Company Registration No. 02197267

Pfaudler Limited

Report and Financial Statements

For the 7-month period ended 31 March 2021

Pfaudler Limited

Annual report and financial statements

Contents

Pfaudler Limited

Officers and professional advisers

Directors
M Goldsmith
J Drury
K McCann

Company Secretary
P Dunn

Auditor
Deloitte LLP
Statutory Auditor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

Banker
Commerzbank
30 Gresham Street
London
EC2V 7PG

Solicitor
Brodies LLP
15 Atholl Crescent
Edinburgh
EH3 8HA

Registered Office
Unit 5
Lyon Road Industrial Estate
Kearsley
Bolton
BL4 8TG

Pfaudler Limited

Strategic report

The directors present their strategic report for the 7-month period ended 31 March 2021.

Review of the business

The company operates its trade through the following business units:

- Pfaudler Technologies: a unit engaged in:
  - the manufacture of glassed steel pressure vessels and associated products; and
  - the manufacture, site installation and commissioning of engineered process systems, evaporation systems and thermal fluid systems.
- Edlon: a unit engaged in the manufacture of fluoropolymer products.
- Pfaudler Services: a unit engaged in the repair, reglassing and on-site servicing of chemical equipment and manufacture of polytetrafluoroethylene (PTFE) parts.

The company's key financial performance indicators during the period were as follows:

	7-month period ended 31 March 2021 £'000	12-month period ended 31 August 2020 £'000
Turnover	9,311	14,293
Operating profit/(loss)	485	(41)
Profit before taxation	638	170
Shareholders' funds	13,389	11,455

The turnover of the company has increased by 11.7% on a prorata basis. The volume of service work remains below our normal levels. This has partly been impacted by Covid-19 as access to customer sites has been made more difficult. However, overall aftermarket work is up by 12% on a prorata basis as customers have had to complete previously delayed repairs. Gross margin has increased from 15% to 19% and this is mainly attributable to several operational issues that occurred during the prior year being resolved. Covid-19 has still had some impact due to lost hours from staff shielding or self-quarantining. The Company made the decision to continue to pay full wages to these employees as we did in the prior year. Exchange rate losses on the $7.84M Intercompany loan were less in the current financial period which combined with the improved operational performance produced the considerable increase in Operating Profit.

On the 16 February 2021 the Pfaudler global operations were sold to GMM International S.à r.l., a Joint Venture of GMM Pfaudler Limited, India (54%), Millars Concrete Technologies Pvt. Limited, India (26%) and Pfaudler International S.à r.l., Luxembourg (20%). There has been no impact to the operations of Pfaudler Limited as a result of this change of ownership.

Future developments

Our closing order book is extremely strong at £7.3M including inter-company work. We also have several large enquiries ongoing so are optimistic that 2022 will continue to build on the improvements in 2021. We continue to strive to improve manufacturing efficiencies and to increase gross margin throughout the business and become fully integrated with the Pfaudler Global Structure. The UK operation is to focus and grow the Services, Reglass and Aftermarket product lines which are all higher margin. However, we are receiving several intercompany orders for large vessels. We are finding some upside to Brexit as some customers insist on UK manufacture of new vessels as they fear changes to tariff rules and quality stamps.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks and uncertainties as follows:

Strategic report (continued)

Covid-19 – the business received dispensation to continue to operate during the pandemic as we are considered critical to the support infrastructure of the chemical and pharmaceutical industries. We have managed to ensure stable operations and minimise disruption by implementation of strict social distancing measures. Any failure of these measures would impact production as employees in affected departments would need to quarantine per Government guidelines.

Brexit – nearly 75% of our customer sales are in the UK and this proportion is expected to grow as businesses seek security of UK supply. The business has acknowledged supply chain risks surrounding the movements of materials and will work with our sister European plants to ensure sufficient safety stocks are held to ensure business continuity. After some initial delays at ports, the company has remained largely unaffected by Brexit during the first three months of the new regime.

The company's principal financial instruments comprise cash and cash equivalents. Other financial assets and liabilities, such as trade creditors and group balances, arise directly from the company's operating activities. The company does not consider geographical market, product and customer risk as principal risks to the company as the company does not rely on any one market, product or customer.

Financial instruments and risk management

The main risks associated with the company's financial assets and liabilities are set out below.

Credit risk

The company's main customer base lies primarily within the chemical and pharmaceutical industries. These are large multi-national companies which are regarded as having limited associated credit risk. Past experience reinforces our view that the company has minimal credit risk.

Liquidity risk

The company manages liquidity risk by closely monitoring cash flow and forecasting cash flow for future periods with reference to the consolidated position of GMM International S.à r.l. group of companies ('the Group'). The Group's cash flow forecasts are updated regularly to ensure that sufficient funds are available to meet all financial commitments. Adequate cash reserves and banking facilities are maintained to support the future growth of the business.

Foreign currency risk

In the event that the company enters into a foreign currency contract, a senior management decision will be taken to hedge the contract against foreign currency exposure. This is generally carried out for major contracts, with smaller contracts for both sales and purchases largely offsetting each other.

Approved by the Board of directors on 5 August 2021 and signed on behalf of the Board.

M Goldsmith
Director

Pfaudler Limited

Directors' report

The directors present their report and the audited financial statements for the 7-month period ended 31 March 2021.

Results and dividends

The profit for the period after taxation amounted to £411,506 (2020: profit £175,722). Gross margin has increased from 15% to 19% and this is mainly attributable to several operational issues that occurred during the prior year being resolved. Covid-19 has still had some impact due to lost hours from staff shielding or self-quarantining. The Company made the decision to continue to pay full wages to these employees as we did in the prior year.

Following the sale to GMM International S.à r.l. the financial year end was changed to 31 March 2021 resulting in a shortened seven month reporting period.

Directors' and officers' insurance cover has been established for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company.

The company paid no dividends during the period. No dividends were paid during the prior period.

Financial results, financial risk management, objectives and policies and future developments

These matters are discussed in the strategic report on pages 2 to 3.

Directors

The directors who served the company during the period and up to the date of signing were as follows:

M Goldsmith
J Drury
K McCann

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee involvement

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through regular employee briefing sessions and a variety of formal and informal meetings. Employee representatives are consulted on a wide range of matters affecting employees' conditions of employment and on current and future business activities.

Health and Safety

Company policy is to uphold safe and responsible management of all its activities. We aim to provide a safe and healthy work environment for all employees and to ensure HSE considerations are integrated into all activities. Employees are encouraged to take personal responsibility for HSE and we aim to eliminate all incidents and injuries from the business.

Going concern

While the current Covid-19 crisis has created times of uncertainty, as a manufacturer of key equipment for the pharmaceutical and chemical industries, for Pfaudler it has been the opposite. We have seen our order books and our backlog grow throughout the pandemic. This is apparent not just in the UK, but globally, with all business units having almost record backlogs. It is expected that our markets will remain strong for many years to come as customers look to build in local capacity to give protection against the recent failures they have seen in the global supply chain, plus the increased demand for their products. The Company has remained profitable throughout the period most impacted by Covid-19 nationally and has generated £0.9M cash in the seven month accounting period.

The Directors have considered the effect that Brexit has had on the company's operations. Taking into account the circumstances of the company, as listed in the Principal risks and uncertainties, we have not seen any significant impact on the company's ability to continue in operational existence for the foreseeable future

Pfaudler Limited

Directors' report (continued)

Whilst FY2021 sales performance was below expectations the profit target has been exceeded. The sales activities were driven by customer delays and will carry forward into FY2022. The preparation of the budget for the coming year was delayed during the restructuring of the Group following the sale to GMM International S.à r.l. This has meant we have been able to make a better assessment of the upcoming year. Current indications are that the whole Pfaudler Group will surpass the budget as markets remain buoyant globally. The directors have considered available funding facilities and concluded that we have sufficient resources for the next 12 months from the date of signing these financial statements. The financial statements are therefore prepared on a going concern basis.

Events after the balance sheet date

There have been no significant post-balance sheet events.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor.

Approved by the Board of directors on 5 August 2021 and signed on behalf of the Board.

M Goldsmith
Director

Pfaudler Limited

Directors' responsibilities statement

The directors are responsible 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), including FRS 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"*. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 accounting estimates that are reasonable and prudent;
- 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.

Pfaudler Limited

Independent auditor's report to the members of Pfaudler Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Pfaudler Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

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).

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 Financial Reporting Council's (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.

Independent auditor's report to the members of Pfaudler Limited (continued)

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Pfaudler Limited

Independent auditor's report to the members of Pfaudler Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as pensions specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it them is described below:

• Revenue recognition: We have identified a significant risk due to fraud around revenue recognition, pinpointed to the cut-off assertion around year end. This has been addressed through substantive testing on invoices raised around year end and through the testing of the design and implementation of relevant controls.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Independent auditor's report to the members of Pfaudler Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

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.

James Boyle CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
5 August 2021

Pfaudler Limited

Statement of Comprehensive Income
For the 7-month period ended 31 March 2021

	Notes	7-month period ended 31 March 2021 £	12-month period ended 31 August 2020 £
Turnover	3	9,311,165	14,293,305
Cost of sales		(7,571,869)	(12,166,611)
Gross profit		1,739,296	2,126,694
Administrative expenses		(713,095)	(1;376,971)
Distribution expenses		(545,913)	(790,287)
Grant Income (Covid-19 Furlough)		4,841	-
Operating profit/(loss)	4	485,129	(40,564)
Interest expense (net)	7	152,669	210,631
Profit before taxation	4	637,798	170,067
Tax on profit	8	(226,292)	5,655
Profit for the financial period		411,506	175,722
Other comprehensive income			
Actuarial profit on defined benefit pension schemes	19	1,879,000	34,000
Tax relating to other comprehensive income		(357,010)	(6,460)
Other comprehensive income		1,521,990	27,540
Total comprehensive income		1,933,496	203,262

The results for the current period have been derived from wholly continuing activities.

Pfaudler Limited

Balance sheet
As at 31 March 2021

	Notes	31 March 2021 £	31 August 2020 £
Fixed assets			
Tangible assets	9	1,135,180	1,230,998
Investments	10	633,914	633,914
		1,769,094	1,864,912
Current assets			
Stock	11	4,907,069	4,718,096
Debtors	12	10,114,914	10,879,128
Cash at bank and in hand		2,960,224	2,138,452
		17,982,207	17,735,676
Creditors: amounts falling due within one year	14	(4,148,570)	(4,021,413)
Net current assets		13,833,637	13,714,263
Total assets less current liabilities		15,602,731	15,579,175
Provisions for liabilities	15	(83,798)	(47,000)
Pension liability	19	(2,128,000)	(4,074,000)
Accruals and deferred income	16	(2,035)	(2,773)
Net assets		13,388,898	11,455,402
Capital and reserves			
Called up share capital	17	7,831	7,831
Contributed capital		3,009,339	3,009,339
Profit and loss account		10,371,728	8,438,232
Shareholders' funds		13,388,898	11,455,402

The financial statements of Pfaudler Limited with registration number 02197267 were approved and authorised for issue by the Board and were signed on its behalf on 5 August 2021.

M Goldsmith
Director

Pfaudler Limited

Statement of changes in equity
For the 7-month period ended 31 March 2021

	Notes	Called up Share Capital £	Contributed Capital £	Profit and Loss Account £	Total £
At 1 September 2019		7,831	3,009,339	8,234,970	11,252,140
Profit for the financial period		-	-	175,722	175,722
Other comprehensive income		-	-	27,540	27,540
At 31 August 2020		7,831	3,009,339	8,438,232	11,455,402
Profit for the financial year		-	-	411,506	411,506
Other comprehensive income		-	-	1,521,990	1,521,990
At 31 March 2021		7,831	3,009,339	10,371,728	13,388,898

Notes to the financial statements
For the 7-month period ended 31 March 2021

Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the period and the preceding year.

a. General information and basis of accounting

Pfaudler Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The address of the principal place of business is Riverside, Leven, Fife, KY8 4RT, Scotland. The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

Following the sale to GMM International S.à r.l. the financial year end was changed to 31 March 2021 resulting in a shortened seven month reporting period.

The functional currency of Pfaudler Limited is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates. The financial statements have been presented in pounds sterling.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) issued by the Financial Reporting Council.

b. Group financial statements

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Pfaudler Limited is consolidated in the financial statements of its parent, GMM International S.à r.l., which may be obtained from the address given in note 22. Exemptions have been taken in these financial statements in relation to presentation of a cash flow statement and related parties disclosure as disclosed in note 21.

c. Going concern

While the current Covid-19 crisis has created times of uncertainty, as a manufacturer of key equipment for the pharmaceutical and chemical industries, for Pfaudler it has been the opposite. We have seen our order books and our backlog grow throughout the pandemic. This is apparent not just in the UK, but globally, with all business units having almost record backlogs. It is expected that our markets will remain strong for many years to come as customers look to build in local capacity to give protection against the recent failures they have seen in the global supply chain, plus the increased demand for their products. The Company has remained profitable throughout the period most impacted by Covid-19 nationally and has generated £0.9M cash in the seven month accounting period.

The Directors have considered the effect that Brexit has had on the company's operations. Taking into account the circumstances of the company, as listed in the Principal risks and uncertainties, we have not seen any significant impact on the company's ability to continue in operational existence for the foreseeable future.

Whilst FY2021 sales performance was below expectations the profit target has been exceeded. The sales activities were driven by customer delays and will carry forward into FY2022. The preparation of the budget for the coming year was delayed during the restructuring of the Group following the sale to GMM International S.à r.l. This has meant we have been able to make a better assessment of the upcoming year. Current indications are that the whole Pfaudler Group will surpass the budget as markets remain buoyant globally. The directors have considered available funding facilities and concluded that we have sufficient resources for the next 12 months from the date of signing these financial statements. The financial statements are therefore prepared on a going concern basis.

d. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

1. Accounting policies (continued)

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

e. Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Revenue is recognised as and when significant risks and rewards of the goods have been transferred to the buyer.

f. Interest

Interest is recognised when it falls due and is recognised under the accrual basis.

g. Tangible fixed assets

Tangible fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets, except freehold land, at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Buildings	–	33 to 50 years
Plant and machinery	–	3 to 10 years
Computer equipment	–	3 to 5 years
Motor vehicles	–	4 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

h. Investments

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

i. Government grants

Government grants received are recognised in the balance sheet as deferred income. Deferred income is amortised in order to match the income with the expenditure towards which it is expected to contribute. Covid-19 Furlough Grants received have been accounted for under the accrual model and are recognised within Operating Profit.

1. Accounting policies (continued)

As all grants received to date are in the nature of capital grants, deferred income is being amortised over the expected useful life of the assets towards the purchase of which the grants were awarded.

j. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value.

Cost includes material, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

k. *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to fixed assets measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

l. Leases

The Company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Notes to the financial statements (continued)
For the 7-month period ended 31 March 2021

1. Accounting policies (continued)

m. *Foreign currencies*

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

n. Warranty costs

Provision for the expected cost of repair or replacement of goods under warranty is made when products have been invoiced and the amount of the provision is shown in note 15.

o. Pensions

The company provides pensions to employees through two separate pension schemes, one defined benefit and one defined contribution scheme. Each one is administered by trustees, and have their assets held separately from the group in independently administered funds.

Defined contribution schemes

The amount charged to the profit and loss account represents the contributions payable in the period. Any difference between amounts charged in the profit and loss account and paid to the pension scheme is shown in the balance sheet as an asset or liability.

Defined benefit schemes

It is the general policy of the company to provide for and fund pension liabilities, on the advice of external actuaries, by payments to separate trustee administered funds. An independent actuarial valuation on a going concern basis is carried out every three years. The Defined Benefit Scheme was closed to future accruals in 2015. The amount charged to the profit and loss account (the regular pension cost) is the payment by the company to close the deficit in the fund. Further information on pension costs is provided in note 19.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

Surplus and Obsolete Stock

The company has a policy in place to determine when stock is considered to be either surplus or obsolete and makes all necessary reserves according to this policy. Inventory in excess of the most recent twelve months and in excess of all time service requirements is considered surplus. Inventory having zero future usage due to design change, product discontinuance or deterioration is considered obsolete. Management are able to apply to Corporate Directors for clearance to make exceptions, where, in their opinion, the policy is too stringent given the nature of the business and longevity of primarily metal stocks. The current reserve is £211K (2020: £197K).

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key source of estimation uncertainty

Assessing impairment for investments

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Management consider each period whether there is any indication of impairment in relation to its investments. No such indicators have been identified in the current or prior period. There is no requirement to perform a full impairment review unless such indicators exist.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Notes to the financial statements
For the 7-month period ended 31 March 2021

3. Turnover

Analysis of turnover by geography:

	7-month period ended 31 March 2021	12-month period ended 31 August 2020
	£	£
UK	6,094,889	9,019,931
Asia	708,560	651,267
Europe, Middle East and Africa	1,935,789	3,682,741
North and South America	571,927	939,366
	9,311,165	14,293,305

Analysis of turnover by category:

	7-month period ended 31 March 2021	12-month period ended 31 August 2020
	£	£
Original equipment	2,689,622	3,935,920
Aftermarket	5,426,967	8,312,832
Inter-company	1,194,576	2,044,553
	9,311,165	14,293,305

4. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	7-month period ended 31 March 2021	12-month period ended 31 August 2020
	£	£
Depreciation of tangible fixed assets	101,043	168,945
Operating lease rentals - plant and machinery	129,556	188,841
Inventory recognised as an expense	3,192,414	5,351,398
Audit fees payable to the company's auditor for auditing of the financial statements	93,700	56,840
Amortisation of government grants	(738)	(924)
Foreign exchange losses	189,058	602,288

Notes to the financial statements
For the 7-month period ended 31 March 2021

5. Directors' remuneration

	7-month period ended 31 March 2021	12-month period ended 31 August 2020
	£	£
Remuneration (excluding pension contributions)	158,684	214,545
Employer contributions paid to company pension scheme	9,260	14,942
Number of directors who are members of company pension scheme	2	2

The amounts in respect of the highest paid director are as follows:

	7-month period ended 31 March 2021	12-month period ended 31 August 2020
	£	£
Remuneration (excluding pension contributions)	90,863	135,270
Employer contributions paid to company pension scheme	4,730	7,655

6. Staff costs

	7-month period ended 31 March 2021	12-month period ended 31 August 2020
	£	£
Wages and salaries	2,788,530	4,230,743
Social security costs	252,602	385,596
Other pension costs	224,908	358,733
	3,266,040	4,975,072

The average monthly number of employees during the year was made up as follows:

	7-month period ended 31 March 2021	12-month period ended 31 August 2020
Production	120	117
Sales	10	10
Administration	6	5
	136	132

Pfaudler Limited

Notes to the financial statements
For the 7-month period ended 31 March 2021

7. Interest income (net)

	7-month period ended 31 March 2021	12-month period ended 31 August 2020
	£	£
Expected return on pension scheme assets (note 19)	171,000	324,000
Interest on pension scheme liabilities (note 19)	(209,000)	(398,000)
Interest received from HMRC	409	1,797
Amounts due from group undertakings	191,567	288,961
Amounts due to group undertakings	(1,307)	(6,127)
	152,669	210,631

8. Tax on profit

The tax charge is made up as follows:

	7-month period ended 31 March 2021	12-month period ended 31 August 2020
	£	£
Current tax		
Corporation tax on profit at 19.00% (2020: 19.00%)	94,572	26,994
Adjustment in respect of previous years	123,006	(45,006)
	217,578	(18,012)
Deferred tax		
Origination and reversal of timing differences	(4,065)	(7,783)
Tax on pension cost adjustment	12,730	20,140
Adjustment in respect of prior years	49	-
	8,714	12,357
	226,292	(5,655)

The standard rate of tax applied to reported profit is 19.00% (2020: 19.00%).

In the Finance Bill 2021, the Government announced that legislation will be introduced to set the charge to Corporation Tax and set the main rate at 19% for the financial year starting 1 April 2022. Legislation will also be introduced to set the main rate of Corporation tax at 25% for the financial year beginning 1 April 2023. These rates have been reflected in the calculation of corporation tax at the balance sheet date.

8. Tax on profit (continued)

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK Corporation Tax to the profit before tax is as follows:

	7-month period ended 31 March 2021 £	12-month period ended 31 August 2020 £
Profit before tax	637,798	170,067
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	121,182	32,313
Effects of:		
Income not taxable	(18,430)	(6,080)
Expenses not deductible	485	13,118
Adjustment in respect of prior years	123,055	(45,006)
	226,292	(5,655)

9. Tangible fixed assets

	Land and buildings £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 September 2020	2,539,528	5,070,959	1,279,095	28,703	8,918,285
Additions	-	-	5,225	-	5,225
At 31 March 2021	2,539,528	5,070,959	1,284,320	28,703	8,923,510
Depreciation					
At 1 September 2020	1,888,833	4,527,947	1,241,804	28,703	7,687,287
Charge for the year	19,012	73,171	8,860	-	101,043
At 31 March 2021	1,907,845	4,601,118	1,250,664	28,703	7,788,330
Net book value					
At 31 August 2020	650,695	543,012	37,291	-	1,230,998
At 31 March 2021	631,683	469,841	33,656	-	1,135,180

Freehold land amounting to £579,329 (2020: £579,329) has not been depreciated.

10. Investments

	31 March 2021	31 August 2020
	£	£
Joint venture undertakings	633,914	633,914

The company holds a 15.9% share in the ordinary equity capital of Pfaudler (Changzhou) Process Equipment Company Limited for a consideration of £633,914. This is a company incorporated in China, whose principal business activity is the manufacture of glass-lined steel pressure vessels. Registered Office: #6 Tong Gang Avenue, Shang Xing Town, Li Yang City, Jiang Su Province 213300, China.

Pfaudler Limited acquired its portion of the share capital as part of a larger Pfaudler Group joint venture project.

Control of the joint venture company is being handled at Pfaudler group level and consolidation of Pfaudler's share of the operating profit will be made within the group financial statements.

11. Stocks

	31 March 2021	31 August 2020
	£	£
Raw materials	2,167,596	2,203,987
Work-in-progress	1,822,095	1,571,347
Finished goods	917,378	942,762
	4,907,069	4,718,096

12. Debtors: amounts falling due within one year

	31 March 2021	31 August 2020
	£	£
Trade debtors	1,418,029	1,921,970
Amounts owed by other group undertakings	390,315	179,166
Loans to other group undertakings	7,566,264	7,575,327
Other debtors	6,860	15,384
Prepayments and accrued income	465,985	394,670
Corporation tax receivable	5,428	164,854
Deferred tax asset (note 13)	262,033	627,757
	10,114,914	10,879,128

12. Debtors: amounts falling due within one year (continued)

Loans to group undertaking are repayable on demand and unsecured and are as follows:

Partner Company	Currency	Interest Terms	$ Amount	£ Amount	Due
GMM International S.à r.l.	USD	4.5%	8,421,878	6,120,179	August 2021
GMM International S.à r.l.	GBP	4.5%		1,446,085	July 2021
				7,566,264	

Subsequent to the balance sheet date the term of the £1,446,085 loan was extended to 8 July 2022.

13. Deferred tax asset/(liability)

	31 March 2021	31 August 2020
	£	£
Accelerated capital allowances	(153,607)	(168,150)
Defined benefit pension scheme (note 19)	404,320	774,060
Other timing differences	11,320	21,847
	262,033	627,757

	31 March 2021	31 August 2020
	£	£
Deferred tax asset at beginning	627,757	576,487
Defined benefit pension scheme (note 19)	404,320	774,060
Profit and loss charge for year	(770,044)	(722,790)
	262,033	627,757

14. Creditors: amounts falling due within one year

	31 March 2021	31 August 2020
	£	£
Payments received on account	1,426,578	1,780,409
Trade creditors	977,422	913,154
Amounts due to other group undertakings	213,226	156,308
Other creditors – Social Security and PAYE	133,105	115,619
– other	369,904	417,854
Accruals and deferred income	1,028,335	638,069
	4,148,570	4,021,413

15. Provisions for liabilities

	Provision for Product Repair	Provision for Loss on Sales Contracts	Total
	£	£	£
At 1 September 2020	36,311	10,689	47,000
Warranty claims in the period	(4,275)	-	(4,275)
Release of Provisions	(5,000)	(40,401)	(45,401)
Charged to profit and loss	39,413	47,061	86,474
At 31 March 2021	66,449	17,349	83,798

General warranty provisions are calculated based on sales in the prior two years. Specific warranties are made against any customers who have raised quality issues. The company does not admit liability and the timing of any potential outflows for the provision is uncertain. Provisions are made on a monthly basis against contracts where there is expected to be a negative margin and subsequently released at time of shipment.

16. Deferred income falling due after more than one year

	31 March 2021	31 August 2020
	£	£
At 1 September 2020	2,773	3,697
Released during the year	(738)	(924)
At 31 March 2021	2,035	2,773

17. Issued share capital

	31 March 2021		31 August 2020	
	No.	£	No.	£
Allotted, called up and fully paid				
Ordinary shares of £1 each	7,831	7,831	7,831	7,831

Notes to the financial statements
For the 7-month period ended 31 March 2021

18. Financial commitments

Capital commitments are as follows:

	31 March 2021	31 August 2020
	£	£
Authorised and contracted for	-	-

Total future minimum lease payment under non-cancellable operating leases are as follows:

	31 March 2021	31 August 2020
	£	£
Within one year	126,498	81,443
In two to five years inclusive	249,504	82,539
	376,002	163,982

19. Pension commitments

The company operates two pension schemes, one defined benefit, Pfaudler Balfour Pension Plan, and one defined contribution, all of which are funded by the payment of contributions to separately administered trust funds. The Defined Benefit Pfaudler Balfour Pension Plan was closed to future accruals on 31 October 2015.

Defined benefit schemes

Contributions to the schemes for the employees of Pfaudler Limited are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The most recent full actuarial valuation of the Pfaudler Balfour Pension Plan was October 2019. This valuation showed that the market value of the scheme's assets was £18,289,358 which represented 97% of the accrued pension benefits. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, and the life expectancy of the members. It was assumed that the investment returns would be 4.4% per annum. An additional one year of life expectancy could be expected to increase the liabilities by between 2-4%.

The company will continue to pay contributions to the plan in respect of the shortfall in funding of £180,000 per annum in accordance with the recovery plan dated 23 July 2020.

The contributions to the scheme are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method.

19. Pension commitments (continued)

Pfaudler-Balfour Pension Plan

The assets and liabilities in the scheme in respect of the defined benefit section and relevant information for disclosure under FRS 102 are as follows:

A full actuarial valuation was updated to 31 March 2021 and was converted to a basis consistent with FRS 102 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	31 March 2021 %p.a.	31 August 2020 %p.a.
Inflation (RPI)	3.45	3.00
Inflation (CPI)	2.45	2.20
Pensions increases (RPI max 5%)	3.05	2.90
Pensions increases (RPI max 2.5%)	2.05	1.95
Discount rate for plan liabilities	2.10	1.60
Expected rate of return on assets	5.00	4.50
Post retirement mortality – years:		
Current pensioners at 65 – male	19.3	19.3
Current pensioners at 65 – female	21.6	21.5
Future pensioners at 65 – male	20.7	20.6
Future pensioners at 65 – female	23.2	23.1

The assumptions used to value the liabilities may, within limits, take a range of values, and the financial variables are derived from market conditions at one particular point in time. The reductions in the post retirement mortality rates have been made as a result of post code analysis reports that have been reviewed by the actuary, Trustees and Deloitte pension consultants.

The fair value of the assets in the scheme and the present value of the liabilities in the scheme at each balance sheet date were:

	31 March 2021 £'000	31 August 2020 £'000
Equities	11,093	11,093
Bonds	2,728	2,124
Diversified growth fund	4,898	5,023
Cash	447	310
Total fair value of assets	19,166	18,550
Present value of scheme liabilities	(21,294)	(22,624)
Deficit in the scheme	(2,128)	(4,074)
Related deferred tax asset (note 13)	404	774
Net pension liability	(1,724)	(3,300)

Notes to the financial statements (continued)
For the 7-month period ended 31 March 2021

19. Pension commitments (continued)

Analysis of the amount charged to operating costs:

	7-month period ended 31 March 2021 £'000	12-month period ended 31 August 2020 £'000
Amount credited/(charged) to other net finance costs:		
Expected return on pension scheme assets	171	324
Interest on pension liabilities	(209)	(398)
Components of defined benefit costs recognised in profit or loss	(38)	(74)

Analysis of the actuarial gain in the statement of comprehensive income:

	Year ended 31 August 2020 £'000	Year ended 31 August 2019 £'000
Expected return less actual return on pension scheme assets	843	523
Changes in assumptions underlying the present value of the scheme liabilities	1,036	(489)
	1,879	34

Analysis of the changes in the present value of the defined benefit obligations during the year:

	31 March 2021 £'000	31 August 2020 £'000
Value at beginning of period	(22,624)	(22,532)
Movement in period:		
Interest cost	(209)	(398)
Benefits paid	503	795
Actuarial gain/(loss)	1,036	(489)
Value at end of period	(21,294)	(22,624)

Notes to the financial statements
For the 7-month period ended 31 March 2021

19. Pension commitments (continued)

Analysis of the changes in the fair value of the plan assets during the year:

	31 March 2021 £'000	31 August 2020 £'000
Value at beginning of year	18,550	18,318
Movements in year:		
Interest Income	171	324
Employer contributions	105	180
Benefits paid	(503)	(795)
Actuarial gain	843	523
Value at end of year	19,166	18,550

History of experience gains and losses:

	31 March 2021 £'000	31 August 2020 £'000	31 August 2019 £'000	31 August 2018 £'000
Fair value of scheme assets	19,166	18,550	18,318	17,927
Present value of defined benefit obligation	(21,294)	(22,624)	(22,532)	(19,596)
Deficit in scheme	(2,128)	(4,074)	(4,214)	(1,669)
Experience gains/(losses) on scheme assets	1,879	34	(2,063)	1,120

Following the government's announcement of the change in the minimum pension increases from RPI to CPI, pension revaluation in deferment and pension increases in payment for all members are now linked to CPI.

Defined contribution scheme

The group operates a scheme for the employees of Pfaudler Limited. The pension cost charge of this scheme for the year was £122,085 (2020: £178,733). Outstanding contributions £NIL (2020: £49,921) are shown in the balance sheet under creditors falling due within one year.

Notes to the financial statements
For the 7-month period ended 31 March 2021

20. Contingent liabilities

	31 March 2021 £'000	31 August 2020 £'000
Advance payment/retention release guarantees	314	127
Customs bonds	212	212
Performance bonds	52	52
Total	578	391

The contingent liabilities are provided by Zurich Insurance under a group credit facility. £52K of performance bonds are held with Commerzbank. £78K of advance payment bonds are held with Unicredit bank AG. The Customs bond is provided on an ongoing basis to enable the use of a deferred VAT facility. The advance payment guarantees relate to payments received from customers for contracts not yet fulfilled. There is no uncertainty regarding these contracts so the guarantees will lapse upon completion. The performance bonds are provided against failure to comply with warranties on goods. The maximum period of warranty is two years and the company has had no major claims in recent years and does not foresee any change to this. Contractual warranty obligations would be fulfilled so there is no indication that claims would be made against these bonds.

21. Related party transactions

The company has not disclosed details of transactions with other companies within the Pfaudler Group as it has taken advantage of the exemptions conferred by FRS 102 (Section 33) on the grounds that it is a wholly owned subsidiary.

22. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary undertaking of GMM International S.à r.l., a company incorporated in Luxembourg for which the smallest group consolidated financial statements are prepared.

Registered Office:
2 Rue Edward Steichen
L-2540 Luxembourg
Luxembourg

The ultimate parent undertaking and controlling party of the Company is GMM Pfaudler Limited, a company incorporated in India for which the largest group consolidated financial statements are prepared. The financial statements of GMM Pfaudler Limited are published on the internet homepage and can be accessed through the investors section - Gmmpfaudler.com.