

Registration number: 02728300

Palram DPL Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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Palram DPL Limited

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Palram DPL Limited

Company Information

Directors O Jakobovitz
S Michael
J A S Armitage

Company secretary C L Strydom

Registered office 37 Broadhurst Gardens
London
NW6 3QT

Auditors Hawsons Chartered Accountants
5 Sidings Court
White Rose Way
Doncaster
South Yorkshire
DN4 5NU

Palram DPL Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their strategic report for the year ended 31 December 2021.

Business review

The company continued operations as a manufacturer of PVC sheets during 2021. Turnover reduced to £13.9m from £15.4m in 2020.

2021 gross margin was (2%) compared to 13% in 2020, a reduction of £2.3m. The main reason for the erosion of gross margin was increases from key raw material suppliers in 2021. Local managements initiatives, started in 2019, continued to mitigate some of the loss at gross margin level. This resulted in the Operating Loss after HQ charges of £1.5m, which was a reduction of £2m, compared to an operating profit of £0.5m in 2020.

The management of Palram DPL and the wider Palram Group continue to view Palram DPL Ltd as an integral and strategic part of the Palram Group. Management are committed to improving profitability in future years. For further detail on the support offered by the immediate and ultimate parent company please see 'Principle objectives and subsequent events' section detailed below and the 'Going Concern Note' detailed in the Director's Report.

Key performance indicators

The directors consider a range of KPIs to measure the business. The range of KPIs may include but is not limited to, performance levels, quality, health and safety, and a range of financial measures. The directors believe that because of the nature of the business, disclosing further KPIs is not necessary for an understanding of the company's development, performance or position.

Environment

The company's environmental strategy continues to be reviewed and amended to take account of changing requirements in terms of legislation.

Principle objectives and subsequent events

The company intends to further improve the results of its business by building on the existing strategies of 2021 for its customer portfolio, material purchase, process efficiencies, cost control and currency risk mitigation. The directors believe that the product range, capacity and distribution network can further support improvement in the company's position and results.

The directors also continue to closely monitor the UK's relationship with the European Union following the UK's exit from the EU. In particular, management is monitoring the foreign exchange markets, updates in the Single Market Trade agreement with Europe and other political developments.

The immediate parent company, Palram PVC Limited, continued to demonstrate their commitment to the company by investing a further £1.5 million during December 2021. This was in addition to the capital loan note of £4.5 million which was renewed on the 31st December 2017 for a 5 year period. The directors are, therefore, satisfied that the company will have sufficient cash resources to meet its trading requirements for the foreseeable future.

Principal risks and uncertainties

The principal risks and uncertainties facing the business can be described broadly as competitive risks and the impact of the economic market.

Palram DPL Limited

Strategic Report for the Year Ended 31 December 2021

The company operates in a competitive environment in both the UK and mainland Europe. The company manages the risk from competitive pressures by providing innovative products and a quality and reliable service.

Financial risk management

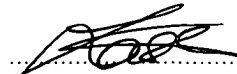
The company's operations expose it to a variety of financial risks that include credit, liquidity and foreign exchange risk. The company has a risk management programme in place that seeks to limit adverse effects on the financial performance of the business.

Given the size of the company, the directors have not delegated responsibility for monitoring financial risk to a sub-committee of the board. Instead, the directors follow the policies set out by the ultimate parent company.

Liquidity risk - The company actively maintains a mixture of debt finance that is designed to ensure the company has sufficient available funds for its operations and planned expansions.

Foreign exchange risk - The operations of the company are mainly in the United Kingdom and the Euro zone and, as a result, it is primarily exposed to foreign exchange risk with respect to the Euro.

Approved by the Board on 13/1/22 and signed on its behalf by:



J A S Armitage
Director

Palram DPL Limited

Directors' Report for the Year Ended 31 December 2021

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

Directors

The directors who held office during the year under review were:

I Rodoy (resigned 31 December 2021)

S Michael

O Jakobovitz

The following director was appointed after the year end:

J A S Armitage (appointed 1 January 2022)

None of the above has a beneficial interest in the company's issued ordinary share capital.

Dividend

The directors do not recommend a distribution of a dividend.

Political donations

No political donations were made during the year (2020: £nil).

Going concern

The company has the support of its parent company, Palram Industries (1990) Limited, and, after making suitable enquiries, the directors have a reasonable expectation that the company and the Palram Group, of which the company is a member, have adequate internal and external funding to continue in operational existence for the foreseeable future. Consequently, they continue to adopt the going concern basis in preparing these financial statements.

Directors' responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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 apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Palram DPL Limited

Directors' Report for the Year Ended 31 December 2021

Directors' disclosure to the auditors

Each director of the company who held office at the date of approval of this Annual Report, as set out above, confirms that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Disclosure of information to the auditors

Each director of the company who held office at the date of the approval of this Annual Report as set out above, each confirms that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Reappointment of auditors

The auditors, Hawsons Chartered Accountants, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 13/1/22 and signed on its behalf by:



J A S Armitage
Director

Palram DPL Limited

Independent Auditor's Report to the Members of Palram DPL Limited

Opinion

We have audited the financial statements of Palram DPL Limited (the 'company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity, and the notes to the financial statements, including 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 company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Palram DPL Limited

Independent Auditor's Report to the Members of Palram DPL Limited

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter 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 for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the Directors' Report set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Palram DPL Limited

Independent Auditor's Report to the Members of Palram DPL Limited

Auditor's responsibilities for the audit of the financial statements

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

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

The company is subject to laws and regulations that directly and indirectly affect the financial statements. Based on our understanding of the company and the environment it operates within, we determined that the laws and regulations which were most significant included FRS 102, Companies Act 2006 and Health and Safety regulations. We considered the extent to which non-compliance with these laws and regulations might have a material effect on the financial statements, including how fraud might occur. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to improve the company's result for the period, and management bias in key accounting estimates.

Audit procedures performed by the engagement team included:

- Discussions with management and those responsible for legal compliance procedures within the company to obtain an understanding of the legal and regulatory framework applicable to the company and how the company complies with that framework, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of Board meetings;
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud and non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

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

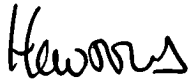
A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk. This description forms part of our auditor's report.

Palram DPL Limited

Independent Auditor's Report to the Members of Palram DPL Limited

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 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.



Paul Wormald (Senior Statutory Auditor)

For and on behalf of Hawsons Chartered Accountants, Statutory Auditor

5 Sidings Court
White Rose Way
Doncaster
South Yorkshire
DN4 5NU

Date: 13 SEPTEMBER 2022

Palram DPL Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	2	13,910,772	15,401,565
Cost of sales		<u>(14,185,765)</u>	<u>(13,390,657)</u>
Gross (loss)/profit		(274,993)	2,010,908
Distribution costs		(375,295)	(395,005)
Administrative expenses		(888,582)	(969,384)
Royalties paid		(137,898)	(153,285)
Other operating income	3	42,892	25,335
Other net gains / (losses)	4	<u>136,920</u>	<u>(22,636)</u>
Operating (loss)/profit	5	(1,496,956)	495,933
Interest payable and similar charges		<u>(204,115)</u>	<u>(231,577)</u>
(Loss)/profit before tax		(1,701,071)	264,356
Taxation	9	<u>377,198</u>	<u>-</u>
(Loss)/profit for the financial year		<u>(1,323,873)</u>	<u>264,356</u>
Total comprehensive (loss) / income for the year		<u><u>(1,323,873)</u></u>	<u><u>264,356</u></u>

The above results were derived from continuing operations.

Palram DPL Limited

(Registration number: 02728300)

Statement of Financial Position as at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	10	1,500,888	1,422,579
Current assets			
Stocks	11	4,562,762	2,950,575
Debtors	12	1,277,973	3,596,157
Cash at bank and in hand	13	1,501,632	61,534
		<u>7,342,367</u>	<u>6,608,266</u>
Creditors: Amounts falling due within one year	14	<u>(3,933,199)</u>	<u>(3,493,797)</u>
Net current assets		<u>3,409,168</u>	<u>3,114,469</u>
Total assets less current liabilities		4,910,056	4,537,048
Creditors: Amounts falling due after more than one year	14	<u>(4,293,331)</u>	<u>(4,096,450)</u>
Net assets		<u>616,725</u>	<u>440,598</u>
Capital and reserves			
Called up share capital	18	549,141	549,140
Share premium reserve		5,790,839	4,290,840
Other reserves		1,873,711	1,873,711
Profit and loss account		<u>(7,596,966)</u>	<u>(6,273,093)</u>
Total equity		<u>616,725</u>	<u>440,598</u>

These financial statements were approved and authorised for issue by the Board on 13/9/22 and signed on its behalf by:



J A S Armitage
Director

Palram DPL Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital	Share premium	Other reserves	Profit and loss account	Total
	£	£	£	£	£
At 1 January 2021	549,140	4,290,840	1,873,711	(6,273,093)	440,598
Loss for the year	-	-	-	(1,323,873)	(1,323,873)
Total comprehensive income	-	-	-	(1,323,873)	(1,323,873)
New share capital subscribed	1	1,499,999	-	-	1,500,000
At 31 December 2021	<u>549,141</u>	<u>5,790,839</u>	<u>1,873,711</u>	<u>(7,596,966)</u>	<u>616,725</u>
	Share capital	Share premium	Other reserves	Profit and loss account	Total
	£	£	£	£	£
At 1 January 2020	549,140	4,290,840	1,873,711	(6,537,449)	176,242
Profit for the year	-	-	-	264,356	264,356
Total comprehensive income	-	-	-	264,356	264,356
At 31 December 2020	<u>549,140</u>	<u>4,290,840</u>	<u>1,873,711</u>	<u>(6,273,093)</u>	<u>440,598</u>

The notes on pages 13 to 26 form an integral part of these financial statements.

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 Accounting policies

Statutory information

Palram DPL Limited is a private company, limited by shares, domiciled in England and Wales, company number 02728300. The registered office is at 37 Broadhurst Gardens, London, NW6 3QT.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The presentation currency is United Kingdom pounds sterling, which is the functional currency of the company. The financial statements are those of an individual entity.

Summary of disclosure exemptions

Statement of cash flows:

The exemption of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d) to produce Statement of Cash Flows.

Group accounts:

The company is exempt from the requirement to prepare group accounts in accordance with CA 2006 S401 (non EEA parent) as the company itself is a subsidiary undertaking and the company and its subsidiary undertaking are included in the consolidated financial statements of its ultimate parent company, Palram Industries (1990) Limited. Their consolidated statements are publicly available and are drawn up in accordance with the EEC 7th directive.

Going concern

After due consideration of all relevant factors, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of goods is recognised when all the significant risks and rewards of ownership of the goods have passed to the buyer and the seller no longer retains continual managerial involvement. The delivery date is usually the date on which ownership passes.

Customer discounts

Customer discounts given at the end of the year and in respect of which the customer is not obligated to comply with certain targets are recognised in the financial statements as the sales entitling the customer to the discount are made.

Customer discounts, for which the customer is required to meet certain targets are recognised in the financial statements in proportion to the purchases made by the customer during the reported period, provided that it is expected that the targets will be achieved and the amount of the discount can be reasonably estimated. The expectation for meeting the targets is largely based on past experience, on the company's relationship with the customers and the expected amount of purchases by the customers in the remaining period.

Government grants

Grants are accounted for using the accruals model where the grant is treated as deferred income that is then credited to the profit and loss account over the related assets' useful life or to match against related expenditure.

Tax

The tax expense for the period comprises current and deferred tax. Current tax is recognised in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is recognised, using the liability method, in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit and loss, other comprehensive income or equity depending on the location of the transaction to which it relates.

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	10% - 20% straight line
Motor vehicles	10% - 25% straight line
Fixtures and fittings	20% straight line
Computer equipment	20% straight line

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Impairment of assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell when in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption, being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the statement of comprehensive income.

Significant judgements and estimates

Preparation of financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include;

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the company performs impairment tests based on a fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. Further details of impairment of non-financial assets calculations are provided in the accounting policies under Tangible assets, Impairment of assets and Stock.

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Recognition of deferred tax assets

The company is subject to UK corporation tax and judgement is required in determining the provision for income and deferred taxation. The company recognises taxation assets and liabilities based upon estimates and assessments of many factors including judgements about the outcome of future events. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Further detail is given in note 9 to the financial statements.

The following accounting policies require estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year:

Tangible assets - Note 10

Stock - Note 11

Deferred tax - Note 16

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is required.

(ii) Defined contribution pension plans

The company operated under a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in the accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(iii) Bonus plan

The company operates an annual bonus plan for employees and expenses are recognised in the profit and loss account when the company has a legal or constructive obligation to make payment under the plan as result of past events and reliable estimation of the obligation can be made.

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Revenue

The analysis of the company's turnover for the year by market is as follows:

	2021 £	2020 £
UK	12,452,373	13,804,328
Europe	1,343,585	1,289,397
Rest of world	114,814	307,840
	<u>13,910,772</u>	<u>15,401,565</u>

All sales relate to the company's principal trading activity.

3 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021 £	2020 £
Job retention scheme income	<u>42,892</u>	<u>25,335</u>

4 Other gains and losses

The analysis of the company's trading other gains and (losses) for the year is as follows:

	2021 £	2020 £
Foreign exchange gains / (losses)	25,607	(37,606)
Gain on disposal of property, plant and equipment	-	7,770
Deferred grant release	7,200	7,200
R&D claims	104,113	-
	<u>136,920</u>	<u>(22,636)</u>

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

5 Operating loss

Operating profit is stated after charging:

	2021	2020
	£	£
Changes in inventories of finished goods	(800,263)	214,448
Purchase of finished goods for resale	512,221	510,884
Raw materials and consumables	10,617,548	8,923,127
Employee benefits expense	2,637,713	2,491,774
Depreciation	413,157	392,005
Transport expenses	103,312	106,467
Operating lease expense	398,178	373,759
Other expenses	<u>1,567,776</u>	<u>1,742,582</u>
Total cost of sales, distribution and administrative expenses	<u><u>15,449,642</u></u>	<u><u>14,755,046</u></u>

6 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and borrowings	34	37,213
Interest expense on other finance liabilities	<u>204,081</u>	<u>194,364</u>
	<u><u>204,115</u></u>	<u><u>231,577</u></u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021	2020
	£	£
Wages and salaries	2,451,840	2,356,793
Pension costs, defined contribution scheme	75,293	58,917
Other short-term employee benefits	<u>110,580</u>	<u>76,064</u>
	<u><u>2,637,713</u></u>	<u><u>2,491,774</u></u>

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

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

	2021 No.	2020 No.
Production	67	69
Administration and management	8	8
Sales, marketing and distribution	8	8
	83	85

8 Auditors' remuneration

	2021 £	2020 £
Audit of the financial statements	7,400	5,200
Other fees to auditors		
All other non-audit services	2,000	2,855

9 Taxation

Tax charged/(credited) in the income statement

	2021 £	2020 £
Current taxation		
UK corporation tax	(377,198)	-

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020: lower than the standard rate of corporation tax in the UK) of 19% (2020: 19%).

The differences are reconciled below:

	2021 £	2020 £
(Loss)/profit before tax	(1,701,071)	264,356
Corporation tax at standard rate	(323,203)	50,228
Effect of revenues exempt from taxation	(1,368)	(1,368)
Effect of expense not deductible in determining taxable profit (tax loss)	38,776	35,531
Effect of tax losses	-	(158,740)
Tax (decrease)/increase from effect of capital allowances and depreciation	(91,403)	74,349
Total tax credit	(377,198)	-

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

10 Tangible assets

	Leasehold improvements £	Furniture, fittings and equipment £	Plant and machinery £	Total £
Cost				
At 1 January 2021	362,173	290,457	6,340,263	6,992,893
Additions	50,537	58,448	383,301	492,286
Disposals	-	-	(820)	(820)
At 31 December 2021	<u>412,710</u>	<u>348,905</u>	<u>6,722,744</u>	<u>7,484,359</u>
Depreciation				
At 1 January 2021	320,709	241,213	5,008,392	5,570,314
Charge for the year	5,971	22,658	384,528	413,157
At 31 December 2021	<u>326,680</u>	<u>263,871</u>	<u>5,392,920</u>	<u>5,983,471</u>
Carrying amount				
At 31 December 2021	<u>86,030</u>	<u>85,034</u>	<u>1,329,824</u>	<u>1,500,888</u>
At 31 December 2020	<u>41,464</u>	<u>49,244</u>	<u>1,331,871</u>	<u>1,422,579</u>

11 Stocks

	2021 £	2020 £
Raw materials and consumables	3,580,624	2,768,700
Finished goods and goods for resale	982,138	181,875
	<u>4,562,762</u>	<u>2,950,575</u>

12 Debtors

	2021 £	2020 £
Trade debtors	2,209	42,275
Amounts owed to related parties	1,242,493	3,487,014
Other debtors	300	800
Prepayments	32,971	66,068
	<u>1,277,973</u>	<u>3,596,157</u>

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

13 Cash and cash equivalents

	2021	2020
	£	£
Cash at bank	<u>1,501,632</u>	<u>61,534</u>

14 Creditors

	2021	2020
	£	£
Due within one year		
Trade payables	1,289,129	1,472,058
Amounts owed to group companies	2,285,204	1,905,083
Other payables	59,827	39,524
Accruals	<u>299,039</u>	<u>77,132</u>
	<u>3,933,199</u>	<u>3,493,797</u>
Due after one year		
Deferred income	7,202	14,402
Amounts owed to group companies	<u>4,286,129</u>	<u>4,082,048</u>
	<u>4,293,331</u>	<u>4,096,450</u>

15 Intercompany capital note

	2021	2020
	£	£
Intercompany capital note		
Interest free intercompany capital note repayable in 2-5 years	<u>4,286,129</u>	<u>4,082,048</u>

The capital note is repayable between 2-5 years. No interest is charged on the loan. The capital note is regarded as a basic financial instrument therefore it is measured at amortised cost. The difference between the value of the loan and its amortised cost is accounted for as net financial cost.

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

16 Deferred tax and other provisions

The deferred tax liability relating to timing differences on the accelerated capital allowances is netted off against the deferred tax asset arising from tax losses brought forward. The resulting deferred tax asset is not recognised in the accounts until it is certain that future trading profits can be reasonably expected.

Movements on the deferred tax account were as follows:

	Accelerated tax depreciation	Tax loss	Total
	£	£	£
At 1 January 2020	7,483	(7,483)	-
Income statement charge	-	-	-
At 31 December 2020	7,483	(7,483)	-
Income statement charge	-	-	-
At 31 December 2021	7,483	(7,483)	-

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £75,293 (2020: £76,064).

Contributions totalling £12,090 (2020: £12,210) were payable to the scheme at the end of the year and are included in creditors.

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

18 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Class A Ordinary shares of £1 each	513	513	512	512
Class B Ordinary shares of £1 each	490	490	490	490
Class A Voting shares of £1 each	74	74	74	74
Class B Voting shares of £1 each	26	26	26	26
Class A Redeemable deferred shares of £1 each	128,888	128,888	128,888	128,888
Class B Redeemable deferred shares of £1 each	419,150	419,150	419,150	419,150
	<u>549,141</u>	<u>549,141</u>	<u>549,140</u>	<u>549,140</u>

The class A and B ordinary shares rank equally in all respects. They carry no right to attend and vote at meetings, but have the right to receive dividends as declared and any excess in the event of winding up.

The class A and B voting shares rank equally in all respects. They carry the right to attend and vote at meetings and the sole right to appoint directors, but they are not entitled to a dividend and only receive their nominal value in a winding up, where they rank ahead of ordinary shares.

The class A and B redeemable deferred shares carry no rights to vote at meetings, receive dividends or participate in any excess in a winding up. Their only right is to receive their par value plus any premium on issue if 75% of the class A and B voting shares resolve to redeem all or any proportion of the issued and outstanding redeemable deferred shares.

19 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2021	2020
	£	£
Not later than one year	286,752	320,791
Later than one year and not later than five years	798,102	983,793
Later than five years	2,149	70,000
	<u>1,087,003</u>	<u>1,374,584</u>

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

20 Commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £68,425 (2020: £66,283).

21 Financial guarantee contracts

The company is part of a cross guarantee provided to Barclays between Palram Europe Limited, Palram Polycarb Limited, Palram DPL Limited and Palram Applications UK Limited in respect of the finance facilities provided. The company's contingency in respect of these facilities at the year end amounted to £nil (2020: £nil).

Palram DPL Limited also acts as guarantor for the loans on its property, owned by a group company DRE (Durham Reals Estates) Limited. At 31 December 2021, this guarantee amounts to a sum of £nil (2020: £nil).

22 Related party transactions

The company is exempt from disclosing transactions with related parties that are wholly owned within the Palram Industries (1990) Limited group in accordance with FRS102 Section 33.

	2021	2020
	£	£
Amounts owed to:		
Palram Polycarb Limited	<u>2,098,959</u>	<u>1,761,435</u>
	<u>2,098,959</u>	<u>1,761,435</u>
	2021	2020
	£	£
Amounts owed by:		
Palram Germany GmbH	<u>396</u>	<u>424</u>
	<u>396</u>	<u>424</u>

Outstanding trading balances with entities are unsecured, interest free and cash settlement is expected within normal trading terms. During the year ended 31 December 2021, the company has not made any provision for doubtful debts relating to amounts owed by related parties (2020: £nil).

Palram DPL Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Transactions

Transactions between related parties are made up of the sales and purchases of polycarbonate and PVC sheeting and overhead recharges. The prices for these sales and purchases are dictated by transfer pricing agreements made at group level.

	Sales	Recharges
	£	£
2021		
Palram Polycarb Limited	22,963	185,702
	<u>22,963</u>	<u>185,702</u>
	Sales	Recharges
	£	£
2020		
Palram Polycarb Limited	16,275	197,325
	<u>16,275</u>	<u>197,325</u>

23 Parent and ultimate parent undertaking

The company's immediate parent is Palram PVC Limited, incorporated in Israel.

The company is a wholly owned subsidiary of Palram Industries (1990) Limited, a public company incorporated and registered in Israel, and listed on the Tel Aviv Stock Exchange.

The most senior parent entity producing publicly available financial statements is Palram Industries (1990) Limited. These financial statements are available upon request from Palram Industries (1990) Limited, Ramat-Yohanan 30035, Israel.