

Vascutek Limited

Trading as

Terumo Aortic

Annual report and financial statements

Registered number SC079773

31 March 2021



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Company information

Directors	P Holbrook H Pomp N Kunimoto L Millar T Osada S Hatano
Business name	Terumo Aortic
Company number	SC079773 (Scotland)
Registered office	Newmains Avenue Inchinnan Renfrewshire PA4 9RR
Auditor	KPMG LLP 319 St Vincent Street Glasgow G2 5AS

Strategic report

Vascutek Limited trades as Terumo Aortic. The directors present their strategic report for the year ended 31 March 2021.

Principal Risks, Uncertainties and Future Developments

The principal risks and uncertainties affecting the business are as follows:

Current economic environment: the industry in which the company operates has been impacted by the continuing global economic uncertainty in relation to the worldwide Covid-19 pandemic. Vascutek have continued to focus on product development and quality to maintain market share. Having regard to the company's cash resources, the directors believe the company is well placed to continue to manage its financial position successfully.

Product quality: quality is a particularly important risk for companies involved in healthcare. Vascutek regards quality to be of paramount importance and will continuously strive for quality improvements. To reflect this, Vascutek continues to place importance in the development and maintenance of the company Quality Management System.

Foreign currency risk: as a major proportion of Vascutek's sales are for export from the UK, it is potentially exposed to a currency exchange risk. However, Vascutek mitigates this risk where possible by transacting its export business in Pounds Sterling and by arranging forward currency contracts for significant foreign currency sales.

Technology advances: the company has a research laboratory and other facilities and devotes considerable resources to research and development aimed at new products and processes. In addition, contacts have been maintained and developed with outside institutions, enabling the company to keep fully abreast of relevant technology.

Product innovation: the major risk to Vascutek's conventional business is the increasing trend towards less invasive surgery and the resultant increased importance of stenting. However, Vascutek continues to keep abreast of these important changes with the development and successful market launch of innovative products.

Key areas of development include development and expansion of the existing product ranges and the drive to further increase sales in existing markets and other emerging export markets.

Company performance

Our overall sales performance in the year was 1.6% lower than the prior year. Sales amounted to £88,155,000 (2020: £89,603,000).

The profit for the year after taxation was £11,391,000 (2020: £10,152,000).

No final dividend (2020: £Nil) or interim dividend (2020: £Nil) was paid during the year.

Key financial performance indicators for the company relate to the management of profitability and working capital and are detailed below.

In respect of non-financial performance, the company attaches significant importance to maintaining and, where possible, improving high quality standards and providing a safe and healthy working environment for all of its employees. Relevant key non-financial performance indicators are included overleaf.

Going concern

The company regularly reviews its performance and its available funding and future business prospects. There are controls in place to monitor the performance of the business against budgets and to enable the directors to forecast the company's trading results. Having reviewed all the information available to them, the directors consider that it is appropriate to prepare these accounts on a going concern basis.

The directors have analysed the impact of COVID-19 and having taken into account all the available information for at least 12 months, it has been concluded the COVID-19 had an impact of the level of activity of the company during the months of March, April, May and June and that this impact was recovered over the remainder of the financial year. The company operates in the healthcare sector and normal level of activities are expected to continue. The directors have analysed the impact of the COVID-19 in the cash flow forecasts of the company, and they have concluded that the company will continue to be cash generative meeting all of its liabilities as they fall due.

Strategic Report (continued)

Directors' Section 172 Statement:

The board of directors have collectively and individually promoted the company's success for its shareholders during the financial year ending 31 March 2021. Working together, we continue to develop our strategy and processes to ensure product quality is of the highest standard and we continue to innovate.

Our purpose, strategy and consideration of the long-term consequences of decisions:

Our short-term strategy has been developed to provide clarity on critical business objectives and the key measures of success, delivering increased profitability from our existing portfolio. The company is focused on creation of an integrated longer-term strategy to deliver business growth through new markets and developing technologies. Engaging with employees:

Employee safety and well-being remains our top priority. We conduct regular health and safety meetings throughout the year and ensure there is a clear structure in place for reporting any issues employees face.

Fostering business relationships with suppliers, customers and others:

Relationships with the supply chain are key to securing continued supplies of our range of products. We have actively expanded our reach to seek out and develop a wider network of relationships. Delivering quality product to valued customers remains a critical success factor.

Operational impact on community and environment:

The company remains respectful of the communities in which it operates. Our objectives and key performance measures consider our impact on the environment. We actively support other businesses with a commitment to sustainability through our approach to procurement.

Maintaining a reputation for high standards of business conduct:

The board of directors are committed to behaving responsibly and maintaining the reputation of the business through impeccable conduct and good governance. We expect the same high standards of our workforce.

Behaving responsibly to our shareholders:

The board of directors behaves responsibly to its shareholder through good governance, sharing high quality information and conducting regular meetings at our sites.

Key Performance Indicators

Financial	2021	2020	Non-Financial	2021	2020
Sales performance year on year – continued operations	(1.6%)	1.1%	Quality		
Profit before tax performance year on year – continued Operations	10%	86%	- Vascutek product complaints/sales	0.11%	0.08%
Debtors days	144 days	130 days	Health and Safety		
Finished goods inventory turns	58 days	57 days	- Reportable accidents per employee	0.00%	0.12%

By order of the board



L Millar
Director

25 June 2021

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 March 2021.

Principal activity and business review

The company is engaged principally in the manufacture of high quality vascular prostheses for human implant. These grafts are marketed by the company in the UK and worldwide by various distributors.

Financial instruments

The company does not use complex financial instruments.

Proposed dividend

The directors have proposed not to pay a final ordinary dividend in respect of the current financial year (2020: £nil).

No interim dividend was paid during the year.

Directors

The directors who held office during the year and to the date of this report were as follows:

P Holbrook
H Pomp
H Samejima (resigned 30 June 2020)
N Kunimoto
L Millar
T Osada (appointed 30 June 2020)
S Hatano (appointed 30 June 2020)

In accordance with the Articles of Association, P Holbrook and L Millar retire and, being eligible, will offer themselves for re-election.

Energy use and carbon emissions

Streamlined Energy and Carbon Reporting is presented in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The data collected includes the emissions for the UK operations of Vascutek Limited. UK Government (greenhouse gas) conversion factors were used to calculate carbon emissions and offsets, from primary data (meter readings and invoices).

Scope 1	Units	2021	2020
Combustion of natural gas in stationary equipment	kWh	3,379,651	2,756,410
Combustion of LPG in stationary equipment	kWh	-	7,731
Consumption of fuel in company leased vehicles	kWh	66,371	224,302
Total Scope 1		3,446,022	2,988,443
Scope 2			
Emissions from purchased electricity	T CO ₂ e	1,045	1,174
Total Scope 2		1,045	1,174
Scope 3			
Business Travel: Employee – owned vehicles	kWh	5,559	-
Total Scope 3		5,559	-

Directors' report (continued)

Employees

It is the company's policy to offer equal opportunity to disabled persons applying for vacancies and provide them with the same opportunities for employment training career development and promotion that are available to all employees within the limitations of their aptitude and abilities.

Charitable/political contributions

The company made charitable donations totalling £4,000 during the year (2020: £8,800). The company made no political contributions or incurred any political expenditure during the year (2020: £Nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



L Millar
Director

Vascutek Limited
Newmains Avenue
Inchinnan
Renfrewshire
PA4 9RR
25 June 2021

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Vascutek Limited

Opinion

We have audited the financial statements of Vascutek Limited ("the company") for the year ended 31 March 2021 which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Considering remuneration incentive schemes and performance targets for management/ directors/ sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

Fraud and breaches of laws and regulations – ability to detect (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenues consist of routine, non-complex transactions that are subject to systematic processing and the invoicing process requires numerous levels of approval.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

B Marks

**Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

319 St Vincent Street

Glasgow

G2 5AS

25 June 2021

Profit and Loss Account
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	2	88,155	89,603
Cost of sales		(42,744)	(43,284)
Gross profit		45,411	46,319
Distribution costs		(10,578)	(13,064)
Administrative expenses		(20,981)	(20,645)
Other operating income	3	87	95
Operating profit	4	13,939	12,705
Interest receivable and similar income	7	21	35
Interest payable and similar charges	8	(145)	(197)
Profit on ordinary activities before taxation		13,815	12,543
Tax on profit on ordinary activities	9	(2,424)	(2,391)
Profit for the financial year		11,391	10,152

All of the company's activities are continuing.

Notes on pages 15 to 34 form part of these financial statements.

Statement of Other Comprehensive Income

for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Profit for the year:		11,391	10,152
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	20	(2,431)	108
Income tax on items that will not be reclassified to profit or loss	19,20	462	(18)
		(1,969)	90
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of cash flow hedges reclassified to profit or loss		33	(16)
		33	(16)
Other comprehensive income for the year, net of income tax		(1,936)	74
Total comprehensive income for the year		9,455	10,226

Notes on pages 15 to 34 form part of these financial statements.

Balance Sheet
as at 31 March 2021

	<i>Note</i>	2021 £000	2021 £000	2020 £000	2020 £000
Non-current assets					
Intangible assets	10		20,667		18,559
Tangible assets	11		48,397		37,471
Right of use assets	12		1,946		2,193
Investments	13		6,773		6,773
Deferred tax asset	19		27		-
			<hr/>		<hr/>
			77,810		64,996
Current assets					
Stocks	14	14,601		13,721	
Debtors	15	36,673		41,553	
Cash at bank and in hand		15,915		10,763	
		<hr/>		<hr/>	
		67,189		66,037	
Creditors: amounts falling due within one year	16	(20,574)		(17,808)	
		<hr/>		<hr/>	
Net current assets			46,615		48,229
			<hr/>		<hr/>
Total assets less current liabilities			124,425		113,225
Creditors: amounts falling due after more than one year	18	(3,111)		(3,447)	
Provisions for liabilities					
Pension liability	20	(3,221)		(548)	
Deferred tax liability	19	-		(592)	
		<hr/>		<hr/>	
			(6,332)		(4,587)
			<hr/>		<hr/>
Net assets			118,093		108,638
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	21	-	-	-	-
Cash flow hedging reserve	21	9	9	(24)	(24)
Other reserve	21	28,126	28,126	28,126	28,126
Profit and loss account		89,958	89,958	80,536	80,536
		<hr/>	<hr/>	<hr/>	<hr/>
Shareholders' funds			118,093		108,638
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 25 June 2021 and were signed on its behalf by:



L Millar
Director

Company registered number: SC079773

Notes on pages 15 to 34 form part of these financial statements.

Statement of Changes in Equity

	Called up share capital £000	Cash flow hedging reserve £000	Other reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2019	-	(8)	28,126	70,294	98,412
Profit for the financial year	-	-	-	10,152	10,152
Other comprehensive income					
Net change in fair value of cash flow hedges reclassified to profit or loss	-	(16)	-	-	(16)
Remeasurements of defined benefit liability/asset	-	-	-	108	108
Income tax on other comprehensive income	-	-	-	(18)	(18)
Total other comprehensive income	-	(16)	-	90	74
Total comprehensive income for the period	-	(16)	-	10,242	10,226
Transactions with owners					
Distribution to owners - Dividends	-	-	-	-	-
Capital contribution from parent company	-	-	-	-	-
Balance at 31 March 2020	-	(24)	28,126	80,536	108,638
	Called up share capital £000	Cash flow hedging reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2020	-	(24)	28,126	80,536	108,638
Profit for the financial year	-	-	-	11,391	11,391
Other comprehensive income					
Net change in fair value of cash flow hedges reclassified to profit or loss	-	33	-	-	33
Remeasurements of defined benefit liability/asset	-	-	-	(2,431)	(2,431)
Income tax on other comprehensive income	-	-	-	462	462
Total other comprehensive income	-	33	-	(1,969)	(1,936)
Total comprehensive income for the period	-	33	-	9,422	(9,455)
Transactions with owners					
Distributions to owners - Dividends	-	-	-	-	-
Capital contribution from parent company	-	-	-	-	-
Balance at 31 March 2021	-	9	28,126	89,958	118,093

Notes

(forming part of the financial statements)

1 Accounting policies

Vascutek Limited (the “company”) is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company’s ultimate parent undertaking, Terumo Corporation, includes the company in its consolidated financial statements. The consolidated financial statements of Terumo Corporation are available to the public and may be obtained from Terumo Corporation, 2-44-1 Hatagaya, Shibuya-ku, Tokyo, 151-0072, Japan.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel

As the consolidated financial statements of Terumo Corporation include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Disclosures required by IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in respect of the cash flows of discontinued operations; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

In addition, the company has taken advantage of the exemption set out in Section 401 of Companies Act 2006 and has not prepared consolidated accounts as the company’s results are included in the consolidated financial statements of Terumo Corporation.

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Notes (continued)

1 Accounting policies (continued)

1.2. Going concern

The company's business activities, together with the factors likely to affect its future development, performance, position and exposures to risk are set out in the Strategic Report on pages 2 to 3.

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

- The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the company will have sufficient funds to meet its liabilities as they fall due for that period.
- The consequences of the Covid-19 worldwide pandemic continues to have an impact on the health industry worldwide, however the industry is in a much better position to manage the demands of their Covid-19 response whilst addressing other healthcare needs.
- The company is actively working with our key customers and suppliers and has risk analysis and financial planning processes in place to address any changes in demand. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current economic outlook.

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

1.3. Foreign currency

Transactions in foreign currencies are translated to the company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

1.4. Non-derivative financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

Notes (continued)

1 Accounting policies (continued)

1.5. Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

1.6. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings 20 - 30 years
- plant and equipment 3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.7. Right of Use assets

The date of initial application of IFRS 16 for the company is 1 April 2019.

(a) Impact of the new definition of a lease

Applying IFRS 16, for all leases, the company:

- (a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.8. Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Goodwill arising on the hive-up of subsidiary undertaking

In 2018, the trade and net assets of a subsidiary undertaking, Bolton Medical España SLU, were transferred to the Company at their book value. The cost of the Company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the Company's investment in that subsidiary undertaking fell below the amount at which it was stated in the Company's accounting records. Part 15 to the Companies Act 2006 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the Directors consider that, as there had been no overall loss to the Group, it would fail to give a true and fair view to charge the diminution to the Company's profit and loss account. It should instead be re-allocated to goodwill, so as to recognise in the Company's individual balance sheet the effective cost to the Company of goodwill. The effect on the Company's balance sheet of this departure is to recognise goodwill of £13,127,000.

Research and development

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

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

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- patents and trademarks 10 years
- capitalised development costs 10 years
- IT & software costs 10 years

Notes (continued)

1 Accounting policies (continued)

1.9. Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

1.10. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.11. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

Non-financial assets

The carrying amounts of the company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

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

Notes (continued)

1 Accounting policies (continued)

1.12. Employee benefits

Defined contribution plans

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes (continued)

1 Accounting policies (continued)

1.13. Turnover

Turnover represents the value of goods and services supplied net of VAT and returns.

1.14. Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.15. Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.16. Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover

By class of business

The turnover and profit arises from the principal activity of manufacture of high quality vascular prostheses for human implant.

By geographical area

In the opinion of the directors, the disclosure of turnover, profit before taxation and net assets by geographical segments would be prejudicial to the interests of the company.

Notes (continued)

3 Other operating income

	2021 £000	2020 £000
Government grants	87	87
Net gain on disposal of tangible fixed assets	-	8
	<u>87</u>	<u>95</u>

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £000	2020 £000
Depreciation	2,486	2,399
Amortisation	159	159
Research and development expensed as incurred	9,979	10,758
Research and development – tax credits	(221)	(511)
Restructuring costs expensed as incurred	476	1,535

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	36	36
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	27	36
All other services	40	252

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Production	455	483
Administration	335	328
	<u>790</u>	<u>811</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	25,722	23,979
Social security costs	2,609	2,345
Contributions to defined contribution plans	680	888
Expenses related to defined benefit plans	1,946	1,819
	<u>30,957</u>	<u>29,031</u>

Notes (continued)

6 Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration	876	824
Company contributions to money purchase pension plans	32	31
	<u>908</u>	<u>855</u>

The aggregate of remuneration of the highest paid director was £381,000 (2020: £318,000). From 1 April, he is no longer an active member of the defined benefit scheme and therefore there is no further accrued pension. (2020: £40,549)

	Number of directors 2021	2020
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
Defined benefit schemes	-	1
	<u>-</u>	<u>1</u>

7 Interest receivable and similar income

	2021 £000	2020 £000
Interest income on unimpaired financial assets	21	35
Total interest receivable and similar income	<u>21</u>	<u>35</u>

Interest receivable and similar income includes income from group undertakings of £14,000 (2020: £24,000).

8 Interest payable and similar charges

	2021 £000	2020 £000
Total interest expense on financial liabilities measured at amortised cost	-	27
Interest on lease liability	129	152
Net interest on defined benefit pension plan liability	16	18
Total interest payable and similar charges	<u>145</u>	<u>197</u>

Interest payable and similar charges includes interest payable and similar on loans of Nil (2020: £27,000), all of which was payable to group undertakings.

Notes (continued)

9 Taxation

Recognised in the profit and loss account

	2021	2020
	£000	£000
<i>Current tax</i>		
Current tax on income for the period	2,635	2,402
Adjustments in respect of prior periods	(54)	(292)
Total current tax	2,581	2,110
<i>Deferred tax (see note 19)</i>		
Origination and reversal of temporary differences	(129)	261
Adjustments in respect of prior periods	(44)	-
Deferred tax on right of use assets	(10)	(7)
Change in tax rate	72	-
Deferred tax on pension scheme liability	(46)	27
Total deferred tax	(157)	281
Total tax	2,424	2,391

Income tax recognised in other comprehensive income

	2021	2020
	£000	£000
Remeasurements of defined benefit liability	462	(18)

Reconciliation of effective tax rate

	2021	2020
	£000	£000
Profit for the year	11,391	10,152
Total corporation tax expense	2,424	2,391
Profit excluding taxation	13,815	12,543
Tax using the UK corporation tax rate of 19% (2020: 19%)	2,625	2,383
Fixed asset differences	(212)	257
Non-deductible expenses	54	64
Adjustment in respect of prior years	(98)	(293)
Revision on DTA valuation allowance	72	-
Other timing differences	(17)	(20)
Total tax expense	2,424	2,391

A UK corporation rate of 19% (effective from 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability has been calculated at 19% (2020: 19%).

Notes (continued)

10 Intangible assets

	Patents and trademarks £000	Goodwill £000	Development costs £000	IT & Software costs £000	Total £000
Cost					
Balance at 1 April 2020	4,357	13,127	5,152	472	23,108
Internally developed	-	-	811	1,456	2,267
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	4,357	13,127	5,963	1,928	25,375
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation and impairment					
Balance at 1 April 2020	4,244	-	242	63	4,549
Amortisation for the year	24	-	103	32	159
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	4,268	-	345	95	4,708
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2020	113	13,127	4,910	409	18,559
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	89	13,127	5,618	1,833	20,667
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Amortisation and impairment charge

The amortisation and impairment charge is recognised in the following line items in the profit and loss account:

	2021 £000	2020 £000
Administrative expenses	159	159
	<hr/>	<hr/>

Impairment testing

Goodwill is deemed to have an indefinite economic life and is therefore not amortised. Its carrying value is tested for impairment at least annually. The latest impairment review was at March 2021. The recoverable amount is determined using a 'value in use' calculation with key assumptions being discount rate, growth rate and projected gross margin. A post tax discount rate of 8% is used reflecting the rate used by the Group. Other assumptions are based upon expectations of future performance. The values used are consistent with the Groups forecast for future years. The Directors believe these assumptions are appropriate and sensitivity analysis indicates that changes in the key assumptions would maintain a reasonable amount of headroom over the carrying value.

Notes (continued)

11 Tangible fixed assets

	Land and buildings £000	Plant and equipment £000	Under construction £000	Total £000
Cost				
Balance at 1 April 2020	20,430	19,837	19,315	59,582
Acquisitions	110	1,179	12,937	14,226
Disposals	(1,834)	(571)	(68)	(2,473)
Transfer of assets between categories	715	1,310	(2,025)	-
Balance at 31 March 2021	19,421	21,755	30,159	71,335
Depreciation and impairment				
Balance at 1 April 2020	7,253	14,858	-	22,111
Depreciation charge for the year	862	1,624	-	2,486
Disposals	(1,259)	(400)	-	(1,659)
Balance at 31 March 2021	6,856	16,082	-	22,938
Net book value				
At 31 March 2020	13,177	4,979	19,315	37,471
At 31 March 2021	12,565	5,673	30,159	48,397

Tangible fixed assets under construction

Assets under construction relates to work undertaken on site to increase capacity.

Land and Buildings

The net book value of land and buildings comprises:

	2021 £000	2020 £000
Freehold	12,565	13,177

Included in the total net book value of land and buildings is £617,282 (2020: £617,282) of land that is not depreciated.

Notes (continued)

12 Leases

Right of use assets

	Leased buildings £000	Fixtures and equipment £000	Machinery and vehicles £000	Total £000
Cost				
Balance at 1 April 2020	2,167	60	271	2,498
Acquisitions	-	4	152	156
Disposals	-	-	(90)	(90)
Balance at 31 March 2021	2,167	64	333	2,564
Depreciation and impairment				
Balance at 1 April 2020	178	17	110	305
Depreciation charge for the year	262	17	112	391
Disposals	-	-	(78)	(78)
Balance at 31 March 2021	440	34	144	618
Net book value				
At 31 March 2020	1,989	43	161	2,193
At 31 March 2021	1,727	30	189	1,946

Lease liability ageing at 31 March 2021

	Under 1 year £000	1-2 years £000	2-5 years £000	Over 5 years £000
Lease liabilities	358	320	656	703

Notes (continued)

13 Investments in subsidiaries

	Shares in group undertakings £000	Total £000
Cost		
At 1 April 2020	6,773	6,773
At 31 March 2021	6,773	6,773
Net book value		
At 31 March 2020	6,773	6,773
At 31 March 2021	6,773	6,773

The company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership 2021	2020
Bolton Medical Espana SLU	Spain	Ordinary	100%	100%
Serom Medical Technologies SRL	Italy	Ordinary	100%	100%

14 Stocks

	2021 £000	2020 £000
Raw materials and consumables	3,882	3,451
Work in progress	3,937	3,453
Finished goods	6,782	6,817
	<u>14,601</u>	<u>13,721</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £37,530,000 (2020: £39,414,000). The write-down of stocks to net realisable value amounted to £767,502 (2020: £709,104).

Notes (continued)

15 Debtors

	2021 £000	2020 £000
<i>Amounts falling due within one year:</i>		
Trade debtors	5,667	9,335
Amounts owed by group undertakings	28,938	28,519
Other debtors	1,138	2,405
Prepayments and accrued income	930	939
Corporation tax receivable	-	355
	<u>36,673</u>	<u>41,553</u>

16 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	3,053	2,558
Amounts owed to group undertakings	7,221	7,824
Short term finance leases	358	310
Accruals and deferred income	8,886	6,220
Taxation and social security	715	642
Corporation tax payable	129	-
Other creditors	221	230
Other financial liabilities (see note 17)	(9)	24
	<u>20,574</u>	<u>17,808</u>

17 Other financial liabilities

	2021 £000	2020 £000
Other financial liabilities		
Derivatives	(9)	24
	<u></u>	<u></u>

Notes (continued)

18 Creditors: amounts falling after more than one year

	2021 £000	2020 £000
Deferred government grants	1,432	1,519
Long term finance leases	1,679	1,928
	<u>3,111</u>	<u>3,447</u>

19 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Tangible fixed assets	-	-	585	686	585	686
Employee benefits	(612)	(94)	-	-	(612)	(94)
Net tax (assets) / liabilities	<u>(612)</u>	<u>(94)</u>	<u>585</u>	<u>686</u>	<u>(27)</u>	<u>592</u>

Movement in deferred tax during the year

	1 April 2020 £000	Recognised in income £000	Recognised in equity £000	31 March 2021 £000
Tangible fixed assets	686	(101)	-	585
Employee benefits	(94)	(56)	(462)	(612)
	<u>592</u>	<u>(157)</u>	<u>(462)</u>	<u>(27)</u>

Movement in deferred tax during the prior year

	31 March 2019 £000	Recognised in income £000	Recognised in equity £000	31 March 2020 £000
Tangible fixed assets	433	253	-	686
Employee benefits	(139)	27	18	(94)
	<u>294</u>	<u>280</u>	<u>18</u>	<u>592</u>

Notes (continued)

20 Employee benefits

The revision of IAS 19 during the prior year required the company to make the following disclosures:

- (a) information about the characteristics of its defined benefit plans, including:
- (i) the nature of the benefits provided by the plan (eg final salary defined benefit plan or contribution-based plan with guarantees).
 - (ii) a description of the regulatory framework in which the plan operates, for example the level of any minimum funding requirements, and any effect of the regulatory framework on the plan, such as the asset ceiling (see paragraph 64).
 - (iii) a description of any other entity's responsibilities for the governance of the plan, for example responsibilities of trustees or of board members of the plan.
- (b) a description of the risks to which the plan exposes the entity, focused on any unusual, entity-specific or plan-specific risks, and of any significant concentrations of risk. For example, if plan assets are invested primarily in one class of investments, eg property, the plan may expose the entity to a concentration of property market risk.
- (c) a description of any plan amendments, curtailments and settlements.

The company operates a pension scheme providing benefits based on final pensionable pay.

The latest full actuarial valuation carried out at 1 July 2015 has been updated for IAS19 purposes to 31 March 2021 by a qualified independent actuary.

The information disclosed below is in respect of the whole of the plans for which the company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2021 £000	2020 £000
Total defined benefit asset	39,624	37,806
Total defined benefit liability	(42,845)	(38,354)
Net liability for defined benefit obligations (see following table)	(3,221)	(548)
Total employee benefits	(3,221)	(548)

Notes (continued)

20 Employee benefits (continued)

Movements in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Balance at 1 April	38,354	39,650	(37,806)	(38,839)	548	811
Included in profit or loss						
Current service cost	710	741	-	-	710	741
Interest cost/(income)	869	948	(853)	(930)	16	18
	<u>1,579</u>	<u>1,689</u>	<u>(853)</u>	<u>(930)</u>	<u>726</u>	<u>759</u>
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
– Changes in demographic Assumptions	-	-	-	-	-	-
– Change in financial assumptions	5,333	(1,163)	-	-	5,333	(1,163)
– Experience adjustment	(519)	(756)	-	-	(519)	(756)
Return on plan assets excluding interest income	-	-	(2,383)	1,811	(2,383)	1,811
	<u>4,814</u>	<u>(1,919)</u>	<u>(2,383)</u>	<u>1,811</u>	<u>2,431</u>	<u>(108)</u>
Other						
Contributions paid by the employer	-	-	(484)	(914)	(484)	(914)
Benefits paid	(1,902)	(1,066)	1,902	1,066	-	-
Balance at 31 March	<u>42,845</u>	<u>38,354</u>	<u>(39,624)</u>	<u>(37,806)</u>	<u>3,221</u>	<u>548</u>

Plan assets	2021 £000	2020 £000
Cash and cash equivalents	18,861	17,996
Equity instruments	9,867	9,414
Debt instruments	10,896	10,396
Total	<u>39,624</u>	<u>37,806</u>

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2021	2020
Discount rate at 31 March	2.15%	2.3%
Future salary increases	2.5%	2.5%
Future pension increases	2.65%	2.1%

Notes (continued)

20 Employee benefits (continued)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22 years (male), 24.3 years (female).
- Future retiree upon reaching 65: 23.3 years (male), 25.8 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by 0.1%.

	Plus assumption £000	Minus assumption £000
Discount rate	(842)	868
Future salary increases	141	(366)
Inflation (RPI, CPI)	546	(139)

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2021 would have increased by £775,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 1 July 2015 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The company expects to pay £380,000 in contributions to its defined benefit plans in the next financial year.

Defined contribution plans

The company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £2,627,000 (2020: £2,707,000). There were outstanding pension contributions of £180,000 at the year end (2020: £171,000).

21 Capital and reserves

Share capital

	2021 £	2020 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Notes (continued)

21 Capital and reserves (continued)

Nature and purpose of reserves

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other reserve

The other reserve comprises capital contributions from the company's parent company. During the year to 31 March 2019 a loan of £28,126,000 payable to the parent company was converted into a capital contribution.

Dividends

The following dividends were recognised during the period:

	2021 £000	2020 £000
Ordinary dividend	-	-

22 Financial instruments

Cash flow hedges

All cash flows associated with cash flow hedging instruments are expected to occur and to affect profit/loss in 1 year or less.

23 Commitments

Capital commitments

During the year ended 31 March 2021, the company entered into a contract to purchase property, plant and equipment for £3,894,000 (2020: £9,636,000). These commitments are expected to be settled in the following financial year.

24 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Terumo Corporation which is the ultimate parent company and ultimate controlling party incorporated in Japan.

The consolidated financial statements of these groups are available to the public and may be obtained from Terumo Corporation, 2-44-1 Hatagaya, Shibuya-ku, Tokyo, 151-0072, Japan.

25 Accounting estimates and judgements

The preparation of financial statements in accordance with FRS 101 requires estimates and assumptions by the directors. These estimates and assumptions might affect the reported amount of assets and liabilities, contingent liabilities and contingent assets at the reporting date as well as income and expenses during the reporting period. The actual outcomes and results may differ from these estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Key estimate is in relation to valuation of the defined benefit liability. Impacts from revision to accounting estimates are recognised in the period in which the estimates are revised and for any future periods affected.