845)
Interest receivable and similar income		310	127
Interest payable and expenses	10	(113,714)	(104,212)
Profit/(loss) before taxation		94,766	(566,930)
Tax on profit/(loss)	11	-	-
Profit/(loss) for the financial year		94,766	(566,930)
Loss for the year attributable to:			
Owners of the parent Company		94,766	(566,930)

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 17 to 39 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Intangible assets	12		979,528		1,018,339
Tangible assets	13		794,715		944,203
			1,774,243		1,962,542
Current assets					
Stocks	15	2,210,459		1,836,953	
Debtors	16	2,965,719		2,554,884	
Cash at bank and in hand		617,031		87,210	
		5,793,209		4,479,047	
Creditors: amounts falling due within one year	17	(3,230,851)		(2,714,013)	
Net current assets			2,562,358		1,765,034
Total assets less current liabilities			4,336,601		3,727,576
Creditors: amounts falling due after more than one year	18	(2,753,632)		(2,245,373)	
Provisions for liabilities					
Deferred taxation	20	(123,352)		(123,352)	
Other provisions	21	(6,000)		-	
			(129,352)		(123,352)
Net assets			1,453,617		1,358,851
Capital and reserves					
Called up share capital	22		1,110		1,110
Share premium account	23		60,390		60,390
Other reserves	23		10,000		10,000
Profit and loss account	23		1,382,117		1,287,351
Shareholders' funds			1,453,617		1,358,851

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 December 2020.

A Misso
Director

The notes on pages 17 to 39 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	13		-		426
Investments	14		3,427,316		3,463,959
			3,427,316		3,464,385
Current assets					
Debtors due within 1 year	16	696,369		301,081	
Debtors: amounts falling due after more than one year	16	865,000		1,035,000	
Cash at bank and in hand		119,915		-	
		1,681,284		1,336,081	
Creditors: amounts falling due within one year	17	(365,794)		(727,509)	
Net current assets			1,315,490		608,572
Total assets less current liabilities			4,742,806		4,072,957
Creditors: amounts falling due after more than one year	18	(2,782,338)		(2,113,043)	
Net assets			1,960,468		1,959,914
Capital and reserves					
Called up share capital	22		1,110		1,110
Share premium account	23		60,390		60,390
Other reserves	23		10,000		10,000
Profit and loss account	23		1,888,968		1,888,414
Shareholders' funds			1,960,468		1,959,914

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £554 (2018 - loss of £281,466).

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 December 2020.

A Misso
Director

The notes on pages 17 to 39 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	1,110	60,390	10,000	1,854,281	1,925,781
Comprehensive income for the year					
Loss for the year	-	-	-	(566,930)	(566,930)
At 1 January 2019	1,110	60,390	10,000	1,287,351	1,358,851
Comprehensive income for the year					
Profit for the year	-	-	-	94,766	94,766
At 31 December 2019	1,110	60,390	10,000	1,382,117	1,453,617

The notes on pages 17 to 39 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2018	1,110	60,390	10,000	2,169,880	2,241,380
Comprehensive income for the year					
Loss for the year	-	-	-	(281,466)	(281,466)
At 1 January 2019	1,110	60,390	10,000	1,888,414	1,959,914
Comprehensive income for the year					
Profit for the year	-	-	-	554	554
At 31 December 2019	1,110	60,390	10,000	1,888,968	1,960,468

The notes on pages 17 to 39 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	£	£
Cash flows from operating activities		
Profit/(loss) for the financial year	94,766	(566,930)
Adjustments for:		
Amortisation of intangible fixed assets	114,706	109,509
Intangible fixed assets written off	5,300	15,599
Depreciation of tangible fixed assets	221,079	244,327
Profit on disposal of tangible fixed assets	(308,995)	(124)
Interest payable	110,618	97,069
Finance lease interest payable	3,096	7,143
Interest receivable	(310)	(127)
(Increase)/decrease in stocks	(373,506)	258,744
Increase in debtors	(410,835)	(441,518)
Increase/(decrease) in creditors	1,057,938	(82,857)
Increase/(decrease) in provisions	6,000	(4,505)
Net cash generated from/(used in) operating activities	519,857	(363,670)
Cash flows from investing activities		
Purchase of intangible fixed assets	(81,195)	(133,240)
Purchase of tangible fixed assets	(117,453)	(45,992)
Sale of tangible fixed assets	354,857	2,250
Interest received	310	127
Net cash generated from/(used in) investing activities	156,519	(176,855)
Cash flows from financing activities		
New loans received	875,000	-
Repayment of loans	(255,240)	(295,202)
Repayment of finance leases	(120,933)	(117,622)
Interest paid	(9,397)	(5,771)
Finance lease interest paid	(3,096)	(7,143)
Net cash generated from/(used in) financing activities	486,334	(425,738)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £	2018 £
Net increase/(decrease) in cash and cash equivalents	1,162,710	(966,263)
Cash and cash equivalents at beginning of year	(845,378)	120,885
Cash and cash equivalents at the end of year	317,332	(845,378)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	617,031	87,210
Bank overdrafts	(299,699)	(932,588)
	317,332	(845,378)

The notes on pages 17 to 39 form part of these financial statements.

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019

	At 1 January 2019	Cash flows	Accrued interest	Other non-cash changes	At 31 December 2019
	£	£	£	£	£
Cash at bank and in hand	87,210	529,821	-	-	617,031
Bank overdrafts	(932,588)	632,889	-	-	(299,699)
Debt due after 1 year	(2,113,043)	(619,760)	(94,535)	175,000	(2,652,338)
Debt due within 1 year	(320,000)	-	(6,686)	(175,000)	(501,686)
Finance leases	(145,804)	120,933	-	-	(24,871)
	(3,424,225)	663,883	(101,221)	-	(2,861,563)

The notes on pages 17 to 39 form part of these financial statements.

1. General information

The company is a private company limited by shares, and is incorporated in England and Wales. The address of its registered office is Albion Works, Uttoxeter Road, Longton, Stoke-on-Trent, ST3 1PH.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Parent Company disclosure exemptions

In preparing the separate financial statements of the parent *Company*, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliation for the Company and the parent *Company* would be identical;
- No Statement of Cash Flows has been presented for the parent *Company*;
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent *Company* as their remuneration is included in the totals for the Company as a whole.

The following principal accounting policies have been applied:

2.2 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 Balance Sheet, 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.

2. Accounting policies (continued)

2.3 Going concern

The global Coronavirus pandemic has caused unprecedented uncertainty across the manufacturing

sector with the direct impact and ripple effect of the economic fallout currently unknown.

As a result of the pandemic the Group has taken certain measure to ensure that it remains in a position where it can continue to meet its forecast liabilities as they fall due.

Steps include: -

• Additional funding;

• Enhanced cost reduction measures; and

• Making use of relevant government support including the Coronavirus Job Retention Scheme.

Based on the steps undertaken and with the continued support of the Group's bank, the financial

statements have been prepared on a going concern basis.

2.4 Revenue

Sale of goods and rendering of services

Turnover from the sale of goods is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover on maintenance contracts is recognised in proportion to the length of the contract with full provision made for all foreseeable costs. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2. Accounting policies (continued)

2.5 Intangible assets

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 the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to Administrative expenses in the Consolidated Statement of Comprehensive Income over its useful economic life.

Patents, Intellectual Property, Trademarks and Software

Patents, intellectual property, trademarks and software are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to Administrative expenses in the Consolidated Statement of Comprehensive Income.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Patents and trademarks	-	10 - 20 years
Intellectual Property	-	10 years
Computer software	-	10 years

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

2. Accounting policies (continued)

2.6 Tangible fixed assets (CONTINUED)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line and reducing balance methods.

Depreciation is provided on the following basis:

Freehold property	-	2% straight line
Plant and machinery	-	5-33% straight line
Motor vehicles	-	33% reducing balance/50% straight line
Fixtures and fittings	-	10-33% straight line/3-5 years 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 are recognised in profit or loss.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

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

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

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of mot more than 24 hours.

2. Accounting policies (continued)

2.10 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

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

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities and equity instruments are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities, including trade and other payables, bank loans, loans from fellow group companies, are initially measured at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

2. Accounting policies (continued)

2.10 Financial instruments (CONTINUED)

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2.11 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated Statement of Comprehensive Income 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.

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'administrative expenses'.

2.13 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.

2. Accounting policies (continued)

2.14 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.15 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.16 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.17 Interest income

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

2.18 Provisions for liabilities

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

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.21 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred.

3. Judgments in applying accounting policies and key sources of estimation 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.

The group makes estimates and assumptions concerning the future. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors consider there to be no significant areas of judgements or key sources of estimation uncertainty.

4. Turnover

The total turnover of the Group for the year has been derived from the sale of goods and services as per the principal activities below:

	2019	2018
	£	£
Ceramic point of use drinking water filters	8,913,157	6,835,924
Technical ceramics	2,651,247	2,340,305
Domestic ceramics	94,297	1,118,821
License fees	80,604	85,600
Engineered filtration systems	448,577	205,689
	12,187,882	10,586,339

Analysis of turnover by country of destination:

	2019	2018
	£	£
United Kingdom	1,722,811	2,876,782
Rest of the World	10,465,071	7,709,557
	12,187,882	10,586,339

5. Exceptional items

	2019	2018
	£	£
Loss on disposal of trade and assets	(54,485)	-
Profit on disposal of freehold property	307,406	-
	252,921	-

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2019	2018
	£	£
Exchange differences	5,430	(3,758)
Other operating lease rentals	255,503	280,555

7. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	47,069	46,473

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	3,526,716	3,708,615	43,701	166,191
Social security costs	267,896	285,716	5,004	19,819
Cost of defined contribution scheme	159,677	140,769	421	17,427
	3,954,289	4,135,100	49,126	203,437

The average monthly number of employees for the Group, including the directors, during the year was as follows:

	Group 2019 No.	Group 2018 No.	Company 2019 No.	Company 2018 No.
Production	64	84	-	-
Admin, Distribution, Managerial and Technical	61	63	3	5
	125	147	3	5

9. Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	36,405	138,154
Company contributions to defined contribution pension schemes	134	16,149
	36,539	154,303

During the year retirement benefits were accruing to 1 director (2018 - 2) in respect of defined contribution pension schemes.

The only key management personnel are the directors.

10. Interest payable and similar expenses

	2019	2018
	£	£
Bank interest payable	187	2,544
Loan interest payable	110,127	93,336
Finance leases and hire purchase contracts	3,096	7,143
Other interest payable	304	1,189
	113,714	104,212

11. Taxation

	2019	2018
	£	£
Taxation on loss	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	£	£
Profit/(loss) on ordinary activities before tax	94,766	(566,930)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	18,006	(107,717)
Effects of:		
Expenses not deductible for tax purposes	27,817	19,965
Depreciation for the year in excess of capital allowances	5,448	47,160
Non-taxable income	-	(2,342)
Book profit on chargeable assets	(58,407)	-
Capital gains	39,489	-
Unrelieved tax losses carried forward	-	42,934
Utilisation of tax losses brought forward	(32,353)	-
Total tax charge for the year	-	-

Factors that may affect future tax charges

The group has estimated losses of £460,000 (2018 - £630,000) to be carried forward against future profits.

12. Intangible assets

Group

	Patents	Intellectual Property	Trademarks	Computer software	Goodwill
	£	£	£	£	£
Cost					
At 1 January 2019	99,239	500,000	640,131	155,957	287,619
Additions	27,213	-	53,982	-	-
Disposals	(5,300)	-	-	-	-
At 31 December 2019	121,152	500,000	694,113	155,957	287,619
Amortisation					
At 1 January 2019	24,659	179,167	165,699	7,463	287,619
Charge for the year on owned assets	3,623	50,000	41,589	19,494	-
At 31 December 2019	28,282	229,167	207,288	26,957	287,619
Net book value					
At 31 December 2019	92,870	270,833	486,825	129,000	-
At 31 December 2018	74,580	320,833	474,432	148,494	-

12. Intangible assets (continued)

	Total
	£
Cost	
At 1 January 2019	1,682,946
Additions	81,195
Disposals	(5,300)
At 31 December 2019	1,758,841
Amortisation	
At 1 January 2019	664,607
Charge for the year on owned assets	114,706
At 31 December 2019	779,313
Net book value	
At 31 December 2019	979,528
At 31 December 2018	1,018,339

13. Tangible fixed assets

Group

	Freehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£	£	£	£	£
Cost					
At 1 January 2019	87,000	5,370,599	36,806	284,296	5,778,701
Additions	-	44,750	-	72,703	117,453
Disposals	(87,000)	(189,199)	-	-	(276,199)
At 31 December 2019	-	5,226,150	36,806	356,999	5,619,955
Depreciation					
At 1 January 2019	44,131	4,472,606	33,465	284,296	4,834,498
Charge for the year	275	210,024	1,115	9,665	221,079
Disposals	(44,406)	(185,931)	-	-	(230,337)
At 31 December 2019	-	4,496,699	34,580	293,961	4,825,240
Net book value					
At 31 December 2019	-	729,451	2,226	63,038	794,715
At 31 December 2018	42,869	897,993	3,341	-	944,203

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019	2018
	£	£
Plant and machinery	53,980	491,299

13. Tangible fixed assets (continued)

Company

	Fixtures and fittings
	£
Cost	
At 1 January 2019	6,354
At 31 December 2019	6,354
Depreciation	
At 1 January 2019	5,928
Charge for the year	426
At 31 December 2019	6,354
Net book value	
At 31 December 2019	-
At 31 December 2018	426

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2019	3,637,529
At 31 December 2019	3,637,529
Impairment	
At 1 January 2019	173,570
Charge for the period	36,643
At 31 December 2019	210,213
Net book value	
At 31 December 2019	3,427,316
At 31 December 2018	3,463,959

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Mantec Technical Ceramics Limited	Manufacture of technical ceramics	Ordinary	100 %
Xtract Filtration Systems Limited *	Manufacture of engineered filtration systems	Ordinary	100 %
Taylor Tunnicliff Limited	Commission agent	Ordinary	100 %
Duchess China Limited	Manufacture and distributor of domestic ceramics	Ordinary	100 %
Mantec Properties Limited	Dormant	Ordinary	100 %
Fairey Industrial Ceramics Limited	Manufacture of ceramic point of use drinking water filters	Ordinary	100 %
Lifesaver Holdings Limited **	Holding company	Ordinary	100 %
Lifesaver IP Limited ***	Licensing of intellectual property	Ordinary	100 %
Grimwades Limited	Property holding company	Ordinary	100 %
Doulton Water Filters Limited	Dormant	Ordinary	100 %
Doulton Water Filters Asia Holdings Limited **	Dormant	Ordinary	100 %

* Shares held via Mantec Technical Ceramics Limited

** Shares held via Fairey Industrial Ceramics Limited

*** Shares held via Lifesaver Holdings Limited

15. Stocks

	Group 2019 £	Group 2018 £
Raw materials and consumables	1,365,166	997,207
Work in progress	271,339	239,533
Finished goods and goods for resale	573,954	600,213
	2,210,459	1,836,953

At the year end, an impairment loss of £135,497 (2018 - £350,056) has been provided against stock, giving a net credit of £214,559 (2018 - net charge of £162,158) recognised in cost of sales, to account for slow-moving and obsolete stock.

16. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due after more than one year				
Amounts owed by group undertakings	-	-	865,000	1,035,000
Other debtors	52,500	-	-	-
Due within one year				
Trade debtors	2,587,118	2,250,578	-	-
Amounts owed by group undertakings	-	-	696,123	238,735
Other debtors	149,886	62,377	-	436
Prepayments and accrued income	176,215	241,929	246	61,910
	2,965,719	2,554,884	1,561,369	1,336,081

17. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank overdrafts	299,699	932,588	-	235,915
Trade creditors	1,512,876	709,912	69,072	72,918
Amounts owed to group undertakings	-	-	80,100	80,100
Other taxation and social security	90,732	135,379	3,637	10,192
Obligations under finance lease and hire purchase contracts	10,213	120,933	-	-
Other creditors	584,976	392,111	201,686	320,000
Accruals and deferred income	732,355	423,090	11,299	8,384
	3,230,851	2,714,013	365,794	727,509

Company

Bank overdrafts are secured against assets of the group.

Group

Obligations under finance leases are secured on the assets they relate to. The remaining lease years are not later than 5 years. Bank overdrafts are secured by way of a fixed charge over certain trade debtors and a floating charge over all the assets of the company.

18. Creditors: Amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Net obligations under finance leases and hire purchase contracts	14,658	24,871	-	-
Amounts owed to group undertakings	-	-	130,000	-
Other creditors	2,685,849	2,154,877	2,652,338	2,113,043
Accruals and deferred income	53,125	65,625	-	-
	2,753,632	2,245,373	2,782,338	2,113,043

Group

Obligations under finance leases are secured on the assets they relate to. The remaining lease terms are not later than five years.

Group and company

Included within other creditors above is an amount of £1,246,791 (2018 - £985,285) which falls due by installments after more than five years, with an interest rate per annum of 4% over the Bank of England Base Rate.

Included within other creditors above is an amount of £20,944 (2018 - £24,086) which falls due by installments after more than five years.

Included in accruals and deferred income above is an amount of £3,125 (2018 - £15,625) which falls due by installments after more than five years.

19. Hire purchase and finance leases

Minimum lease payments under hire purchase and finance leases fall due as follows:

	Group 2019 £	Group 2018 £
Within one year	10,213	103,822
Between 1-2 years	9,692	10,977
Between 2-5 years	4,966	35,092
	24,871	149,891

20. Deferred taxation

Group

	2019
	£
At beginning of year	123,352
At end of year	123,352

The provision for deferred taxation is made up as follows:

	Group 2019	Group 2018
	£	£
Accelerated capital allowances	123,352	123,352

21. Provisions

Group

	Warranty provision
	£
Charged to profit or loss	6,000
At 31 December 2019	6,000

The company has no provisions in either the current or prior year.

22. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
1,110 (2018 - 1,110) Ordinary shares of £1.00 each	1,110	1,110

There is a single class of ordinary shares. There are no restrictions on distribution of dividends and the repayment of capital.

23. Reserves

Other reserves

Other reserves represents an amount recognised in a historic group reorganisation.

24. Contingent liabilities

Company

In the prior year, the company had entered into a group cross guarantee in respect of loans and overdrafts. During the year, the group overdraft facility was cancelled and the cross guarantee satisfied. Therefore, at the balance sheet date the contingent liability attributable to the company amounted to £Nil (2018 - £305,137).

Group

The group has received a government grant of £125,000 in previous years relating to the purchase of plant and machinery. The terms of the grant include performance criteria which if not met may result in its recall. The directors currently do not believe that any repayment will become due.

25. Commitments under operating leases

At 31 December 2019 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Not later than 1 year	359,039	333,219	11,649	5,319
Later than 1 year and not later than 5 years	1,572,547	1,506,500	27,067	-
Later than 5 years	1,097,580	1,483,950	-	-
	3,029,166	3,323,669	38,716	5,319

26. Related party transactions

Company and Group

At the balance sheet date, included in other creditors due within one year is an amount of £120,000 (2018 - £320,000) and an amount included within creditors due after more than one year of £1,726,791 (2018 - £1,582,030) due to the current shareholder of the company. This loan attracts interest at a rate of 4% above the Bank of England base rate and the interest charge for the year was £94,534 (2018 - £89,457). Interest amounting to £625,547 (2018 - £531,013) remains unpaid and is included in other creditors due after more than one year at the balance sheet date.

At the balance sheet date, included in other creditors due within one year is an amount of £75,000 (2018 - £Nil) and an amount included within creditors due after more than one year of £300,00 (2018 - £Nil) due to a pension scheme, in which the husband of the current shareholder of the company has a material interest. This loan attracts interest at a rate of 4% above the Bank of England base rate and the interest charge for the year was £6,686 (2018 - £3,879). Interest amounting to £6,686 (2018 - £Nil) remains unpaid and is included in other creditors due within one year at the balance sheet date.

Group

During the year rent of £140,000 (2018 - £140,000) was charged by a pension scheme, in which the husband of the current shareholder of the company has a material interest.

27. Controlling party

Mrs V Davis is regarded as the company's ultimate controlling party by virtue of her shareholding in the company, in both the current and prior year.