Castalloy Europe Limited

Annual report and financial statements

For the year ended 31 December 2021

Registered Number: 10418987

Castalloy Europe Limited

Annual report and financial statements 2021

Contents

Castalloy Europe Limited

Strategic report

The directors present the strategic report, together with their report, audited financial statements and auditor's report for the year ended 31 December 2021.

Business review

The company's principal activity is the manufacture of castings for use within a variety of industries.

The company's turnover increased to £4.6m in 2021, from £3.0m in 2020, as a consequence of the reduction of the impact of the Covid-19 pandemic. This increase in revenue led to a reduction in the operating loss to £0.2m from £0.7m in 2020.

Principal risks and uncertainties

The principal risks facing the company arise from the levels of economic activity in its customers' markets. The company believes that the depth of its product range and the diversity of its markets will enable it to continue to meet the challenge of the future.

The company did not experience any significant effect on its operations as a result of "Brexit" and does not expect any significant impact in the future.

Section 172(1) statement

In performing their duties under section 172 of the Companies Act 2016, the directors understand that their role is to safeguard the company and all of its stakeholders, and to promote the success of the business. The directors believe that sustainable business management and practices will contribute to long term business success and will strengthen the company's position in the market. The directors ensure that the company has sufficient resources to support its long-term strategies.

Employee engagement

The directors place considerable value on the involvement of the company's employees and continue to keep everyone informed on matters affecting them as employees of the company. This is achieved through a range of methods including formal and informal communication briefings, an employee engagement portal on the wider group intranet, company wide emails and official notice boards.

The company promotes equal opportunities and fair treatment for all its employees regardless of race, nationality, religion, age, sexual orientation, disability or social background. As part of the wider group's code of conduct, the company has a whistleblowing policy in place to enable employees to raise concerns.

Engagement with customers and suppliers

The company places considerable value on having strong relationships with customers and suppliers. The company engages in regular, open and proactive dialogue with stakeholder and their opinions are considered when making operational and strategic decisions.

Community, environment and members

The company engages with the community and contributes to local charities.

The company monitors and seeks to reduce its impact on the environment, for example moving towards paperless communications with customers, suppliers and employees.

Castalloy Europe Limited

Strategic report (continued)

Key performance indicators

The company measures its performance by monitoring margins achieved against an annual plan and against estimates prepared at the time orders are accepted. A comprehensive reporting package, comparing actual performance to both budget and previous periods, is produced each month. This, along with a monthly rolling forecast, constitutes the key performance indicators used within the business.

	2021 £000	2020 £000
Turnover	4,620	3,005
Gross profit / (loss)	85	(455)
Operating loss	(216)	(742)

Future outlook

As of the date of signing these financial statements, all the Company's activities are continuing to operate as normal and the necessary business continuity procedures have been successfully implemented. The Directors are cautiously optimistic that the worst impacts of the coronavirus outbreak on the Company's markets and activities are behind us.

However, the downturn in demand and capacity experienced across the industry during the peak of the pandemic, followed by a rapid surge in demand throughout our supply chains as business started to recover, has not yet led to a normalisation. This, together with the broader economic effects of the Ukraine / Russia conflict, on energy prices, mean that we will continue to see cost pressure and capacity constraints in the supply chain during the remainder of 2022 and into 2023. The company is closely monitoring the development of energy prices; fixed price contracts are in place for a proportion of the next 12 months; however, the impact of any price rises beyond the term of these contracts is uncertain. The Company anticipates being able to pass on a significant proportion of cost increases to customers, however unmitigated cost increases could have a material adverse effect on our business, results of operations, financial condition, and cash flows.

Approval

The strategic report was approved on behalf of the Board on 28 September 2022.

R Shaw
Director

Castalloy Europe Limited
22 Edward Court
Altrincham
Cheshire
WA14 5GL

Castalloy Europe Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2021.

In preparing this Directors' report, the directors have complied with S414C (11) of the Companies Act 2006 by including certain disclosures required by S416 (4) within the strategic report on page 1. These include disclosures with respect to future developments.

Results and dividends

The result for the year is shown in the profit and loss account on page 10; the review of the business is contained in the strategic report.

No dividend is recommended for the year (2020: £nil).

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In forming this expectation, the directors have considered the potential impact of further coronavirus outbreaks, cost inflation and supply chain disruption on the trading environment. The directors have received confirmation that the parent company, Norican Group ApS will continue to support the Company for at least the 12 months from signing of these financial statements. Therefore, these financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

Further details regarding the adoption of the going concern basis can be found in Note 1 in the financial statements.

An indication of likely future developments of the company is noted within the strategic report.

Post Balance sheet events

There are no significant events following the balance sheet date.

Financial risk management objectives and policies

The company is affected by the same principal risks and uncertainties as the rest of the Norican Global A/S Group.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The company's risks and uncertainties are therefore reviewed fully with those of the rest of the Group.

Credit risk

The company's principal financial assets are bank balances and trade receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The company's principal source of liquidity is cash generated from its operations, with additional funding, if required, made available by the Group.

Castalloy Europe Limited

Directors' report (continued)

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The company predominantly transacts its operational activities with third parties in its local currency, although the global nature of the business can lead to transactional risks at the balance sheet date. This arises because the amount of local currency received or paid for transactions denominated in a foreign currency varies due to changes in foreign exchange rates. Where this risk is considered material, the company will enter into forward foreign exchange contracts.

Capital risk management

The company's objectives in managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

Directors

The directors who served during the year and thereafter were as follows:

R Shaw (appointed 23 June 2021)
N C Moseley (resigned 31 May 2021)
A Rowett

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 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 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. Under the Companies Act 2006, section 487 (2), they will automatically be reappointed as auditor 28 days after these financial statements are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their reappointment.

Approved by the Board and signed on its behalf by:

R Shaw
Director

Date: 28 September 2022

Castalloy Europe Limited
22 Edward Court
Altrincham
Cheshire
WA14 5GL

Castalloy Europe 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Castalloy Europe Limited

Independent auditor's report to the members of Castalloy Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Castalloy Europe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

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.

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.

Castalloy Europe Limited

Independent auditor's report to the members of Castalloy Europe Limited (Continued)

Other information (continued)

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.

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 and 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.

Independent auditor's report to the members of Castalloy Europe Limited (Continued)

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

We discussed among the audit engagement team, 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 these procedures, we identified the greatest potential for fraud within revenue recognition due to pressures to meet stakeholder expectations could provide incentives to record revenue where risk and rewards has not been passed. Our specific procedures performed to address the risk are described below:

- Revenue may be recorded in the incorrect period leading to a materially misstated revenue figure, therefore cut off is the pinpointed risk given the fact that revenue is recognised upon dispatch of goods. We have determined and performed sampling on our cut off risk period and agreed the samples to the supporting documentation to ensure they are recorded in the correct period.

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 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.

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 year 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.

Independent auditor's report to the members of Castalloy Europe Limited (Continued)

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.

Paul Hewitson, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, England

28 September 2022

Profit and loss account

For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	3	4,620	3,005
Cost of sales		(4,535)	(3,460)
Gross profit / (loss)		85	(455)
Distribution costs		(139)	(112)
Administrative expenses		(171)	(238)
Other operating income		9	373
Restructuring expenses			(310)
Operating loss		(216)	(742)
Finance costs	4	(138)	(105)
Loss before taxation	5	(353)	(847)
Tax on loss	8	219	19
Loss for the financial period attributable to the equity shareholders of the company		(134)	(828)

The above results derive from continuing operations. There are no recognised income and expenses other than the loss for the current year and prior period as shown above and consequently a separate statement of comprehensive income has not been presented.

Castalloy Europe Limited

Balance sheet
As at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Tangible fixed assets	9		1,316		1,230
Current assets					
Stocks	10	747		584	
Debtors	11	922		817	
Cash at bank and in hand		461		107	
		2,130		1,508	
Creditors: amounts falling due within one year	12	(1,297)		(629)	
Net current assets			833		879
Total assets less current liabilities			2,149		2,109
Creditors: amounts falling due after more than one year	13		(2,829)		(2,655)
Net liabilities			(680)		(546)
Capital and reserves					
Called up share capital	15		100		100
Profit and loss account			(780)		(646)
Total equity			(680)		(546)

The financial statements of Castalloy Europe Limited (registered number 10418987) were approved by the board of directors and authorised for issue on 28 September 2022. They were signed on its behalf by:

R Shaw
Director

Castalloy Europe Limited

Statement of changes in equity

For the year ended 31 December 2021

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2020	100	182	282
Loss and total comprehensive expense for the financial year	-	(828)	(828)
At 31 December 2020	100	(646)	(546)
Loss and total comprehensive expense for the financial year	-	(134)	(134)
At 31 December 2021	100	(780)	(680)

1. Accounting policies

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

a. General information and basis of accounting

Castalloy Europe Limited is a private company, limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

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

The functional currency of Castalloy Europe Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Castalloy Europe Limited meets the definition of a qualifying entity under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and has therefore taken advantage of the following disclosure exemptions in preparing these financial statements:

- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- The requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

Castalloy Europe Limited is consolidated in the financial statements of its parent, Norican Global A/S, a company *incorporated in Denmark, which may be obtained from the address in note 18.*

b. Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the position of the company; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In forming this expectation, the directors have considered the potential impact of further coronavirus outbreaks, cost inflation and supply chain disruption on the trading environment. The directors have received confirmation that the parent company, Norican Group ApS will continue to support the Company for at least the 12 months from signing of these financial statements. In conclusion, the analysis has indicated that it is appropriate for the company to prepare the financial statements on a going concern basis.

c. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold land and buildings	2% per annum
Plant and machinery	10-25% per annum

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

1. Accounting policies (continued)

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.

(i) 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 future payments discounted at a market rate of interest for a similar debt instrument.

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.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

1. Accounting policies (continued)

d. Financial instruments (continued)

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

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.

(ii) Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

e. 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 materials, 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.

f. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1. Accounting policies (continued)

g. 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 liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

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 property, plant and equipment 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.

h. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

1. Accounting policies (continued)

i. Employee benefits

The company offers pensions to all employees through a defined contribution scheme.

Contributions to the defined contribution scheme are charged to profit and loss account in the year in which they become payable.

j. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange 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.

Exchange differences are recognised in profit or loss in the period in which they arise.

k. Leases

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.

l. Research & development expenditure

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

m. Government grants

Grants from the government are recognized using the accruals method. During the year the company received £8,695 from the Coronavirus Job Retention Scheme.

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

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty – Valuation of stock

The company reviews its stock valuation continually to ensure that items are not valued at above net realisable values. Current selling prices and historic rates of sale are reviewed to ensure that a suitable provision is made to the carrying value of the stock where there is the likelihood that an item might be sold below its historic price. See Note 10.

3. Turnover

An analysis of the company's turnover by geographical market is set out below.

	2021	2020
	£000	£000
Turnover:		
United Kingdom	423	390
Rest of World	4,197	2,615
	4,620	3,005

All turnover is derived from the company's principal activity.

4. Finance costs

	2021	2020
	£000	£000
Inter-company loan interest payable	138	105

5. Loss before taxation

Loss before taxation is stated after charging:

	2021	2020
	£000	£000
Depreciation of tangible fixed assets (note 9)	104	93
Operating lease rentals	37	37
Foreign exchange loss	1	2
Cost of stock recognised as an expense	945	489

6. Auditor's remuneration

Fees payable to Deloitte and their associates for the audit of the company's annual financial statements were £7,000 (2020: £8,000).

Fees payable to Deloitte and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

7. Staff numbers and costs

The average monthly number of employees was:

	2021 Number	2020 Number
Production	48	59
Selling	2	2
Administration	1	2
	51	63

The aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	1,610	1,710
Social security costs	160	163
Other pension costs (see note 17)	89	99
	1,859	1,972

'Other pension costs' includes only those items included within operating costs.

The emoluments of the directors were paid by other group companies, which make no recharge to the company. They are directors and senior managers of a large number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. The total emoluments are disclosed in the financial statements of the ultimate parent company.

8. Tax on loss

The tax credit comprises:

	2021 £000	2020 £000
Current tax on loss		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	(219)	(19)
Adjustment in respect of prior periods	-	-
	(219)	(19)

The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2021 £000	2020 £000
Loss before tax	(353)	(847)
Tax on loss at standard UK corporation tax rate of 19.00% (2020: 19.00%)	(67)	(161)
Effects of:		
- Other timing differences	(200)	(1)
- Group relief	48	143
Total tax credit for the year	(219)	(19)

In the Spring Budget 2021, the UK Government announced that legislation will be introduced in the Finance Bill 2021 to increase the UK Corporation Tax main rate to 25% for periods beginning 1 April 2023. If this measure had been substantively enacted at the balance sheet date this would have an immaterial impact on the deferred tax asset. However, in the September 2022 Mini Budget it was announced that the increase to 25% would now not occur and the Corporation Tax Rate would instead be held at 19%. This rate has not been substantively enacted at the balance sheet date, and as the result the deferred tax balances as at 31 December 2021 continue to be measured at the 25% rate noted above.

9. Tangible fixed assets

	Freehold property £'000	Plant & machinery £'000	Total £'000
Cost or valuation			
At 1 January 2021	772	757	1529
Additions		190	190
At 31 December 2021	772	947	1,719
Depreciation			
At 1 January 2021	52	247	299
Charge for the year	17	87	104
At 31 December 2021	69	334	403
Net book value			
At 31 December 2021	703	613	1,316
At 31 December 2020	720	510	1230

10. Stocks

	2021 £000	2020 £000
Work in progress	262	279
Finished goods and goods for resale	485	305
	747	584

There is no material difference between the balance sheet value of the stock and the replacement cost.

11. Debtors

	2021 £000	2020 £000
Amounts falling due within one year:		
Trade debtors	171	383
Amounts owed by group undertakings	248	131
Other debtors	133	96
Prepayments and accrued income	99	155
Deferred tax asset (see note 14)	271	52
	922	817

Amounts owed by group undertakings are unsecured, repayable on demand and are interest free.

12. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	324	197
Amounts owed to group undertakings	508	297
Other taxation and social security	46	40
Accruals	419	95
	1,297	629

Amounts owed to group undertakings are unsecured, repayable on demand and are interest free.

13. Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Amounts owed to group undertakings	2,829	2,655

The above amount carries interest at market rates and is repayable on 31 January 2023.

14. Deferred Tax

The deferred tax asset of £271,000 (2020: £52,000) is made up of £80,000 of fixed asset timing differences (2020: £50,000) , £2,000 of short term timing differences (2020: £2,000) and £189,000 of losses and other deductions (2020 £0).

15. Called-up share capital and reserves

	2021	2020
	£000	£000
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	100	100

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

16. Financial commitments

The company had no capital commitments at 31 December 2021 or 31 December 2020.

The company had no commitments under non-cancellable operating leases at 31 December 2021 or 31 December 2020.

17. Pensions

The company operates a defined contribution scheme for its employees, for which the pension cost charge for the year was £89,000 (2020: £99,000). Contributions of £12,000 were payable to the scheme at 31 December 2021 (2020: £11,000).

18. Ultimate controlling party & immediate controlling party

The directors regard Norican Global A/S, registered in Denmark, as the ultimate parent company and Altor Fund IV Holding AB, registered in Sweden, as the ultimate controlling party.

The smallest and largest group in which the company's results are consolidated is that headed by Norican Global A/S, whose registered office is Hojager 8, DK-2630, Taastrup, Denmark. Group consolidated financial statements can be obtained from the registered address of Norican Global A/S.