LSN Diffusion Limited

Strategic Report, Report of the Directors and

Consolidated Financial Statements

For the Period

2 January 2022 to 31 December 2022

LSN Diffusion Limited

Contents of the Financial Statements
for the Period 2 January 2022 to 31December 2022

LSN Diffusion Limited

Company Information
for the Period 2 January 2022 to 31December 2022

DIRECTORS:	N J Allnatt L J Griffiths V Jones P Garg P J Allnatt S W Harrison
REGISTERED OFFICE:	Unit A & B Cilyrychen Ind. Estate Llandybie Ammanford SA18 3GY
REGISTERED NUMBER:	08198122 (England and Wales)
AUDITORS:	MHA Chartered Accountants and Statutory Auditor 3 New Mill Court Swansea Enterprise Park Swansea SA7 9FG

LSN Diffusion Limited

Strategic Report

for the Period 2 January 2022 to 31December 2022

The directors present their strategic report, for the company and of the group, in respect of the period from 2 January 2022 to 31 December 2022 (52 weeks). For ease of reference, the 52 weeks period ended 31 December 2022 and the balance sheet date of 31 December 2022 have been referred to as "2022". The comparative information is for the 52 weeks ended 1 January 2022 and is referred to as 2021.

This is the ninth year the directors have reported on the company and group's performance.

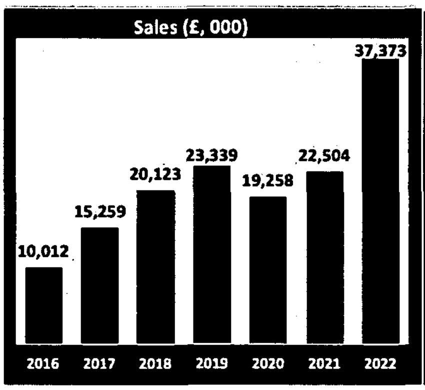
Performance in 2022

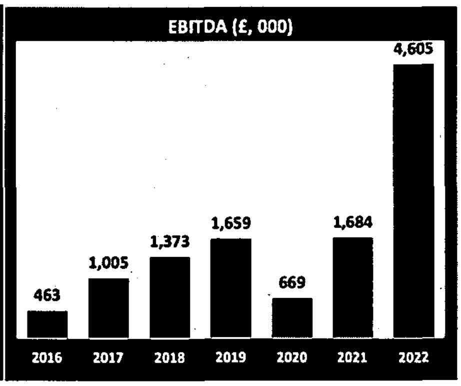
2022 has been a very good year, despite the challenges presented by Covid and the Ukraine war. The group has achieved record levels of turnover and profitability. Metal prices and supply have stabilised, albeit at prices higher than existed in 2021.

The financial highlights for 2022 are summarised below:

	2022 £'million	2021 £'million	Variance %
Turnover	37.4	22.5	Up 66%
Gross profit	9.0	5.2	Up 73%
EBITDA (before exceptional items)	4.6	1.7	Up 171%
Operating profit (before exceptional items)	3.4	0.7	Up 386%
Profit before tax	2.2	(0.2)	N/A

Management monitor performance against turnover and EBITDA. The performance over the last 5 years is shown below:





During 2020 and 2021 (the years most impacted by Covid), customer demand reduced; also, customers delayed undertaking new projects and product developments. However, despite reduced customer demand, the group did not lose customers or market share.

During the second half of 2020 and the first quarter of 2021, the group took advantage of the reduced level of activity to increase production capacity, by investing in a new atomising tower. This increase in capacity has allowed the group to improve productivity and operational efficiency during 2022. As a result, the group was in a strong position to benefit from the recovery of the global economy, as Covid restrictions were lifted, and sales demand increased.

As the global economy came out of lockdown, the group experienced a steady improvement in sales demand, which started in the second half of FY21 – customer orders began recovering and new projects (customer product developments) restarted. This rate of recovery accelerated during 2022, with sales demand increasing significantly. This has enabled the group to achieve record levels of sales and profitability.

The war in Ukraine, however, caused a major disruption to businesses globally. The war impacted the supply chain for metals and, with increasing uncertainty over metal supplies, metal prices increased significantly. The immediate effect was to put pressure on the group's supplies of metal and sales margins. The increase in metal prices also resulted in a major increase in the group's working capital requirements, with the resultant strain on cash flow. Management took action to secure its "supply chain" for metal and protect its profitability by increasing selling prices to recover the increased cost of metal. In addition, careful management of working capital has enabled the group to operate within its bank facilities.

Liquidity

The challenges faced as a result of Covid and, in particular, the war in Ukraine, put pressure on the financial resources of the group. During this difficult period, the group has enjoyed the continuing support of the Welsh Government, the Development Bank of Wales (a subsidiary company of the Welsh Government), Carmarthenshire County Council and its bankers (HSBC). Individually and collectively, they have supported the group by providing loans and extended credit periods. This support has allowed the group to operate comfortably within its cash flow and significantly improve its liquidity through increased profitability.

The group has improved its liquidity, despite the challenges to working capital caused by increased metal prices:

	2022 £'million	2021 £'million	Variance £'million
Net debt	3.7	5.2	Improved £1.5m
Net current assets/(liabilities)	1.1	(0.2)	Improved £1.3m
Shareholder funds (including shareholder loans; excluding fair value reserve)	3.7	1.9	Improved £1.8m
Headroom in facilities	1.7	0.4	Improved £1.3m

Laboratory fire

During 2021, the group was impacted financially by the fallout from a fire in November 2020, which destroyed the group's quality control laboratory. The losses and replacement cost of assets were the subject of a £0.7 million insurance claim, which has been repudiated by Allianz (the insurers). The group's legal counsel has advised that the claim is meritorious, and the directors will decide on further action in due course.

Prospects

Sales demand has exceeded pre-Covid levels, and the group expects customer demand to continue to grow for the foreseeable future, driven by:

- Changes in manufacturing technologies requiring powders for evolving technologies such as additive layer manufacture ("AM") and hot isostatic pressing ("HIPping")
- Product developments
- Recovery of oil and gas sector
- Environmental pressures changing automotive sector demand
- Shortages of powder manufacturing capacity

The group's spread of customers (both across geographies and manufacturing sectors) has enabled the company to benefit from this buoyancy in the market for powders and support those companies who are adopting the relatively new technologies using atomised powders. The group continues to work collaboratively, with new and existing customers, to develop new products that will fuel the group's continued growth.

Taxation

The accounting profession's views on deferred tax have changed over the years – from partial provision (for that element of the deferred tax liability that was likely to crystallise) to full provision. The increase in the liability from £0.5 million to £0.8 million is mainly due to the change in the rate of corporation tax, from 19% to 25%, on 6 April 2023.In reality, the deferred tax liability, provided in the financial statements, will not crystallise in the foreseeable future.
The group's tax losses amounted to £2.3 million at the end of 2022.

Accounting for forward exchange contracts

The group sells in foreign currencies (mainly Euros and US$). This creates uncertainty, given the volatility of exchange rates. To reduce this risk, the group purchases metals in foreign currencies; however, a residual risk remains in respect of the sales margin (the difference in selling prices and metal prices). The group sells forward its surplus foreign currency cash flows, in order to mitigate the risks and uncertainty caused by fluctuating exchange rates.

Financial Reporting Standard 102 ("FRS 102") requires forward exchange contracts, qualifying as cash flow hedges, to be revalued at every reporting period to their "fair value". Any gain or deficit arising on the revaluation will be excluded from the Income Statement but recognised as "Other Comprehensive Income/ (Loss)". Future sales income will be recognised in the Income Statement at the contracted exchange rates, which reduces the uncertainty and provides predictable cash flows.

"Fair value accounting" by its nature, creates volatility in the balance sheet, as it is dependent upon market movements on a particular day. The inevitable swings in fair value create unrealised gains and losses, which will only materialise when the contracts mature and at that time, they will be offset by compensating gains or losses, arising on future sales.

The revaluation of the forward exchange contracts, to "fair value" is dependent on exchange rates at the balance sheet date. The sudden weakness in sterling, at the end of 2022, has resulted in a "negative fair value" of the group's forward exchange contract. A fair value provision of £0.6 million has been established as at 31 December 2022 (2021: £0.1 million surplus). The swing of £0.7 million (from a £0.1 million surplus in 2021 to a deficit) has been recognised in "Other Comprehensive Income". This deficit will fluctuate on a daily basis, as exchange rates change. Deferred tax has also been provided for in respect of the above.

Events subsequent to the year end

Subsequent to the year end, the group has changed its bankers from HSBC to Santander. This change has the following benefits:

- Increased facilities
  If the facilities provided by Santander had been in place on 31 December 2022, the headroom in facilities would have increased from £1.7 to £2.6 million.
- Structure of the facilities
  The facilities provided by Santander are better structured to the group's financing needs, as they are linked to the group's working capital requirements. This means that, in future, any reduction in facilities will be self-financing from the reductions in working capital. This removes the requirement to repay HSBC loans.

Further details are included in note 22 to the accounts.

The directors want to express their gratitude to HSBC who funded and supported the group from its formation and during the crises caused by Covid and the Ukrainian war.

LSN Diffusion Limited
Strategic Report
for the Period 2 January 2022 to 31 December 2022

Principal risks and uncertainties:

Nature of Risk and Uncertainty	Comment	Mitigation
UK leaving the European Union ("Brexit")	Brexit has had a disruptive effect on trade to the European Union, as a result of the administrative burden placed on customers.	LSN's German subsidiary now operates as a supply entrepot option for EU customers to lessen their administrative burden The company's products will be unaffected by World Trade Organisation tariffs.
Competition	There is always a risk of losing business where price is the main sales factor.	Some segments of the customer base are price competitive. Continual improvement in operational efficiency means LSN can ensure our prices remain competitive. Increasingly quality demands and close working relationships with customers are critical. The group continues investment in technical personnel, production capabilities and customer relationships to ensure success in a competitive global market.
Credit risk	Dealing with customers globally means there are inevitable credit risks i.e., corporate failure of a customer.	Customers are carefully assessed for credit risk and, where possible, credit agencies are used. An element of the group's debtors is insured. Internal credit control procedures are designed to ensure that debtors comply with agreed terms of trade. However, if customers experience difficulties, the group will work with them to ensure that risks are managed appropriately.
Interest and liquidity risks	Cash flow risks are inevitable for a group investing and growing sales. In this regard, the directors consider the liquidity risk as being greater than the interest rate risk.	The group seeks to ensure that its investments in fixed assets (tangible and intangible) are financed by shareholder funds, government grants and committed financing arrangements. Working capital is funded through invoice discounting and factoring, which can increase, as the scale of the group's activity increases.
Volatility of metal prices	The price of non-ferrous metals is subject to volatility as it is a "traded commodity".	The group selling prices are determined by metal cost plus operating costs and profits. In the case of the metal content, this is determined by the current price of metals when a customer places its sales order. This removes the volatility risk for the group, as it sells the metal at the same price as it buys the metal.
Currency risks	For commercial reasons the group sells in foreign currencies, which creates inevitable risks of currency fluctuations impacting the group's profitability.	Strategically the group seeks to match exposure to assets denominated in foreign currencies by ensuring those assets are financed in the same currency. Longer term, the group seeks to mitigate the risk by entering derivative contracts for the forward sale of currencies, thereby "locking in" the exchange rate. This gives a reasonable window of transparency, over the group's margins in the medium term.

ON BEHALF OF THE BOARD:

S W Harrison - Director S.W. Harrison
Date: 15/06/2023

LSN Diffusion Limited

Report of the Directors

for the Period 2 January 2022 to 31December 2022

The directors present their report with the financial statements of the company and the group for the period from 2 January 2022 to 31 December 2022.

PRINCIPAL ACTIVITY

The principal activity of the company and group, in the period under review, was that of the manufacture of metallurgical products and alloy powders.

DIVIDENDS

No dividends will be distributed for the period ended 31 December 2022.

DIRECTORS

The directors, shown below, have held office during the whole of the period from 2 January 2022 to the date of this report.

N J Allnatt
L J Griffiths
V Jones
P Garg
P J Allnatt
S W Harrison

DISCLOSURE IN THE STRATEGIC REPORT

Included in the company's strategic report is a review of the business, details in relation to the risk management policies in respect of financial instruments and a description of the principal risks and uncertainties facing the group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LSN Diffusion Limited

Report of the Directors

for the Period 2 January 2022 to 31 December 2022

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

MHA are the group's auditors. Their re-appointment will be confirmed for next year.

ON BEHALF OF THE BOARD:

S.W. Harrison

S W Harrison - Director

Date: 15/06/2023

Report of the Independent Auditors to the Members of LSN Diffusion Limited

Opinion

We have audited the financial statements of LSN DIFFUSION LTD (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2022 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 affairs as at 31 December 2022;
- 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors but does not include the financial statements and our Report of the Auditors thereon.

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditors' responsibilities for the audit of the financial statements

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

Detecting irregularities

The objectives of our audit in relation to fraud are as follows:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses;
- and to respond appropriately to fraud or suspected fraud identified during the audit.

However, the primary responsibility for the prevention and detection of fraud rests with the directors.

Auditor's approach to assessing the risks of material mis-statement due to irregularities, including fraud

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations in the UK.

Report of the Independent Auditors to the Members of
LSN Diffusion Limited - continued

We assessed the risks of material misstatement in respect of fraud and considered the extent to which non-compliance with laws and regulations might have a material effect on the financial statements.

Audit procedures designed to respond to the risks of non-compliance with laws and regulations

Based on the results of our risk assessment, we designed our audit procedures to identify non-compliance with such laws and regulations identified above. We made enquiries of senior management of the group of companies to understand how the company is complying with those frameworks. Audit procedures performed by the engagement team also included a review of the financial statements disclosures to underlying supporting documentation.

Audit procedures designed to respond to the risks of fraud

We assessed the susceptibility of the group and company's financial statements to material misstatement, including how fraud might occur, by means of developing an understanding the company's control and discussing with management the perceived risks and garnering where they considered there was susceptibility to fraud.

Based on the results of our risk assessment we designed our audit procedures to identify and to address material misstatements in relation to fraud.

As well as adopting an attitude of professional scepticism, we have obtained information for use in identifying the risk of fraud when performing risk assessment procedures and performed the following procedures in light of the risk of fraud:

- Discussion amongst the group engagement team regarding the susceptibility of the client to fraud;
- Consideration of the risk of fraud when documenting and testing internal controls;
- Enquiring of management how they assess the risk of fraud; identify and respond to the risks of fraud;
- Enquiring of management and directors whether they have any knowledge of actual or suspected fraud;
- Remaining alert to inconsistent or contradictory information and obtaining evidence to support information provided.

Management override of controls

We considered the risk of fraud through management override, and, in response, we incorporated testing of manual journal entries into our audit approach. The audit engagement team performed journal entry testing using a risk-based approach and evaluated whether there was evidence of bias, with a focus on any journals indicating large or unusual transactions, non-routine journals and journals processed for before and after the accounting reference date.

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 performed our audit in accordance with auditing standards. In addition, as with any audit, there remains a risk of non-detection of irregularities as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

Report of the Independent Auditors to the Members of
LSN Diffusion Limited - continued

Use of our report

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

Rachel Doyle (Senior Statutory Auditor)
for and on behalf of MHA
Chartered Accountants and Statutory Auditor
3 New Mill Court
Swansea Enterprise Park
Swansea
SA7 9FG

Date: 21.06.23

LSN Diffusion Limited
Consolidated Income Statement
for 52 weeks from 2 January 2022 to 31December 2022

	Notes	Result prior to exceptional costs 52 weeks 2022 £'000	Exceptional costs 52 weeks 2022 £'000	52 weeks 2022 £'000	52 weeks 2021 £'000
TURNOVER	3	**37,373**	**-**	**37,373**	**22,504**
Cost of sales		(28,369	-	(28,369)	(17,278)
GROSS PROFIT		**9,004**	**-**	**9,004**	**5,226**
Administrative expenses		(5,568)	(416)	(5,984)	(4,966)
OPERATING PROFIT/(LOSS)	5	**3,436**	**(416)**	**3,020**	**260**
Share of operating profit in joint venture company		120	-	120	60
Profit/ (Loss) before interest & taxation		**3,556**	**(416)**	**3,140**	**320**
Interest and similar charges	6	(922)	-	(922)	(516)
Analysed as:					
Earnings before interest, depreciation, amortisation & exceptional items		**4,605**	**-**	**4,605**	**1,684**
Share of operating profit in joint venture company		120	-	120	60
Interest payable and similar expenses		(922)	-	(922)	(516)
Depreciation and amortisation		(1,169)	-	(1,169)	(1,133)
Exceptional items		-	(416)	(416)	(291)
PROFIT/ (LOSS) BEFORE TAXATION		**2,634**	**(416)**	**2,218**	**(196)**
Tax (charge)/credit	7			(431)	78
Tax receivable in respect of:					
Research & Development tax credits				(3)	211
Deferred tax credit/(charge)				(428)	(133)
PROFIT/ (LOSS) FOR THE FINANCIAL PERIOD				**1,787**	**(118)**

LSN Diffusion Limited

Other Consolidated Comprehensive Income
for the Period 2 January 2022to 31December 2022

	52 weeks 2022 £'000	52 weeks 2021 £'000
PROFIT/ (LOSS) FOR THE PERIOD	1,787	(118)
OTHER COMPREHENSIVE INCOME/ (LOSS)		
(Deficit)/Surplus on cash flow hedge	(722)	639
Deferred tax on cash flow hedge	177	(122)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,242	399

LSN Diffusion Limited (Registered number: 08198122)

Balance Sheets

31 December 2022

	Notes	Consolidated 2022 £'000	Consolidated 2021 £'000	Parent Company 2022 £'000	Parent Company 2021 £'000
FIXED ASSETS					
Intangible assets	8	2,240	2,180	2,240	2,180
Tangible assets	9	5,103	5,436	5,104	5,436
Investments	10	446	326	124	124
		7,789	7,942	7,467	7,740
FINANCIAL ASSET	18	-	75	-	75
CURRENT ASSETS					
Stocks	11	8,647	5,816	8,095	5,010
Debtors	12	7,435	5,590	7,932	6,616
Cash at bank and in hand		1,043	250	978	213
		17,125	11,656	17,005	11,839
CREDITORS Amounts falling due within one year	13	(16,030)	(11,822)	(15,903)	(11,941)
NET CURRENT ASSETS/(LIABILITIES)		**1,095**	**(166)**	**1,102**	**(102)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,884**	**7,851**	**8,569**	**7,713**
CREDITORS: Amounts falling due after one year	14	(3,780)	(4,759)	(3,780)	(4,759)
NET ASSETS		**5,104**	**3,092**	**4,789**	**2,954**
PROVISIONS FOR LIABILITIES	18	1,431	601	1,431	601
DEFERRED INCOME	19	432	492	432	492
CAPITAL AND RESERVES		**3,241**	**1,999**	**2,926**	**1,861**
Called up share capital	20	3,500	3,500	3,500	3,500
Retained earnings	21	226	(1,561)	(89)	(1,699)
Surplus/(Deficit) on cash flow hedge	21	(485)	60	(485)	60
TOTAL CAPITAL EMPLOYED		**5,104**	**3,092**	**4,789**	**2,954**

The financial statements were approved by the Board of Directors on *12 June 2023*and were signed on its behalf by:

S.W. Harrison

S W Harrison - Director S.W. Harrison

N.J. Allnatt

N J Allnatt – Director.

LSN Diffusion Limited

Consolidated Statement of Changes in Equity
for the Period 2 January 2022 to 31 December 2022

	Called up share capital	Retained earnings	Deficit on cash flow hedge	Total equity
	£'000	£'000	£'000	£'000
Balance at 3 January 2021	3,500	1,443	(457)	1,600
Changes in equity				
Total comprehensive (loss)/income	-	(118)	517	399
Balance at 1 January 2022	**3,500**	**(1,561)**	**60**	**1,999**
Changes in equity				
Total comprehensive income/(loss)	-	1,787	(545)	1,242
Balance at 31 December 2022	**3,500**	**226**	**(485)**	**3,241**

Company Statement of Changes in Equity
for the Period 2 January 2022 to 31 December 2022

	Called up share capital	Retained earnings	Deficit on cash flow hedge	Total equity
	£'000	£'000	£'000	£'000
Balance at 3 January 2021	3,500	(1,524)	(457)	1,519
Changes in equity				
Total comprehensive (loss)/income	-	(175)	517	342
Balance at 1 January 2022	**3,500**	**(1,699)**	**60**	**1,861**
Changes in equity				
Total comprehensive income/(loss)	-	1,610	(545)	1,065
Balance at 31 December 2022	**3,500**	**(89)**	**(485)**	**2,926**

LSN Diffusion Limited

Consolidated Cash Flow Statement
for the Period 2 January 2022 to 31 December 2022

	2022 £'000	2021 £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/ (absorbed) by operations (Note:1)	3,080	1,528
Interest paid	(922)	(516)
Taxation refund	208	135
Net cash flow from operating activities	**2,366**	**1,147**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible fixed assets	(724)	(634)
Purchase of tangible fixed assets	(42)	(466)
Net cash from investing activities	**(766)**	**(1,100)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Shareholder loans received	28	20
Capital repayments in year	(305)	(222)
Bank Loan (paid)/received	(573)	(87)
Welsh Government loan received	43	
Net cash from financing activities	**(807)**	**(289)**
INCREASE IN CASH AND CASH EQUIVALENTS	**793**	**(242)**
CASH AND CASH EQUIVALENTS (Note:2)		
At beginning of period	250	492
At end of period	**1,043**	**250**

The notes form part of these financial statements

Notes to the Consolidated Cash Flow Statement
for the Period 2 January 2022 to 31 December 2022

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2022	2021
	£'000	£'000
Loss before taxation	2,218	(196)
Depreciation and amortisation charges	1,169	1,133
Finance costs	922	516
Share of operating profit in joint venture company	(120)	(60)
	4,189	1,393
(Increase) in stocks	(2,831)	(1,318)
(Increase) in trade and other debtors	(2,056)	(1,509)
Increase in trade and other creditors	3,778	2,962
Cash generated from operations	3,080	1,528

2. CASH AND CASH EQUIVALENTS

The amounts disclosed in the Cash Flow Statement, in respect of cash and cash equivalents, are in respect of this Balance Sheet amount:

	2022	2021
	£'000	£'000
Cash and cash equivalents	1,043	250

1. **STATUTORY INFORMATION**

LSN Diffusion Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page. The presentation currency of the financial statements is the Pound Sterling (£'000).

2. **ACCOUNTING POLICIES**

Comparatives

The results are for the 52 weeks ended 31 December 2022 and the balance sheet is stated as at 31 December 2022. For ease of reference, the 52 weeks period ended 31 December 2022and the balance sheet date is referred to as "2022". The comparatives are for the 52-week period from 3 January 2021 to 1 January 2022 and the balance sheet referred to as "2021".

Basis of consolidation

The group consolidates the financial statements of the company, its subsidiary company, and its joint venture company. The notes to the accounts relate to the company and the group, unless otherwise stated. The joint venture company is jointly controlled on a 50:50 basis with the other shareholders of that company. Adjustments are made to eliminate the profit or loss arising on transactions with the joint venture company to the extent of the Group's interest in the entity.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)' and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

The company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the parent company profit and loss account. The company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under paragraph 1.12(b) of that accounting standard not to present the parent company cash flow.

The significant accounting policies, which have been consistently applied in the preparation of these financial statements, are set out below.

Going concern

The directors have carried out an extensive review of the group and company's future profitability, cash generation and asset base. The directors utilise complex rolling forecast models that enable multiple sensitivities and scenarios to be considered and the directors are confident that the group and company's financial resources are adequate. The company is reliant upon the continued support of shareholders and its bankers. The directors have assessed an expectation of continued support for the foreseeable future.

The directors have reviewed the current financial position and likely future cash flows and have a reasonable expectation that the company will have sufficient resources to operate for a period of at least twelve months from the approval of the accounts. Accordingly, they continue to adopt the going concern basis of preparation.

Significant judgements and estimates

The directors use their experience and knowledge to make judgements, estimates and assumptions regarding stock provisions that affect the figures reported in the financial statements. The directors consider the valuation of assets for any indication of impairment. The directors also consider the nature and condition of the stock as well as applying assumptions around anticipated future sales of goods. Actual results may differ from those estimates.

Turnover

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes and is recognised as and when the goods are despatched.

Exceptional items

The group classifies certain charges or credits that have a material impact on the group's financial results as "exceptional items". These are disclosed separately to provide further understanding of the group's financial performance.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any impairment losses. Intangible assets comprise development costs, which have been capitalised. Development costs include the costs of developing new processes, materials, and customer products. Research expenditure is written off as an expense in the income statement when it is incurred. Development costs are recognised as an intangible asset only if it has future economic benefit and the cost can be reliably measured.

The cost of internally generated intangible assets comprises all directly attributable costs necessary to create, produce and prepare the asset to operate in its current location and condition. Development costs are amortised evenly over their estimated useful life or, in the case of product developments, the lesser of the estimated useful life or 5 years.

Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes those costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to leasehold property - Over period of lease

Fixtures and fittings - 10% on cost

Motor vehicles - 20% on reducing balance

Computer equipment - 20% on reducing balance

Plant and machinery are depreciated by reference to the assets' expected physical output. This approach will effectively recognise depreciation in line with its output.

Government grants

Government grants are only recognised upon receipt. Capital based grants are initially deferred and released to the income statement over the remaining useful economical life of the related asset. Revenue based grants are recognised in the income statement in the same period in which the relevant expenditure is incurred.

Investments in joint venture company

The group considers that it has significant influence over the financial and operating decisions of the joint venture company. The results of the joint venture company are accounted for using the equity method of accounting. In the parent company financial statements, investments in subsidiaries and joint ventures and stated at cost less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first-in, first-out formula. Provision is made for damaged, obsolete, and slow-moving stock where appropriate.

Financial instruments

The company recognises a financial asset or financial liability only when it becomes a party to the contractual provisions of the instrument.

The company measures a financial asset or liability at the transaction price (including transaction costs except on the initial measurement of financial assets and liabilities that are measured at fair value through profit and loss) unless the arrangement constitutes, in effect, a financing transaction.

If the arrangement constitutes a financing transaction, the company measures the financial asset or liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Taxation

Taxation, for the period, comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted. Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Foreign currencies - continued

Where foreign exchange contracts are held to manage the cash flow exposures of forecast transactions denominated in foreign currencies, gains and losses on those contracts are recognised in the income statement in the periods when those contracts mature. The gains or losses, arising from the revaluation of foreign exchange contracts that are extant at the balance sheet date, and which relate to forecast sales, are deferred in "Other Comprehensive Income" as qualifying cash flow hedges.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the income statement over the relevant period. The capital element of the future payments is treated as a liability. Rentals paid under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the income statement represents the contributions payable to the scheme in respect of the accounting period. The company also contributes to specific employees' personal pension schemes.

Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated, and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in the income statement unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Provisions

Provisions are recognised when the company has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

3. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the group. An analysis of turnover by geographical market is given below:

	2022	2021
	£'000	£'000
Europe	19,916	13,782
Rest of the World	17,457	8,722
	37,373	22,504

The parent company's share of turnover relating to the joint venture company amounts to £4,235,000 (2021: £1,665,000).

4. EMPLOYEES AND DIRECTORS

	2022	2021
	£'000	£'000
Wages and salaries	3,663	2,813
Social security costs	378	295
Other pension costs	148	124
	4,189	3,232

£367,000 (2021: £274,000) of the above wage and salary costs were capitalised.
The wages and salary costs are after deducting furlough grants of nil (2021: £258,000).

The average monthly number of employees during the period was as follows:

	2022	2021
	No.	No.
Remunerated Directors	2	2
Production	59	53
Sales & Administration	46	42
	107	97

	2022	2021
	£'000	£'000
Directors' remuneration	129	113
Directors' pension contributions to money purchase schemes	9	6

4. **EMPLOYEES AND DIRECTORS – continued**

	2022	2021
The number of directors, to whom retirement benefits were accruing, was as follows:		
Money purchase schemes	2	2

5. **OPERATING PROFIT/ (LOSS)**

The operating profit is stated after charging/ (crediting):	2022	2021
	£'000	£'000
Hire of plant and machinery	71	60
Depreciation - Pre-exceptional	384	335
Depreciation - Exceptional (accelerated depreciation)	-	(145)
Depreciation - assets on finance leases	120	117
Development costs amortisation	665	536
Auditors' remuneration	15	13
Other operating leases	260	262
Other income	(82)	(140)

Exceptional items:

Costs relating to a fire:		
Direct costs	(54)	(161)
Accelerated depreciation of assets destroyed in the fire	-	(145)
Total	(54)	(306)
Restructuring and exceptional employment costs	(22)	(20)
Release of provisions in respect of liabilities relating to prior years	-	45
Exchange loss) on derivative contracts and exchange*	(340)	(140)
Other costs	-	(15)
	(416)	(436)

*Included in the exchange loss are unrealised exchange losses of £311,000 (2021: £95,000), arising from the retranslation of assets and liabilities denominated in foreign currencies.

6. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2022	2021
	£'000	£'000
Bank interest and factoring costs	632	185
Loan interest	144	181
Interest on leasing contracts	86	90
Shareholders' loan interest	60	60
	922	516

7. TAXATION

	2022	2021
	£'000	£'000
Corporation tax:		
R&D tax credit	-	211
R&D tax credit (prior year adjustment)	(3)	-
Total corporation tax	(3)	211
Deferred tax credit/(charge)		
Current year	(264)	(44)
Prior year	(166)	(89)
Total deferred tax charge	(428)	(133)
Tax (charge)/credit	(431)	78

Tax recoverable for the year is lower than the standard rate of corporation tax in the UK for 2022. The differences are explained below:

	2022	2021
	£'000	£'000
Profit/(Loss) before tax	2,218	(196)
Profit multiplied by the standard rate of tax of 19% (2021: 19%)	(421)	39
Share of operating profit in joint venture	30	11
Impact of tax enhancement of research & development	236	84
Adjustment in respect of prior years	(3)	(89)
Re-measurement of deferred tax (from 19% to 25%)	(298)	-
Increase capital allowances ("super deduction")	13	23
Other	12	10
	(431)	78

At the balance sheet date, the main rate of corporation tax was 19%, which increases to 25% from April 2023. Deferred tax has been calculated using the future rate of tax. This led to an additional charge in the year of £300,000, of which £166,000 relates to prior years.

8. INTANGIBLE FIXED ASSETS (GROUP AND COMPANY)

Development costs	**2022**	**2021**
	£'000	**£'000**
COST		
At 2 January 2022	4,426	3,792
Additions	724	634
At 31 December 2022	5,150	4,426
AMORTISATION		
At 2 January 2022	2,245	1,710
Amortisation for period	665	536
At 31 December 2022	2,910	2,246
NET BOOK VALUE		
At 31 December 2022	2,240	2,180

9. TANGIBLE FIXED ASSETS (GROUP AND COMPANY)

	Improvements to property	**Plant & machinery**	**Fixtures & fittings**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
COST					
At 2 January 2022	98	7,254	114	60	7,526
Additions	-	171	-	-	171
At 31 December 2022	98	7,425	114	60	7,697
DEPRECIATION					
At 2 January 2022	32	1,919	88	51	2,090
Charge for the period	4	474	21	5	504
At 31 December 2022	36	2,393	109	56	2,594
NET BOOK VALUE:					
At 31 December 2022	62	5,032	5	4	5,103
At 2 January 2022	66	5,335	26	9	5,436

Included within fixed assets are:

a) No projects were in progress at the year-end.

b) Assets that are the subject of finance lease agreements. These assets had a net book value of £1,287,306 (2021: £1,269,228).

10. FIXED ASSET INVESTMENTS

	Interest in subsidiary company	Interest in joint venture company		
	Company	Company	Total company	Group
	£'000	£'000	£'000	£'000
COST				
At 2 January 2022	19	105	124	326
Eliminated on consolidation	-	-	-	-
Income from interests in joint venture company	-	-	-	120
At 31 December 2022	19	105	124	446
NET BOOK VALUE				
At2 January 2022	19	105	124	326
At31 December 2022	19	105	124	446

LSN Engineering GmbH
Registered office: Germany
Nature of business: Distribution of powder alloys
Class of stock: Common stock- 85.00% holding

Surface Flow Technologies Inc
Registered office: Michigan USA
Nature of business: Manufacture of products serving Brazing Industry
Class of shares: Common stock- 50.00% holding

	2022	2021
Group's share of:	£'000	£'000
Aggregate capital and reserves	536	455
Profit for the period/year	163	120

11 STOCKS (Group and Company)

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Raw materials (metal)	4,754	2,747	4,754	2,747
Work-in-progress	2,174	1,074	2,174	1,074
Finished goods	1,207	1,503	655	697
Consumables and spares	512	492	512	492
	8,647	5,816	8,095	5,010

12 DEBTORS (Group and Company)

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	6,661	5,219	6,178	5,004
Amount due from subsidiary company	-	-	1,125	1,290
Tax	-	211	-	211
Value added tax	704	100	559	51
Prepayments & accrued income	70	60	70	60
	7,435	5,590	7,932	6,616

The company has factoring arrangements, with recourse. The gross amount of debt included in trade debtors, subject to the agreement at 31 December 2022 was £7,368k (2021: £5,642k). Obligations for proceeds received in advance from its bankers in respect of discounted debts total £5,273k (2021: £4,622k) and are included in other creditors.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (see note 15)	714	627	714	627
Finance leases (see note 16)	332	296	332	296
Trade creditors	8,901	5,618	8,901	5,609
Social security and other taxes	107	86	107	86
Other creditors	5,273	4,622	4,980	4,606
Accrued expenses	703	573	869	717
	16,030	11,822	15,903	11,941

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (Group and Company)

	2022	2021
	£'000	£'000
Finance leases (see note 16)	412	624
Bank loans	2,252	2,912
Welsh Government Loan	243	200
Shareholders' loans	798	770
Other trade creditors	75	253
	3,780	4,759

Included within shareholders' loans is accrued interest £268,000 (2021: £245,000). The loans and interest are not repayable within the next 12 months. £500,000 of the shareholders' loans are not repayable until 2028.The Welsh Government has provided an unsecured loan of £243,000 (2021: £200,000), which is interest-free, and the requirement to make loan repayments has not been triggered.

15. LOANS (Group and Company)

An analysis of the maturity of bank loans is given below:

	2022	2021
Amounts falling due within one year or on demand:	£'000	£'000
Bank loans	714	627
Amounts falling due after more than one year	2,252	2,912

16. LEASING AGREEMENTS (Group and Company)

Minimum lease payments fall due as follows:

	Finance leases	
	2022	2021
Net obligations repayable:	£'000	£'000
Within one year	332	296
Between one and five years	412	624
	744	920

16. OPERATING LEASING AGREEMENTS - continued

	Non-cancellable operating leases	
	2022	2021
	£'000	£'000
Within one year	728	260
Between one and five years	1,264	1,140
After five years	2,170	2,480
	4,162	3,880

The operating leasing agreements are in respect of the group's factory.
The landlord is the Welsh Government.

17. SECURED DEBTS (Group and Company)

The following secured debts are included within creditors:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Bank loans	2,966	3,539	2,966	3,539
Finance leases	744	920	744	920
Other creditors (see note 13)	5,273	4,622	4,980	4,622
	8,983	9,081	8,690	9,081

HSBC has provided loans of £1.6 million (2021: £2.0 million) under the Coronavirus Business Interruption Scheme ("CBILS"). Interest is charged at 3.99% over bank base rate. The loans are repayable over the next 5years.Two loans totalling £1.4million (2021: £1.5 million) have been provided by the Development Bank of Wales (a subsidiary of the Welsh Government). These loans attract interest at 8% and 10.9% per annum. Finance leases are secured against the assets to which they relate. Other items above are secured by fixed and floating charges over company assets.

18. PROVISIONS FOR LIABILITIES (Group and Company)

Provisions for liabilities comprise:

	2022	2021
	£'000	£'000
Deferred tax liability (Note: 18(a))	784	531
Other provision	-	70
Deficit arising on foreign exchange contracts (Note 18(b))	647	-
Total	1,431	601

The movement in provisions for liabilities is summarised below:

	2022	2021
	£'000	£'000
Balance at beginning of period	526	840
Charge to income statement during the period	-	70
Cash payment	(68)	-
Tax charge	428	133
Charge to other comprehensive income	545	(517)
Net balance	1,431	526
Provisions	1,431	601
Financial asset	(-)	(75)
	1,431	526

18(a) Deferred tax

	2022	2021
	£'000	£'000
Accelerated capital allowance	1,517	1,167
Tax losses carried forward	(568)	(651)
(Deficit)/Surplus arising on foreign exchange contract	(162)	15
	784	531

18(b) Deficit arising on foreign exchange contracts

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for forecast euro sales in foreign currencies. At 31December 2022, these forward contracts were for a period of 20.5 months. These foreign exchange contracts are qualifying cash flow hedges, which protect future margins.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP1: EUR1. 128. At 31 December 2022 a loss arose on the forward exchange contracts of £647,000 (2021: Gain £75,000).

19. DEFERRED INCOME (Group and Company)

	2022	2021
	£'000	£'000
Government grants	432	492

The balance represents government grants, which have been received. These are being released to the income statement over the lives of the fixed assets to which the grants relate. During the year grants of £60,000 were released to the income statement (2021: £140,000). In addition, the group and company received a grant of £22,000. As this grant related to revenue expenditure it has been released to the income statement (2021: Nil)

20. CALLED UP SHARE CAPITAL

	Number		Nominal	Share capital	
	2022	2021	Value	2022	2021
	No.	No.	£	£'000	£'000
Ordinary shares	1	1	1	-	-
'A' Ordinary share	3,500,000	3,500,000	1	3,500	3,500

All shares are allotted, issued and fully paid. Both share classes carry equal rights.

21. RESERVES

	Surplus/(Deficit)	Surplus/(Deficit) on cash flow hedge	Total
	£'000	£'000	£'000
At 2 January 2022	(1,561)	60	(1,501)
Profit for the period	1,787	-	1,787
Deficit on cash flow hedge	-	(545)	(545)
At31 December 2022	226	(485)	(259)

The parent company's profit for the period after tax was £1,610,000 (2021: loss of £175,000). The total comprehensive income for the company, for the period, was a surplus of £1065,000 (2021: surplus of £342,000). The minority interest of £13,000, relating to the subsidiary company, is included within the reserves.

22. NET DEBT RECONCILIATION

	At 31 December 2022 £'000	Cash flows £'000	New finance Leases £'000	At 2 January 2022 £'000
Cash at bank and in hand	250	793	-	1,043
Obligations under finance lease	(920)	305	(129)	(744)
Bank loans	(3,539)	573	-	(2,966)
Welsh Government loans	(200)	(43)	-	(243)
Shareholders' loans	(770)	(28)	-	(798)
Net debt	(5,179)	1,600	(129)	(3,708)

There are no restrictions over the use of the cash and cash equivalent balances, which comprise cash at bank and in hand. At 31 December 2022, the group has bank overdraft facilities of £650,000, which were undrawn. In total the group had £1.7 million headroom in its facilities.

Subsequent to the year end, the group has changed its banker from HSBC to Santander, with the resultant impact on the group's facilities:

- Santander has provided increased working capital facilities
- From these increased facilities, the group has repaid early the CBILS loans, which amounted to £1.6 million on 31 December 2022
- Had these changes occurred on 31 December 2022, the group's headroom in its facilities would have increased from £1.7 million to c. £2.7 million

23. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The contributions for the year amounted to £150,326 (2021: £124,319) of which £22,153 (2021: £18,290) were unpaid at the year end and are included in creditors.

Notes to the Consolidated Financial Statements - continued
for the Period 2 January 2022 to 31 December 2022

25. RELATED PARTY DISCLOSURES

The group and company have taken advantage of the exemptions available to it in respect of not disclosing related party transactions with wholly owned subsidiaries.

Related party transactions with entities in which shareholders and directors have an interest:

	2022	2021
	£'000	£'000
Sales to an entity	346	355
Purchases from an entity	2,018	407
Amount due from entity	-	77
Amounts due to entity	848	113

Related party transactions over which the entity has control, joint control, or significant influence

	2022	2021
	£'000	£'000
Sales	7,448	3,101
Amount due from related party	2,290	1,122

Key management personnel of the entity or its parent (in the aggregate)

	2022	2021
	£'000	£'000
Key personnel compensation in the year totalled	135	119
Amount due to shareholders	798	770

At the year end the related parties continued to grant the company unsecured loans. The loans are repayable after more than one year with interest being calculated at a rate of 8.3% (AER), compounded on a monthly basis. Interest accrued but not yet paid at the balance sheet date was £267,000 (2021: £245,000).

26. ULTIMATE CONTROLLING PARTY

There is no single party with ultimate control.