

Kennametal UK Limited  
Annual report and financial statements  
for the year ended 30 June 2016

Registered number: 3425094



# **Kennametal UK Limited**

## **Annual report and financial statements for the year ended 30 June 2016**

### **Contents**

	<b>Page</b>
Directors and advisers .....	3
Strategic report for the year ended 30 June 2016 .....	4
Directors' report for the year ended 30 June 2016 .....	6
Independent auditors' report to the members of Kennametal UK Limited .....	8
Profit and loss account for the year ended 30 June 2016 .....	10
Statement of comprehensive income for the year ended 30 June 2016 .....	11
Balance sheet as at 30 June 2016 .....	12
Statement of changes in equity for the year ended 30 June 2016 .....	13
Notes to the financial statements for the year ended 30 June 2016 .....	14

# **Kennametal UK Limited**

## **Directors and advisers**

### **Directors**

A P Godwin

C S Pizzo

### **Company secretary**

A P Godwin

### **Registered office**

P.O.Box 29

Building 14

The Pensnett Trading Estate

Kingswinford

West Midlands

DY6 7NP

### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cornwall Court

19 Cornwall Street

Birmingham

B3 2DT

### **Bankers**

National Westminster Bank PLC

5<sup>th</sup> Floor

2 St Philips Place

Birmingham

B3 2RB

# **Kennametal UK Limited**

## **Strategic report for the year ended 30 June 2016**

The directors present their strategic report of the company for the year ended 30 June 2016.

### **Review of business and future developments**

The company sells and distributes cutting tools to a wide range of customers and industries.

The business environment is highly competitive and the company has differentiated itself from its competitors by focusing on high value add products, engineering application solutions, customer service and product quality and availability.

The company's overriding objective is to achieve attractive and sustainable rates of profitable growth through a combination of organic growth and acquisitions at the wider Kennametal Group level, which the company can benefit from. The key elements of the company's strategy for growth are:

- Developing its product range and increasing the number of new products.
- Effective training and development to retain employees and deliver the customer service promise.

Key measures of the effectiveness of the company's strategy include the percentage of new products developed each year.

Turnover for the year was £33,610,000 (2015: £43,626,000), resulting in a loss for the financial year of £412,000 (2015: loss of £6,421,000). The decrease in turnover and associated costs is discussed in the key performance indicators paragraph below. The significant decrease in the loss for the year is due to the exceptional operating expense of £6,424,000 recognised in 2015 in respect of the impairment the investment in a subsidiary company. Further details are provided in note 7.

The position of the company at 30 June 2016 is detailed on page 12.

The directors expect the general level of activity to retract marginally over the forthcoming 12 months due to pricing pressures from intensified competition as well as uncertainty in economic conditions in both the Eurozone and UK generally but also compounded by the recent Brexit referendum result. They believe that due to responsive actions taken during this financial year of increased market focus and cost to serve alignment the company is positioned to take advantage of any economic upturn in order to both continue to serve its end user customers to the expected high standards required and to also grow market share through focused selling initiatives. The outlook is challenging but opportunities are available and we believe we are strongly positioned to offer a complete competitive solution that will satisfy our customers, both current and potential.

### **Key performance indicators (KPI's)**

The primary KPI used by management is growth in turnover. However during 2016, revenue reduced by 23.0% (2015: reduced by 4.8%) to £33,610,000 (2015: £43,626,000). This revenue reduction was directly as a result of continued product portfolio management coupled with the strategic repositioning of our sales and marketing strategy.

As a result of the straightforward nature of the business, the company's directors are of the opinion that analysis using other KPI's is not necessary for an understanding of the development, performance or position of the business. The activities of the company are closely linked with those of the Kennametal Group and therefore group KPI's are monitored at a group level.

### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company relate to increased competition, uncertainty in the manufacturing sector and economic instability. From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Kennametal Inc. Group, which include those of the company, are discussed in the group's annual report which does not form part of this report.

The impact of the EU referendum result leading to the UK voting to leave the EU is likely to lead to many months of uncertainty as the political and legal issues are worked out. The directors do not believe that it will have a material impact on the business in the long term but will monitor events closely.

# **Kennametal UK Limited**

## **Strategic report for the year ended 30 June 2016 (continued)**

### **Financial risk management policies and procedures**

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

The company's turnover is invoiced in Pounds Sterling and all of its operations and costs are likewise invoiced in Pounds Sterling. Consequently movements in exchange rates do not have a significant impact on the performance of the company.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management. The policies set by the directors are implemented by the company's finance department. The directors are committed to ensuring that the highest quality risk management systems are in operation. The objective is to safeguard the interests of the shareholders, suppliers, customers and staff through effective management of corporate and operational risk.

#### **Price risk**

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk would exceed any potential benefits.

#### **Credit risk**

The company has policies that require appropriate credit checks on potential customers before sales are made.

On behalf of the Board



A P Godwin  
**Director**

27 March 2017

# **Kennametal UK Limited**

## **Directors' report for the year ended 30 June 2016**

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2016.

### **Principal activities**

During the year, the principal activity of the company was the sale and distribution of industrial cutting tools.

### **Review of business and future developments**

Review of the business and future developments are discussed in the strategic report.

### **Financial risk management policies and procedures**

Financial risk management policies and procedures are discussed in the strategic report.

### **Dividends**

The directors have not recommended the payment of a dividend in the year (2015: £Nil).

### **Directors**

The directors who served during the year and up to the date of signing of these financial statements are as follows:

A P Godwin

N Walker (resigned 31 December 2015)

L Bigot (appointed 17 December 2015 – resigned 31 January 2017)

C S Pizzo (appointed 31 January 2017)

### **Directors' indemnities**

The company maintains liability insurance for its directors and officers. Following shareholder approval the company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The qualifying indemnity was in force during the financial year and also at the date of approval of the financial statements.

### **Disabled employees**

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

### **Employee consultation**

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company.

# **Kennametal UK Limited**

## **Directors' report for the year ended 30 June 2016 (continued)**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

### **Statement of disclosure of information to auditors**

In accordance with Section 418, each director in office at the date the directors' report is approved, confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the 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 auditors are aware of that information.

### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office. The independent auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the Board



A P Godwin

**Director**

27 March 2017

# **Independent auditors' report to the members of Kennametal UK Limited**

## **Report on the financial statements**

### **Our opinion**

In our opinion, Kennametal UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 30 June 2016;
- the profit and loss account and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Other matters on which we are required to report by exception**

### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



## **Independent auditors' report to the members of Kennametal UK Limited (continued)**

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Mark Skedgel (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

27 March 2017

## Kennametal UK Limited

### Profit and loss account for the year ended 30 June 2016

	Note	2016 £'000	2015 £'000
<b>Turnover</b>	5	<b>33,610</b>	43,626
Cost of sales		(26,985)	(35,856)
Gross profit		<b>6,625</b>	7,770
Exceptional operating expenses	7	-	(6,424)
Non exceptional operating expenses		(7,266)	(7,676)
Operating expenses	6	(7,266)	(14,100)
<b>Operating loss</b>	7	<b>(641)</b>	(6,330)
Income from shares in group undertakings	8	1,025	-
Interest receivable and similar income	9	20	14
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>404</b>	(6,316)
Tax on profit/(loss) on ordinary activities	11	(816)	(105)
<b>Loss for the financial year</b>		<b>(412)</b>	(6,421)

All results derive from continuing activities.

The notes on pages 14 to 33 form part of these financial statements.

# Kennametal UK Limited

## Statement of comprehensive income for the year ended 30 June 2016

	Note	2016 £'000	2015 £'000
<b>Loss for the financial year</b>		<b>(412)</b>	<b>(6,421)</b>
<b>Other comprehensive income:</b>			
Re-measurements of net defined benefit scheme asset:			
- Actuarial loss net of change in irrecoverable surplus on pension scheme	20	(687)	(1,071)
- Movement on deferred tax relating to pension scheme		124	222
<b>Other comprehensive income for the year, net of tax</b>		<b>(563)</b>	<b>(849)</b>
<b>Total comprehensive income for the year</b>		<b>(975)</b>	<b>(7,270)</b>

The notes on pages 14 to 33 form part of these financial statements.

# Kennametal UK Limited

## Balance sheet as at 30 June 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Intangible assets	13	9	11
Tangible assets	12	162	158
Investments	14	329	329
Pension asset	20	-	-
		<b>500</b>	<b>498</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	9,861	10,459
Debtors: amounts falling due after more than one year	15	6,228	10,355
Cash at bank and in hand		242	193
		<b>16,331</b>	<b>21,007</b>
<b>Creditors: amounts falling due within one year</b>	16	<b>(1,608)</b>	<b>(5,307)</b>
<b>Net current assets</b>		<b>14,723</b>	<b>15,700</b>
<b>Total assets less current liabilities</b>		<b>15,223</b>	<b>16,198</b>
<b>Provision for liabilities</b>	17	<b>(336)</b>	<b>(336)</b>
<b>Net assets</b>		<b>14,887</b>	<b>15,862</b>
<b>Capital and reserves</b>			
Called up share capital	18	19,661	29,661
Share premium account		-	37,167
Profit and loss account		(4,774)	(50,966)
<b>Total equity</b>		<b>14,887</b>	<b>15,862</b>

The financial statements on pages 10 to 33 were approved by the board of directors on 27 March 2017 and signed on its behalf by:



A P Godwin  
Director

Kennametal UK Limited  
Registered number: 3425094

# Kennametal UK Limited

## Statement of changes in equity for the year ended 30 June 2016

	Note	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 July 2014		29,661	37,167	(43,696)	23,132
Loss for the financial year		-	-	(6,421)	(6,421)
Other comprehensive income for the year		-	-	(849)	(849)
Total comprehensive income for the year		-	-	(7,270)	(7,270)
Balance at 30 June 2015		29,661	37,167	(50,966)	15,862
Loss for the financial year		-	-	(412)	(412)
Other comprehensive income for the year		-	-	(563)	(563)
Total comprehensive income for the year		-	-	(975)	(975)
Capital reduction in the year	18	(10,000)	(37,167)	47,167	-
<b>Balance at 30 June 2016</b>		<b>19,661</b>	<b>-</b>	<b>(4,774)</b>	<b>14,887</b>

The notes on pages 14 to 33 form part of these financial statements.

# **Kennametal UK Limited**

## **Notes to the financial statements for the year ended 30 June 2016**

### **1. General information**

Kennametal UK Limited sells and distributes cutting tools and associated services to a wide range of customers and industries.

The company is incorporated and domiciled in the UK. The address of its registered office is P.O.Box 29, Building 14, The Pensnett Trading Estate, Kingswinford, West Midlands DY6 7NP.

### **2. Statement of compliance**

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### **3. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 22:

#### **Basis of accounting**

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### **Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions. Exemptions under FRS 102 paragraph 1.12 have been applied in relation to: presentation of a cash flow statement, related party transactions, certain financial instrument disclosures and the non-disclosure of key management personnel compensation.

#### **First-time adoption exemption on business combinations and goodwill**

The group has elected to take the transitional exemption from full retrospective application of section 19 of FRS 102 'Business Combinations and Goodwill' to business combinations before the date of transition.

#### **Cash flow statement**

The company is a wholly owned subsidiary company of a group headed by Kennametal Inc, and is included in the consolidated financial statements of that company, which are publicly available via the company's website [www.kennametal.com](http://www.kennametal.com) or from Kennametal Inc., State Route 981, South Westmoreland County Airport, PA 15650, United States of America. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 1.12(b).

#### **Related party transactions**

The company has taken advantage of the exemption granted under FRS 102 paragraph 1.12 (e) to not disclose transactions with other group companies where they are wholly owned by a common parent entity.

#### **Consolidation**

The company has taken advantage of Section 401 of the Companies Act 2006 which exempts the company from preparing consolidated financial statements on the grounds that the consolidated financial statements are prepared by the ultimate parent company, Kennametal Inc, in a manner equivalent to the EC Seventh Directive, and are made available to the public.

# **Kennametal UK Limited**

## **Notes to the financial statements for the year ended 30 June 2016 (continued)**

### **3 Accounting policies (continued)**

#### **Turnover**

Turnover represents net amounts invoiced, excluding trade discounts, value added tax and expected returns. Turnover is recognised at the point that the risks and rewards of the inventories have passed to the customer, which depends on the specific terms and conditions of sales transactions. This is typically upon either dispatch or delivery.

#### **Tangible fixed assets**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life. The useful economic life for each class of asset is as follows:

Leasehold improvements	- over period of the lease
Plant & equipment	- 3 to 8 years

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised as a profit/loss on disposal.

#### **Goodwill**

Goodwill arising on acquisitions, representing any excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its useful economic life. Goodwill is amortised over 20 years being the estimated useful life of the customer relationships for acquisitions made before transitioning to FRS102, but will be amortised over 10 years for future acquisitions.

The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

#### **Software**

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

#### **Investments**

Shares held in subsidiary undertaking are stated at cost adjusted by any provisions for impairment in value. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If an asset is impaired, a provision is made to reduce the carrying amount to its estimated recoverable amount.

# **Kennametal UK Limited**

## **Notes to the financial statements for the year ended 30 June 2016 (continued)**

### **3 Accounting policies (continued)**

#### **Employee benefits**

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

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

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

#### **Pension costs**

The company operates both defined benefit and defined contribution pension schemes. The defined benefit scheme is administered by trustees and is independent of the company finances. For the defined benefit scheme the fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

The fair value of plan assets is measured in accordance with the FRS 102 paragraph 28. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan.

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The company does not recognise a surplus on the scheme. The recoverability of the surplus is based on the present value of the FRS102 service cost over the future working lifetime of active members. Given that the Scheme is closed to future accrual, the service cost would be zero. In addition, the company does not have an unconditional right of refund from the plan. Therefore none of the surplus is deemed to be recoverable.

The irrecoverable surplus also has an impact on the FRS 102 pension cost for the year and other comprehensive income for the year:

- The other comprehensive income for the year is adjusted for the change in irrecoverable surplus since the beginning of the year.
- The defined benefit pension surplus interest income for the year is restricted to the extent required to keep the amount recognised in the profit and loss account to zero.

Contributions to the company's defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable. The assets of the defined contribution scheme are held separately from those of the company in a separately administered fund.

#### **Leases**

Arrangements which transfer substantially all of the risks and rewards of the assets to the company are classified as finance leases. All other arrangements are classified as operating leases. Amounts payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.



# **Kennametal UK Limited**

## **Notes to the financial statements for the year ended 30 June 2016 (continued)**

### **3 Accounting policies (continued)**

#### **Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

#### **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that 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.

#### **Financial instruments**

The company has adopted sections 11 and 12 of FRS102 in respect of financial instruments.

#### **Financial assets**

Basic financial assets, including trade debtors, cash and bank balances and amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rates of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the assets expire or are settled, or (b) substantially all the risk and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### **Financial liabilities**

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest.

# **Kennametal UK Limited**

## **Notes to the financial statements for the year ended 30 June 2016 (continued)**

### **3 Accounting policies (continued)**

#### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted.

#### **Share capital and distributions to equity holders**

Ordinary shares are classified as equity. Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividend and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

### **4 Critical accounting judgements and estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### **Defined benefit pension scheme**

The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

### **5. Turnover**

The origin and destination of turnover is all in the UK. The net assets of the company also arise in the United Kingdom. The company only has one class of business being the sale and distribution of industrial cutting tools.

# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 6. Operating expenses

	2016 £'000	2015 £'000
Non exceptional administrative expenses	721	942
Exceptional administrative expenses (note 7)	-	6,424
Administrative expenses	721	7,366
Distribution costs	6,545	6,734
<b>Total operating expenses</b>	<b>7,266</b>	<b>14,100</b>

### 7. Operating loss

Operating loss is stated after charging/(crediting):	2016 £'000	2015 £'000
Exceptional operating costs (see below)	-	6,424
Depreciation on owned tangible fixed assets	79	77
Amortisation of goodwill	2	4
Gain on disposal of fixed assets	(29)	(17)
Impairment of trade debtors	(21)	(18)
Operating leases – other than plant and machinery	422	418
Foreign currency (gain)/loss	(82)	38
<b>Services provided by the company's auditors</b>		
Fees payable for the audit	46	55
Fees payable for other services – tax compliance	28	28

#### Exceptional operating costs

The exceptional operating costs of £6,424,000 in 2015 relate to the impairment of the investment in Kennametal Sintec Keramik UK Limited (note 14). The investment has been impaired because the net assets of Kennametal Sintec Keramik UK Limited are no longer sufficient to support the carrying value of the investment.

### 8. Income from shares in group undertakings

	2016 £'000	2015 £'000
Dividend income	1,025	-

# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 9. Interest receivable and similar income

	2016 £'000	2015 £'000
Other interest receivable	20	14

### 10. Staff costs

The average monthly number of employees (including executive directors) during the year was as follows:

By activity	2016 Number	2015 Number
Administration, sales and distribution	97	110
Their aggregate remuneration comprised:	2016 £'000	2015 £'000
Wages and salaries	3,764	4,178
Social security costs	472	542
Other pension costs (see below)	390	445
	4,626	5,165

Other pension costs comprise:

Contributions to defined contribution scheme	390	445
Current service cost in respect of the defined benefit scheme (see note 20)	-	-
	390	445

<b>Directors' remuneration</b>	2016 £'000	2015 £'000
Aggregate emoluments	205	233

Retirement benefits are accruing to 2 directors (2015: 2 directors) under the defined benefit scheme. Payments of £19,000 (2015: £26,000) were made to the defined contribution pension scheme for the directors.

**Highest paid director:**

	2016 £'000	2015 £'000
Aggregate emoluments	118	121
Accrued pension under a defined benefit scheme	12	15

Aggregated payments of £19,000 (2015: £13,000) were made to the defined contribution pension scheme for this director.

# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 11. Tax on profit/(loss) on ordinary activities

	2016 £'000	2015 £'000
<b>Current tax:</b>		
United Kingdom corporation tax on profit/(loss) for the year	52	(90)
<b>Deferred tax:</b>		
Change in tax rate	686	-
Origination and reversal of timing differences	78	195
Total deferred tax (note 17)	764	195
<b>Total tax on loss on ordinary activities</b>	<b>816</b>	<b>105</b>
<b>Factors affecting the current year charge:</b>		
The tax assessed for the year is higher (2015: higher) than standard rate of corporation tax in the United Kingdom of 20.00% (2015: 20.75%). The differences are explained below:		
	2016 £'000	2015 £'000
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>404</b>	<b>(6,316)</b>
Loss on ordinary activities multiplied by standard rate in the United Kingdom of 20.00% (2015: 20.75%)	81	(1,311)
Effects of:		
Expenses not deductible for tax purposes	49	1,416
Change in tax rate	686	-
<b>Total tax charge</b>	<b>816</b>	<b>105</b>
<b>Tax recognised in other comprehensive income:</b>		
	2016 £'000	2015 £'000
UK corporation tax at 20.00% (2015: 20.75%)		
Current tax deductions allocated to actuarial losses	(124)	(222)

#### Factors affecting future tax charges:

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. This was substantively enacted as part of Finance Bill 2016 on 6 September 2016. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £346,000 and increase the tax expense for the period by £346,000.

# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 12. Tangible assets

	Leasehold improvements	Plant and equipment	Total
	£'000	£'000	£'000
<b>At 30 June 2015</b>			
Cost	163	667	830
Accumulated depreciation	(163)	(509)	(672)
<b>Net book amount</b>	<b>-</b>	<b>158</b>	<b>158</b>
<b>Year ended 30 June 2016</b>			
Opening net book amount	-	158	158
Additions	-	88	88
Disposals	-	(5)	(5)
Depreciation	-	(79)	(79)
<b>Closing net book amount</b>	<b>-</b>	<b>162</b>	<b>162</b>
<b>At 30 June 2016</b>			
Cost	163	751	914
Accumulated depreciation	(163)	(589)	(752)
<b>Net book amount</b>	<b>-</b>	<b>162</b>	<b>162</b>

## Kennametal UK Limited

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 13. Intangible assets

	Software £'000	Goodwill £'000	Total £'000
<b>At 30 June 2015</b>			
Cost	37	23	60
Accumulated amortisation	(37)	(12)	(49)
<b>Net book amount</b>	<b>-</b>	<b>11</b>	<b>11</b>
<b>Year ended 30 June 2016</b>			
Opening net book amount	-	11	11
Charge in the year	-	(2)	(2)
Closing net book amount	-	9	9
<b>At 30 June 2016</b>			
Cost	37	23	60
Accumulated amortisation	(37)	(14)	(51)
<b>Net book amount</b>	<b>-</b>	<b>9</b>	<b>9</b>

The goodwill represents the value of goodwill transferred following the UK group reorganisation of another Kennametal UK company on 1<sup>st</sup> September 2009.

Goodwill is included only to the extent that it was acquired for valuable consideration, and only at purchase price, less any applicable amortisation.

# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 14. Investments

#### (a) Group investments

Name	Country of incorporation	Principal activity	Holding	%
Kennametal Manufacturing UK Limited	England & Wales	Manufacturing	Ordinary shares	100
Kennametal Logistics UK Limited	England & Wales	Distribution	Ordinary shares	100

The following two investments were liquidated during the year and therefore are no longer investments at 30 June 2016.

Widia UK Limited	England & Wales	Liquidated	Ordinary shares	100
Kennametal Sintec Keramik UK Limited	England & Wales	Liquidated	Ordinary shares	100

#### b) Investments in subsidiary undertakings

	£'000
Cost at 1 July 2015 and 30 June 2016	9,508
<b>Impairment at 1 July 2015 and 30 June 2016</b>	<b>9,179</b>
<b>Net book amount at 30 June 2016</b>	<b>329</b>
Net book amount at 30 June 2015	329

The directors consider the value of the investments to be supported by their underlying assets.



# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 15. Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade debtors	7,100	9,004
Amounts owed by group undertakings	2,536	1,120
Prepayments and accrued income	225	335
	9,861	10,459
Amounts falling due after more than one year:		
Amounts owed by group undertakings	-	3,487
Deferred tax asset (note 17)	6,228	6,868
	6,228	10,355
	16,089	20,814

Trade debtors are stated after provisions for impairment of £71,000 (2015: £92,000).

The amounts owed by group undertakings are unsecured, have no scheduled repayment date and are non-interest bearing. Confirmation has been received from the relevant group company that £nil (2015: £3,487,000) will not be settled within one year.

### 16. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	144	185
Amounts owed to group undertakings	143	3,466
Taxation and social security	456	825
Other creditors	865	831
	1,608	5,307

The amounts owed to group undertakings are unsecured, have no scheduled repayment date and are non-interest bearing.

# Kennametal UK Limited

## Notes to the financial statements

### for the year ended 30 June 2016 (continued)

#### 17. Provisions for liabilities

	Environmental £'000
At the beginning of the year	336
Charged to profit and loss account	-
<b>At the end of the year</b>	<b>336</b>

#### Environmental

The provision relates to the obligations in respect of environmental clean-up requirements that the company will be required to make. The environmental provision will be utilised after more than one year.

#### Deferred taxation (included within debtors)

The movement on the deferred tax asset is as follows:

	2016 £'000	2015 £'000
At 1 July	(6,868)	(6,841)
Charged to profit and loss account (note 11)	764	195
Recognised in other comprehensive income	(124)	(222)
<b>At 30 June</b>	<b>(6,228)</b>	<b>(6,868)</b>

The total deferred taxation asset assessed at 18% (2015: 20%) is as follows:

	2016 £'000	2015 £'000
Defined benefit pension surplus	-	-
Trading losses	5,371	5,934
Accelerated capital allowances	857	934
	<b>6,228</b>	<b>6,868</b>
<b>Amount recognised</b>	<b>6,228</b>	<b>6,868</b>

The net deferred tax asset has been recognised due to the certainty of future taxable profits and the fact that the company has established a track record of taxable profits over prior years.

# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 18. Called up share capital

	2016 £'000	2015 £'000
<b>Authorised</b>		
50,000,000 (2015: 50,000,000) ordinary shares of £1 each	50,000	50,000
<b>Allotted and fully paid</b>		
19,661,012 (2015: 29,661,012) ordinary shares of £1 each	19,661	29,661

On 22 March 2016, the company completed the reduction of its allotted and paid up share capital by £10,000,000 and eliminated its share premium account of £37,167,000 in accordance with sections 641 and 642 of the Companies Act 2006.

### 19. Operating lease commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016	Other	2015	Other
	Land and buildings	£'000	Land and buildings	£'000
	£'000	£'000	£'000	£'000
Payments falling:				
- within one year	128	109	128	109
- between two and five years	362	45	490	154
	490	154	618	263

### 20. Pension arrangements

#### Defined contribution scheme

The company also operates a self-administered defined contribution pension scheme. The pension charge for the year in respect of this scheme was £390,000 (2015: £445,000). The contributions outstanding at the year-end were £Nil (2015: £nil).

#### Defined benefit scheme

The company provides pension arrangements for the majority of full time employees through the Kennametal Defined Benefit Pension Scheme ('the Scheme'), which is a funded defined benefit scheme. The related costs are assessed in accordance with the advice of professionally qualified independent actuaries. The Principal Employer of the Scheme is Kennametal UK Limited. The Scheme is comprised of two sections, the Kennametal Section and the Stellite Section.

The Scheme closed to new entrants and future accrual. The level of benefits provided by the Scheme depends on a member's length of service and their salary at their date of leaving.

The last funding valuation of the Scheme was carried out by a qualified actuary as at 30 June 2015. Results of the latest funding valuation have been adjusted to the balance sheet date, taking account of experience over the period since 30 June 2015, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligations were measured using the Projected Unit Cost Method.

# **Kennametal UK Limited**

## **Notes to the financial statements**

### **for the year ended 30 June 2016 (continued)**

#### **20. Pension arrangements (continued)**

The pension service cost charge in respect of the defined benefit schemes for the year was £Nil (2015: £Nil) as the Scheme is closed to future accrual.

During the year, the company made contributions to the Scheme of £687,000 (2015: £409,000). Contributions of £806,000 are expected to be paid by the Company in the year ended 30 June 2017.

The outstanding contributions payable to the schemes at the year-end were £Nil (2015: £Nil).

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

	<b>At 30 June 2016</b>	<b>At 30 June 2015</b>
- the inflation assumption (retail price index)	<b>2.80%</b>	3.10%
- the inflation assumption (consumer price index)	<b>1.70%</b>	2.10%
- discount rate	<b>2.67%</b>	3.60%
Rate of increase in pensions in payment and deferred pensions:		
- Kennametal Section (pre-April 1997 in excess of GMP)	-	-
- Kennametal Section (post-April 1997, pre 2002 leavers)	<b>2.75%</b>	3.00%
- Kennametal Section (post-April 1997, post 2002 leavers)	<b>1.75%</b>	2.10%
- Stellite Section (pre-April 1997 in excess of GMP)	<b>3.00%</b>	3.00%
- Stellite Section (post-April 1997, pre 2002 leavers)	<b>3.45%</b>	3.55%
- Stellite Section (post-April 1997, post 2002 leavers)	<b>2.75%</b>	3.00%

The post-retirement mortality assumptions have been set in line with the latest triennial actuarial valuation but with the future improvements updated to the latest CMI 2015 projections and a long term rate of future improvements of 1.25% p.a.

# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 20. Pension arrangements (continued)

The fair value of the scheme assets, the present value of the scheme liabilities and net pension liability relating to the Scheme can be analysed as follows:

	2016 £'000	2015 £'000
Equities	20,256	19,410
Bonds	62,745	57,305
Other	275	847
Total market value of assets	83,276	77,562
Present value of funded liabilities	(80,063)	(73,270)
Surplus in scheme	3,213	4,292
Restriction in surplus required by FRS 102 (paragraph 28.22)	(3,213)	(4,292)
<b>Surplus recognised</b>	-	-

None of the surplus is deemed to be recoverable. The recoverable surplus is based on the present value of the FRS102 service cost over the future working lifetime of active members. Given that the Scheme is closed to future accrual, the service cost would be zero. In addition, the Company does not have an unconditional right to a refund.

The irrecoverable surplus also has an impact on the FRS 102 pension cost for the year and the other comprehensive income for the year:

- Other comprehensive income for the year has been adjusted by £1,250,000 (2015: £959,000) for the change in irrecoverable surplus since the beginning of the year.
- The interest on the defined benefit surplus was restricted by £171,000 (2015: £225,000) for the change in the irrecoverable surplus since the beginning of the year.

The amounts recognised in the profit and loss account are as follows:

	2016 £'000	2015 £'000
Interest on defined benefit surplus	171	224
Change in irrecoverable surplus required by FRS 102 (paragraph 28.22)	(171)	(224)
Total	-	-

The amounts recognised in Other Comprehensive Income are as follows:

	2016 £'000	2015 £'000
Actuarial losses	(1,937)	(2,030)
Change in irrecoverable surplus required by FRS 102 (paragraph 28.22)	1,250	959
<b>Total amount recognised in other comprehensive income in the year</b>	<b>(687)</b>	<b>(1,071)</b>

# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 20. Pension arrangements (continued)

Changes in the present value of the scheme liabilities are as follows:

	2016 £'000	2015 £'000
Opening present value of scheme liabilities	73,270	54,287
Interest cost	2,584	2,283
Actuarial losses	6,746	4,439
Transfer in	-	14,430
Benefits paid	(2,537)	(2,169)
	80,063	73,270

Changes in the fair value of the scheme assets are as follows:

	2016 £'000	2015 £'000
Opening fair value of scheme assets	77,562	59,314
Interest on scheme assets (Before impact of FRS 102 (paragraph 28.22))	2,755	2,507
Actuarial gains	4,809	2,409
Contributions by employer	687	409
Transfer in	-	15,092
Benefits paid	(2,537)	(2,169)
	83,276	77,562

Actual return on scheme assets is as follows:

	2016 £'000	2015 £'000
Actual return on scheme assets	7,564	4,916

# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 21. Related party transactions

The company has taken advantage of the exemption granted under FRS 102 paragraph 1.12 (e) to not disclose transactions with other group companies where they are wholly owned by a common parent entity.

### 22. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 30 June 2015. The date of transition to FRS 102 was 1 July 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 30 June 2015 and the total equity as at 1 July 2015 and 30 June 2015 between UK GAAP as previously reported and FRS 102.

		2015
Loss for the financial year	Note	£'000
<b>UK GAAP – As previously reported</b>		<b>(6,421)</b>
Defined benefit pension scheme before restriction	A	(991)
Defined benefit pension scheme restriction	A	991
<b>Total adjustment to profit before tax for the financial year</b>		<b>-</b>
Deferred tax impact of adjustments:		
- Defined benefit pension scheme	A	-
<b>Total adjustment to tax expense</b>		<b>-</b>
<b>Total adjustment to profit for the financial year</b>		<b>-</b>
<b>FRS 102</b>		<b>(6,421)</b>

		2015
Other comprehensive income	Note	£'000
<b>UK GAAP – As previously reported</b>		<b>(849)</b>
Defined benefit pension scheme before restriction	A	991
Defined benefit pension scheme restriction	A	(991)
Deferred tax impact of adjustments:		
- Defined benefit pension scheme	A	-
<b>Total adjustment to other comprehensive income for the financial year</b>		<b>-</b>
<b>FRS 102</b>		<b>(849)</b>

# Kennametal UK Limited

## Notes to the financial statements for the year ended 30 June 2016 (continued)

### 22. Transition to FRS102 (continued)

The transition adjustments had no net impact on total equity at 1 July 2014 or 30 June 2015.

Balance sheet	Note	2015 UK GAAP – As previously reported £'000	Transition adjustments £'000	2015 FRS102 £'000
<b>Fixed assets</b>				
Intangible assets	B	11	-	11
Tangible assets	B	158	-	158
Investments		329	-	329
		498	-	498
<b>Current assets</b>				
Debtors: amounts falling due within one year		10,459	-	10,459
Debtors: amounts falling due after more than one year		10,355	-	10,355
Cash at bank and in hand		193	-	193
		21,007	-	21,007
<b>Creditors: amounts falling due within one year</b>		(5,307)	-	(5,307)
<b>Net current assets</b>		15,700	-	15,700
<b>Total assets less current liabilities</b>		16,198	-	16,198
<b>Provision for liabilities</b>		(336)	-	(336)
Pension surplus	A	-	-	-
<b>Net assets</b>		15,862	-	15,862

A - Defined Benefit pension schemes - Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 July 2014 or 30 June 2015. The effect of the change has been to increase the charge to the profit and loss account in the year to 30 June 2015 by £991,000 and reduce the actuarial loss in other comprehensive income by an equivalent amount. However, as there is a restriction in the recognition in the surplus, there is an equivalent reduction of £991,000 in the charge to the profit and loss account for year and an increase in the actuarial loss in other comprehensive income of £991,000. As a result there is no net impact on either the profit and loss account or other comprehensive income for the year. The deferred tax impact of this adjustment amounts to £nil.

B – Computer software, with a cost of £36,000, accumulated depreciation of £36,000 and net book amount of £nil at 30 June 2015, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's equity or on the profit for the year.



## **Kennametal UK Limited**

### **Notes to the financial statements for the year ended 30 June 2016 (continued)**

#### **23. Ultimate parent undertaking and controlling party**

The company is a wholly owned subsidiary undertaking of Kennametal GmbH (formerly Kennametal Hertel AG), incorporated in Germany. The smallest group into which the results of the company are consolidated is that headed by Kennametal GmbH.

The largest group into which the results of the company are consolidated is that headed by the ultimate parent undertaking and controlling party, Kennametal Inc., incorporated in the United States of America. The consolidated financial statements of the group are available from Kennametal Inc., State Route 981, South Westmoreland County Airport, PA 15650, United States of America.