

**Höganäs (Great Britain) Limited**

**Directors' report and financial  
statements**

**Registered number 927351**

**31 December 2020**



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## Strategic report

### Business review

The company saw a 1% increase in volumes and 10% decrease in turnover. The profit for the year after taxation was £2,521,000 (2019: £1,137,000).

The company net assets increased from £7,563,000 to £10,084,000.

During the year, the company continued with its capital projects to increase capacity at the site and to identify other opportunities with existing and new products and services.

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### Principal risks and uncertainties

The company produces material principally for the global motor industry and as a result is dependent on the performance of that industry. The company will continue to proactively manage this risk by maintaining strong relationships with customers and managing its cost base carefully. It is supported by a strong balance sheet and support from the parent company.

A proportion of the company's cost of sales are dependent on market metal prices which is reflected in the sales price where applicable.

The vote held during 2016 by the UK to leave the EU introduced new risks and uncertainties. The Directors monitored the developments in the negotiations and took appropriate actions to prepare for trading post Brexit and has been able to continue to supply its customers after the transition period expired.

During financial year there have been considerable economic impacts in the UK and globally arising from the Coronavirus (COVID-19) pandemic, and Government actions to reduce the spread of the virus. The company continued to trade throughout the first lockdown period after introducing social distancing along with elevated health measures to ensure the safety of staff within the factory environment with office-based staff working from home where possible. Trading has recovered to normal levels since then however, as a result of the measures put in place, the company is well positioned to mitigate the negative impacts should further lockdown procedures be tightened over the coming months.

Sales are on a global basis and so the company is exposed to currency fluctuations. These fluctuations are managed by the group's treasury function.



**R Carmichael**  
*Company Secretary*

Munday Industrial Estate  
58-66 Morley Road  
Tonbridge  
Kent  
England  
TN9 1RP

Date 30<sup>th</sup> September 2021

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

### Principal activities

The principal activity of the company is the manufacture and sale of metal powders. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the next year.

### Proposed dividend

The total of ordinary dividends paid for the year amounted to Nil (2019: Nil). The directors do not propose any dividends for the period.

### Directors

The directors who held office during the year were as follows:

N S M Lang

V Rasneur

### Disclosure of information to Auditor

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

### Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### Auditor

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

By order of the board



R Carmichael

Company Secretary

Munday Industrial Estate  
58-66 Morley Road  
Tonbridge  
Kent  
England  
TN9 1RP

Date: 30 September 2021

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,  
THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HÖGANÄS (GREAT BRITAIN) LIMITED

## Opinion

We have audited the financial statements of Höganäs (Great Britain) Limited ("the company") for the year ended 31 December 2020 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

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

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

Our conclusions based on this work:

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

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

## Fraud and breaches of laws and regulations – ability to detect

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

- Enquiring of management as to the Company's high-level policies and procedures to prevent and detect, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HÖGANÄS (GREAT BRITAIN) LIMITED (CONTINUED)**

- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Assessing whether sales transactions either side of the balance sheet date are recognised in the correct period by vouching a sample of transactions to despatch note.
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected postings to revenue and cash accounts.

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

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

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

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

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

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

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HÖGANÄS (GREAT BRITAIN) LIMITED**

the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

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

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

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

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

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HÖGANÄS (GREAT BRITAIN) LIMITED**

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**Mark Sheppard (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Forest Gate  
Brighton Road  
West Sussex  
RH11 9PT

30 September 2021

**Profit and loss account**  
 for the year ended 31 December 2020

	Note	2020 £000	2019 £000
<b>Turnover</b>	2	19,687	21,789
Cost of sales		(15,320)	(18,970)
<b>Gross profit</b>		4,367	2,819
Distribution costs		(127)	(79)
Administrative expenses		(1,127)	(1,264)
<b>Operating profit</b>		3,113	1,476
Other interest (payable)/receivable and similar income		(39)	(72)
<b>Profit before taxation</b>		3,074	1,404
Tax	6	(553)	(267)
<b>Profit for the financial year</b>		2,521	1,137

There are no other comprehensive income or expense than those shown above for the year, the whole of which were derived from continuing activities.

The notes on pages 11 to 26 form part of these financial statements.

**Balance sheet**  
**At 31 December 2020**

	Note	2020	2019
		£000	£000
<b>Fixed assets</b>			
Intangible assets	7	-	-
Tangible assets	8	4,469	4,621
		<u>4,469</u>	<u>4,621</u>
<b>Current assets</b>			
Stocks	9	2,454	3,207
Debtors	10	7,939	4,914
Cash at bank and in hand		372	157
		<u>10,765</u>	<u>8,278</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(3,538)</u>	<u>(3,665)</u>
<b>Net current assets</b>		<u>7,227</u>	<u>4,613</u>
<b>Total assets less current liabilities</b>		<u>11,696</u>	<u>9,234</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(1,230)</u>	<u>(1,367)</u>
<b>Provisions for liabilities</b>			
Deferred tax liability	13	(318)	((240)
Other provisions	14	(64)	(64)
<b>Net assets</b>		<u>10,084</u>	<u>7,563</u>
<b>Capital and reserves</b>			
Called up share capital	16	140	140
Share premium account		4,050	4,050
Profit and loss account		5,894	3,373
<b>Shareholder's funds</b>		<u>10,084</u>	<u>7,563</u>

The notes on pages 11 to 26 form part of these financial statements.

These financial statements were approved by the board of directors on 30 September 2021 and were signed on its behalf by:

Director V Rasneur

Registered number 927351

V Rasneur

## Statement of Changes in Equity

	Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	140	4,050	2,236	6,426
Profit or loss	-	-	1,137	1,137
<b>Balance at 31 December 2019</b>	<b>140</b>	<b>4,050</b>	<b>3,373</b>	<b>7,563</b>

	Called up Share capital £000	Share Premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	140	4,050	3,373	7,563
Profit or loss	-	-	2,521	2,521
<b>Balance at 31 December 2020</b>	<b>140</b>	<b>4,050</b>	<b>5,894</b>	<b>10,084</b>

The notes on pages 11 to 26 form part of these financial statements.

## Notes (forming part of the financial statements)

### 1 Accounting policies

Höganäs (Great Britain) Limited (the "Company") is a private company limited by shares incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's parent undertaking, Höganäs AB, includes the Company in its consolidated financial statements. The consolidated financial statements of Höganäs AB are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Höganäs AB, S-263 83 Höganäs, Sweden.

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

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Certain disclosures regarding revenue;
- Disclosures in respect of the compensation of Key management personnel

As the consolidated financial statements of Höganäs Holding AB include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures.

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.2 Going concern

The Directors have prepared the financial statements on the going concern basis which the directors consider to be appropriate for the following reasons.

The Company has continued to maintain revenue and profits in line with the prior year during the COVID-19 pandemic and generated positive cash flows and generated a profit of £2.5m in the year ended 31 December 2020. The Company is a subsidiary of Höganäs AB and cash is managed across the group. Therefore cash is transferred via inter-company to the Group on a regular basis, resulting in the Company having an overdraft position of £1.5m at 31 December 2020 which is offset by net amounts receivable from group undertakings of £3.8m.

The Directors have prepared cash flow forecasts for a 15 month period to 31 December 2022 which indicate that, taking account of reasonably plausible further downsides including the possible adverse impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the company will have resources to continue to meet its obligations as they fall due and continue in operational existence for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 1.5 Financial instruments

##### (i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### (ii) Classification and subsequent measurement

###### Financial assets

###### (a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Notes (continued)

### 1 Accounting policies (continued)

#### Cash and cash equivalents

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

#### (b) Subsequent measurement and gains and losses

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

### 1.7 Tangible fixed assets

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

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

## Notes (continued)

### 1 Accounting policies (continued)

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

- Leasehold improvements over the period of the lease
- Motor vehicles 3-4 years
- Plant and equipment 5-17 years
- Fixtures and fittings 3-15 years

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

#### 1.8 Intangible assets

##### *Other intangible assets*

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

##### *Amortisation*

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- patents and trademarks 10 years

#### 1.9 Stocks

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

#### 1.10 Impairment excluding stocks and deferred tax assets

##### *Financial assets (including trade and other debtors)*

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.11 Employee benefits

##### *Defined contribution plans*

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

#### 1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 1.13 Turnover

Turnover is recognised under IFRS15 as follows:-

Sale of metal powders – Turnover is measured based on the consideration specified in a contract with the customer and is recognised when the performance obligation is fulfilled, which is on despatch, except for customers where a consignment stock agreement is in place where turnover is recognised when material is used

#### 1.14 Expenses

*Interest receivable and Interest payable* – Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

#### 1.15 Taxation

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

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.16 Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

##### - As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components. For building related leases, the Company accounts for each lease component separately from the non-lease components. For other leases, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.16 Leases(continued)

##### As a lessee (continued)

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

- Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 1.17 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account on a systematic basis over the estimated useful economic lives of the assets to which they relate or over the periods in which the related costs for which the grants are intended to compensate are recognised as expenses. Amounts recognised in the profit and loss are presented under the heading "Administrative expenses".

## 2 Turnover from contracts with customers

### *Disaggregation of turnover*

In the following table, turnover is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition.

	2020 £000	2019 £000
<b>Major products/service lines</b>		
<i>Sale of Metal Powders</i>	19,687	21,789
<b>Total</b>	<u>19,687</u>	<u>21,789</u>
<b>Primary geographical markets</b>		
United Kingdom	6,151	7,901
Overseas	13,536	13,888
<b>Total</b>	<u>19,687</u>	<u>21,789</u>

**Notes (continued)**

**3 Expenses and auditor's remuneration**

Included in profit are the following:

	2020 £000	2019 £000
Research and development expensed as incurred	1	2
Profit/loss on disposal of fixed assets	-	-
Auditor's remuneration:		
Audit of these financial statements	22	22
	<u>22</u>	<u>22</u>

**4 Staff numbers and costs**

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

	Number of employees	
	2020	2019
Manufacture and research	18	18
Office and management	10	9
	<u>28</u>	<u>27</u>

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	985	920
Social security costs	104	95
Contributions to defined contribution plans	97	81
	<u>1,186</u>	<u>1,096</u>

**Notes (continued)**

**5 Directors remuneration**

	2020	2019
	£000	£000
Directors' remuneration	-	-
Company contributions to money purchase pension plans	-	-
	<u>-</u>	<u>-</u>
	<b>Number of directors</b>	
	2020	2019
	'000	'000
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	-
	<u>-</u>	<u>-</u>
Directors emoluments are borne by the parent company.		

**6 Taxation**

Recognised in the profit and loss account

	2020	2019
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the period	475	196
Adjustments in respect of prior periods	-	4
	<u>475</u>	<u>200</u>
Total current tax	475	200
<i>Deferred tax (see note 13)</i>		
Origination and reversal of temporary differences	45	74
Reduction in tax rate	33	(7)
	<u>78</u>	<u>67</u>
Total deferred tax	78	67
	<u>553</u>	<u>267</u>
Tax on profit on ordinary activities	553	267

## Notes (continued)

### 6 Taxation (continued)

#### Reconciliation of effective tax rate

	2020	2019
	£000	£000
Profit for the year	2,521	1,137
Total tax expense	553	267
	<hr/>	<hr/>
Profit excluding taxation	3,074	1,404
Tax using the UK corporation tax rate of 19% (2019: 19%)	584	268
Group relief	(66)	-
Increase in tax rate on deferred tax balances	28	(3)
Non-deductible expenses	7	2
	<hr/>	<hr/>
Total tax expense	553	267
	<hr/>	<hr/>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax liability as at 31 December 2020 was calculated at 19% (2019: 17%). An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

### 7 Intangible assets

	Patents and trade- marks £000
<b>Cost</b>	
Balance at beginning and end of year	3,187
	<hr/>
<b>Amortisation and impairment</b>	
Balance at beginning and end of year	3,187
	<hr/>
<b>Net book value</b>	
At 1 January 2020	-
	<hr/>
At 31 December 2020	-
	<hr/>

## Notes (continued)

### 8 Tangible fixed assets

	Land and buildings £000	Plant and equipment £000	Fixtures & fittings £000	Total £000
<b>Cost</b>				
Balance at 1 January 2020	2,506	9,418	287	12,211
Additions	-	516	106	622
Disposals	-	(31)	-	(31)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	2,506	9,903	393	12,802
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment</b>				
Balance at 1 January 2020	1,020	6,421	149	7,590
Depreciation charge on right-of-use assets	123	-	10	133
Depreciation charge for the year	72	549	20	621
Disposals	-	(31)	-	(31)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	1,215	6,939	179	8,333
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 1 January 2020	1,486	2,997	138	4,621
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	1,291	2,964	214	4,469
	<hr/>	<hr/>	<hr/>	<hr/>

### 9 Stocks

	2020 £000	2019 £000
Raw materials and consumables	109	126
Work in progress	1,670	1,709
Finished goods	675	1,372
	<hr/>	<hr/>
	2,454	3,207
	<hr/>	<hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £12,000,000 (2019 : £15,000,000). The write-down adjustment of stocks to net realisable value amounted to £30,000 (2019: £66,000). The reversal of write-downs amounted to £66,000 as discussed below (2019: £132,000). The write-down and reversal are included in cost of sales. Speciality products held in stock have a long shelf life. Items that are slow moving are written down to cost value as the material can be reprocessed and used in other products.

**Notes (continued)**

**10 Debtors**

	2020 £000	2019 £000
Trade debtors	2,990	3,061
Amounts owed by group undertakings	4,815	1,709
Prepayments and accrued income	134	144
	<u>7,939</u>	<u>4,914</u>

**11 Creditors: amounts falling due within one year**

	2020 £000	2019 £000
Bank overdrafts	1,489	1,576
Trade creditors	303	77
Amounts owed to group undertakings	974	1,313
Other creditors	346	318
Accruals and deferred income	263	219
Lease Liabilities	163	162
	<u>3,538</u>	<u>3,665</u>

During the year £14,000 was recognised as an expense in the profit and loss account in respect of interest charged for Bank overdrafts (2019: £16,000).



**Notes (continued)**

**12 Creditors: amounts falling due after one year**

	2020 £000	2019 £000
Lease liabilities	1,230	1,367
	<u>1,230</u>	<u>1,367</u>

Repayment terms of lease liabilities are calculated over the life of the lease with 8 years remaining on property leases and 1 years remaining on car leases.

**13 Deferred tax assets and liabilities**

	Assets 2020 £000	2019 £000	Liabilities 2020 £000	2019 £000	Net 2020 £000	2019 £000
Tangible fixed assets	-	-	381	297	381	297
Provisions	(12)	(11)	-	-	(12)	(11)
IFRS16 Adjustment	(51)	(46)	-	-	(51)	(46)
Net tax (assets) / liabilities	<u>(63)</u>	<u>(57)</u>	<u>381</u>	<u>251</u>	<u>318</u>	<u>240</u>

	1 January 2020 £000	Recognised in income £000	31 December 2020 £000
Tangible fixed assets	297	84	381
Provisions	(11)	(1)	(12)
IFRS16 Adjustment	(46)	(5)	(51)
	<u>240</u>	<u>78</u>	<u>318</u>

*Movement in deferred tax during the prior year*

	1 January 2019 £000	Recognised in income £000	31 December 2019 £000
Tangible fixed assets	230	67	297
Provisions	(11)	0	(11)
IFRS16 Adjustment	-	-	(46)
	<u>219</u>	<u>67</u>	<u>240</u>

**Notes (continued)**

**14 Provisions**

	<b>Other provisions £000</b>
Balance at 1 January and 31 December 2020	64

Other provisions relate to the provision for reinstatement costs of the Tonbridge site. Under the terms of the lease, the company is required to return the property to its original state.

**15 Employee benefits**

**Defined contribution plans**

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £ 97,000 (2019: £81,000)

**16 Called up share capital**

	<b>2020 £000</b>	<b>2019 £000</b>
<i>Authorised</i>		
Equity: 150,000 Ordinary shares of £1 each	150	150
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 140,000 Ordinary shares of £1 each	140	140
	<hr/>	<hr/>

## Notes (continued)

### 17 Leases

#### (a) Leases as a lessee (IFRS 16)

##### Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 8):

	Land and buildings £000	Plant and equipment £000	Fixtures & fittings £000	Total £000
Balance at 1 January 2020	1,236	21	-	1,257
Additions to right-of-use assets	-	-	-	-
Depreciation charge for the year	(124)	(10)	-	(134)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	1,112	11	-	1,123
	<hr/>	<hr/>	<hr/>	<hr/>

##### Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	£000
<b>2020 - Leases under IFRS 16</b>	
Interest expense on lease liabilities	61
	<hr/>
	£000
<b>2019 - Leases under IFRS 16</b>	
Interest expense on lease liabilities	66
	<hr/>

### 18 Related Parties

	Receivables outstanding 2020 £000	2019 £000	Creditors outstanding 2020 £000	2019 £000
Parent	3,617	579	150	170
Other related parties	1,198	1,130	824	1,143
	<hr/>	<hr/>	<hr/>	<hr/>
	4,815	1,709	974	1,313
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 19 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Höganäs AB which is the ultimate parent company, incorporated in Sweden. The ultimate controlling party is Höganäs AB S-263 83 Höganäs, Sweden.

The largest group in which the results of the Company are consolidated is that headed by Höganäs Holding AB, incorporated in Sweden. The consolidated financial statements of these groups are available to the public and may be obtained from Höganäs AB, S-263 83 Höganäs, Sweden.

### 20 Capital Commitments

During the year ended 31 December 2020, the Company entered into a contract to purchase property, plant and equipment for £45,000 (31 December 2019 : £65,000 ). These commitments are expected to be settled in the following financial year.

### 21 Accounting estimates and judgements

#### *Recoverability of certain assets/impairment calculations*

Inventory held by the company is valued using material value plus processing costs. Although products have a long shelf life, items that are considered slow moving have been revalued to the cost of materials which reflect the reprocessing capabilities. Provision for dilapidations of the leased building have been estimated based on similar repair works previously carried out and is the best estimate with current knowledge of works required.