Registered Number: 10852217

IPCO UK Process Systems Limited

Annual Report and Audited Financial Statements

For the year ended 31 December 2019

IPCO UK Process Systems Limited

Contents

IPCO UK Process Systems Limited

Company Information

Directors	A Bodin N A Flavell (resigned on 25 February 2020) A H Frisk
Registered number	10852217
Registered office	Units 3 & 4, Block B, Progress Point Second Avenue, Pensnett Trading Estate, Kingswinford, England, DY6 7FT
Independent auditors	JW Hinks LLP Chartered Accountants and Statutory Auditors 19 Highfield Road Edgbaston Birmingham B15 3BH

IPCO UK Process Systems Limited

Strategic Report

The Directors of IPCO UK Process Systems Limited (the "Company") present their Strategic Report for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is the sale of goods and services of solid steel conveyor belts and associated process equipment and plant.

Business review

The Company made a profit for the financial year of £122,000 (2018: £35,000) and has net assets of £1,535,000 (2018: £1,413,000).

The Directors are satisfied with the trading performance during the year and are of the opinion that the Company is well positioned to continue trading successfully, improving market share, within its target operational areas.

Key performance indicators

The Company's turnover for the year was £932,000 (2018: £937,000), gross profit margin was 67.2% (2018: 55.5%) and the profit for the financial year was £122,000 (2018: £35,000). The Company has net assets of £1,535,000 (2018: £1,413,000).

Principal risks and uncertainties

Financial risk

In the ordinary course of business, the Company is exposed to a variety of financial risks that include credit risk and liquidity risk.

Economic downturn

The success of the business is partly dependent on consumer spending levels. A marked reduction in such spending would impact on Company's performance.

Foreign exchange risk

The Company incurs costs and makes sales in currencies that differ from its functional currency. These exposures are monitored to keep exchange variances to a minimal.

Brexit risk

In a referendum held on 23 June 2016, the United Kingdom ("UK") resolved to leave the European Union ('EU'). On 31 January 2020, the UK left the EU and has now entered an 11 month transition period until the end of 2020. During this period, the UK government will negotiate the terms of the UK's future relationship with the EU. Although it is still unknown what those terms will be, Brexit may create global economic uncertainty, which may affect the Company's risk profile through introducing potentially significant new uncertainties and instability in financial markets.

At the date of signing these financial statements, Brexit negotiations due to start on 18 March 2020 were put on hold due to the COVID-19 crisis. The delay has also raised expectations that the UK will request an extension to negotiations. As a result, whilst the full impact is not known, as at the date of signing there is no significant impact on the business, given the lack of EU exposure for the Company.

The Company's EU customer base is not material to the overall performance of the Company, however progress is already underway to onboard an EU based issuer through its current partnership with its UK issuer.

Future developments

The Directors do not consider that there will be any significant changes to the Companies activities in the foreseeable future.

By order of the Board

A Bodin
Director
30 November 2020

IPCO UK Process Systems Limited

Directors' Report

The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 December 2019.

Results and dividends

The profit for the financial year was £122,000 (2018: £35,000). The Directors do not recommend the payment of any dividends (2018: £nil).

Directors

The names of persons who have served as Directors of the Company through out the year and up to the date of signing of the financial statements are listed on page 1.

Subsequent Events

During December 2019, a new virus ("Covid-19") emerged in China and infections started to occur across Asia and latterly the rest of the world. On 11 March 2020, the World Health Organisation ("WHO") declared Covid-19 a pandemic and national governments have acted to implement a range of policies and actions to combat the virus and its economic impact to national markets and the global economy.

The full extent of the Covid-19 economic impact is currently uncertain and the Directors continue to closely monitor developments and their impact on the Company. The outbreak of Covid-19 is expected to affect the Company's turnover and liquidity during 2020. At the date of signing this report, the Directors are uncertain of the extent of the impact on the Company and therefore the outbreak of Covid-19 is deemed to be a non-adjusting event.

Going concern

At the Balance Sheet date, the Company had net assets of £1,535,000 (2018: £1,413,000). The Directors have undertaken a review of the financial position of the Company and consider the Company has sufficient resources to enable it to meet its liabilities as and when they fall due for payment. The ultimate parent company FAM AB, has committed to provide any financial support which may be necessary in order that the Company can meet its liabilities as they fall due for the foreseeable future. The outbreak of Covid-19 is expected to affect the Company's turnover and liquidity during 2020 and at the date of signing this report, the Directors are uncertain of the impact on the Company.

The Directors are satisfied that with the support from FAM AB, the Company will have sufficient cash flow present to pay liabilities as they fall due. Therefore the financial statements have been prepared on a going concern basis.

Future developments

Details of the Company's future developments can be found in the Strategic Report on page 2.

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2018: £nil).

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

Independent Auditors

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

By order of the Board

A Bodin
Director
30 November 2020

Units 3 & 4, Block B, Progress Point Second Avenue,
Pensnett Trading Estate, Kingswinford, England,
DY6 7FT

IPCO UK Process Systems Limited

Statement of Directors' Responsibilities in respect of the Annual Report and Audited Financial Statements

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing the 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

IPCO UK Process Systems Limited

Independent Auditors' Report to the Members of IPCO UK Process Systems Limited

Opinion

We have audited the financial statements of IPCO UK Process Systems Limited Limited (the "Company") for the year ended 31 December 2019, which comprise the Profit and Loss Account, Statement of Profit and Loss and Other Comprehensive Income, Balance sheet, Statement of Changes in Equity, and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matter prescribed by the Companies Act 2006

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

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

Independent Auditors' Report to the Members of IPCO UK Process Systems Limited (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 member(s) 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 member(s) as a body, for our audit work, for this report, or for the opinions we have formed.

M. J Rose

Marcus Rose FCA CTA (Senior Statutory Auditor)
for and on behalf of JW Hinks LLP, Statutory Auditor
30 November 2020

IPCO UK Process Systems Limited

Profit and Loss Account and Other Comprehensive income for the year ended 31 December 2019

	Note	2019 £000	Period from 5 July 2017 to 31 December 2018 £000
Turnover	3	**932**	937
Cost of sales		**(306)**	(417)
Gross profit		**626**	520
Administrative expenses		**(468)**	(472)
Operating profit		**158**	48
Interest receivable and similar income	7	**3**	-
Interest payable and similar expenses	8	**(9)**	(5)
Profit before taxation		**152**	43
Tax on profit	9	**(30)**	(8)
Profit for the financial year		**122**	35
Other comprehensive income		**-**	-
Total comprehensive income for the year		**122**	35

Turnover and operating profit derive wholly from continuing activities.

The notes on pages 10 to 30 form part of these financial statements.

IPCO UK Process Systems Limited

Balance Sheet

at 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Goodwill	10	**1,408**	1,408
Tangible assets	11	**20**	30
Right of use asset	12	**164**	-
		1,592	1,438
Current assets			
Stocks	13	**10**	79
Debtors (including £16,534 (2018: £16,534) due after more than one year)	14	**300**	271
		310	350
Creditors: amounts falling due within one year	15	**(261)**	(372)
Net current assets/(liabilities)		**49**	(22)
Total assets less current liabilities		**1,641**	1,416
Creditors: amounts falling due after more than one year	16	**(104)**	-
Deferred tax liability	17	**(2)**	(3)
		(106)	(3)
Net assets		**1,535**	1,413
Capital and reserves			
Called up share capital	20	**1,378**	1,378
Profit and Loss Account		**157**	35
Total shareholders' funds		**1,535**	1,413

The notes on pages 10 to 30 form part of these financial statements.

The financial statements on pages 7 to 30 were approved by the Board of Directors on 30 Novemeber 2020 and were signed on its behalf by:

A Bodin
Director
Company number: 10852217

IPCO UK Process Systems Limited

Statement of Changes in Equity

	Called up share capital £000	Profit and Loss account £000	Total shareholders' funds £000
At 1 January 2019	1,378	35	1,413
Total Comprehensive income for the year			
Profit for the financial year	-	122	122
Total comprehensive income for the year	-	122	122
At 31 December 2019	**1,378**	**157**	**1,535**

	Called up share capital £000	Profit and Loss account £000	Total shareholders' funds £000
At 5 July 2017	-	-	-
Total Comprehensive income for the period			
Profit for the financial period	-	35	35
Total comprehensive income for the period	-	35	35
Transactions with owners, recorded directly in equity			
Shares issued during the period	1,378	-	1,378
Total contributions by and distributions to owners	1,378	-	1,378
At 31 December 2018	1,378	35	1,413

The notes on pages 10 to 30 form part of these financial statements.

IPCO UK Process Systems Limited

Notes to the Financial Statements

1. Accounting policies

IPCO UK Process Systems Limited is a private company limited by shares and is incorporated, domiciled and registered in England and Wales in the United Kingdom. The registered number is 10852217 and the registered address is Units 3 & 4, Block B, Progress Point Second Avenue, Pensnett Trading Estate, Kingswinford, England, DY6 7FT.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, FAM AB, includes the Company in its consolidated financial statements. The consolidated financial statements of FAM AB are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Units 3 & 4, Block B, Progress Point Second Avenue, Pensnett Trading Estate, Kingswinford, England, DY6 7FT.

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

- Cash Flow Statement and related notes;
- Certain disclosures regarding turnover;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

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

- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

1.1 Change in accounting policies

The Company has adopted the following IFRSs in these financial statements:

- IFRS 16 Leases: This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17. See note 24 for details of the impact on adoption.
- IFRS 9 Financial instruments: The adoption of IFRS 9, replacing IAS 39, resulted in new criteria being applied in the measurement and disclosure of financial instruments. After a review of these requirements, management concluded that there is no material impact arising from IFRS 9 within the current reporting period and therefore no adjustments or disclosures are required in relation to the adoption.
- IFRS 15 turnover from Contracts from Customers: IFRS 15 sets out the requirements for recognising turnover from contracts with customers. The standard requires entities to apportion turnover earned from contracts to individual promises, or performance obligations, on a stand-alone selling price basis, based on five-step model. The Company completed a transition exercise, under which its contracts were subject to review by reference to the rules set out in the five-step model. This exercise showed that the impact on turnover recognition was not material. Further information on the turnover policy is included in note 1.13.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going concern

At the Balance Sheet date, the Company had net assets of £1,535,000 (2018: £1,413,000). The Directors have undertaken a review of the financial position of the Company and consider the Company has sufficient resources to enable it to meet its liabilities as and when they fall due for payment. The ultimate parent company FAM AB, has committed to provide any financial support which may be necessary in order that the Company can meet its liabilities as they fall due for the foreseeable future. The outbreak of Covid-19 is expected to affect the Company's turnover and liquidity during 2020 and at the date of signing this report, the directors are uncertain of the impact on the Company.

The Directors are satisfied that with the support from FAM AB, the Company will have sufficient cash flow present to pay liabilities as they fall due. Therefore the financial statements have been prepared on a going concern basis.

1.4 Foreign currency

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

1.5 Functional currency and presentational currency

The Company's functional currency and presentation currency is GBP.

1. Accounting policies (continued)

1.6 Financial instruments

(i) Recognition and initial measurement

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

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

ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

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

1. Accounting policies (continued)

1.6 Financial instruments *(continued)*

Financial assets (continued)

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

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

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

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Impairment

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

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

1. Accounting policies (continued)

1.6 Financial instruments *(continued)*

(iii) Impairment (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.7 Tangible fixed assets

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

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

Under IAS 17, the Company had leases which were classified as finance leases as the Company had assumed substantially all the risks and rewards of ownership of the leased asset. Where land and buildings were held under leases the accounting treatment of the land was considered separately from that of the buildings. Prior to 1 January 2019, these leased assets acquired by way of finance lease were stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. The accounting treatment for these leases subsequent to transition to IFRS 16, and for leases entered into after 1 January 2019 are described below in accounting policy 1.16.

Depreciation

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

- Plant and Machinery 3 years
- Fixtures and fittings 3-5 years
- Leasehold improvements 5 years

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

1. Accounting policies (continued)

1.8 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company.

At the acquisitions date, the Company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

1.9 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The Directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

1.10 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1. Accounting policies (continued)

1.11 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss in respect of goodwill is not reversed.

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

1.12 Employee benefits

Defined contribution plans

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

1. Accounting policies (continued)

1.13 Turnover from contracts with customers

Turnover is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

Turnover recognition is based on a five-step model which requires, for each customer contract, that the transaction price is apportioned to the separate performance obligations set out in the contract on a relative standalone selling price basis, and recognised as turnover at the point at which control of goods or services is transferred to the customer. In determining the transaction price, variable turnover is included in the transaction price where it is highly probable that it will be realised. Turnover is taken into account where it is expected to be collectible.

Turnover is recognised in respect of a performance obligation when it is both distinct from other performance obligations in the contract and the performance obligation has been fully satisfied. Criteria applied in assessing whether a performance obligation is distinct include determining whether:

a) it is separately identifiable within the contract; and

b) whether the customer can benefit from the service either on its own, or in combination with other readily available resources.

Sale of solid steel conveyor belts and installation services

The belt and the installation service is treated as one performance obligation. As the customer cannot benefit from the goods or services on its own, or together with other resources readily available to the customer. Therefore, the sale of steel belts and the installation are not considered to be distinct from each other.

The sale of steel belt products and services are recognised at point in time. Turnover is recognised when the customer obtains control. The indicator of the transfer of control is when the customer has significant risks and rewards of ownership of the asset.

Process equipment and plant

Turnover is recognised overtime or at a point of time.

Turnover is recognised over time if the outcome of a construction contract can be estimated reliably and measure using a percentage of completion method, in proportion to the stage of completion of contract activity.

Turnover is recognised over time if the contract meets the following conditions:

- Materiality - 2% of the entity's own equipment turnover (full previous financial year);
- Long-term contracts (>3 months);
- Everything in the projects are tailor-made bundled solutions; and
- Right to payment for performance completed to date.

If these conditions are not met, turnover is recognised at a point in time.

1.14 Expenses

Operating lease payments (policy applicable before 1 January 2019)

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expense on lease liabilities recognised in profit or loss using the effective interest method and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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

1. Accounting policies (continued)

1.15 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.16 Leases (policy applicable from 1 January 2019)

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

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

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

1. Accounting policies (continued)

1.16 Leases (policy applicable from 1 January 2019)

As a lessee (continued)

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

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

The Company presents right-of-use assets that do not meet the definition of investment property in 'right of use asset' and lease liabilities in the Balance Sheet.

Short-term leases and leases of low-value assets

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

2. Significant judgements and sources of estimation uncertainty

In application of the Company's accounting policies management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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. The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

Estimation of depreciation and amortisation

In selecting appropriate depreciation and amortisation policies management must exercise a certain level of estimation when determining the expected useful life of assets purchased or internally developed. Assets are continually reviewed for impairment and are written off immediately when no longer in use

IFRS 16 Lease term

Lease term: the lease liabilities were calculated as the present value of remaining fixed lease payments as of 1 January 2019. A corresponding Right of Use ("ROU") asset and balance starts equal to the lease liability. The lease terms are defined by the lease contract and have a lease term as defined by the contract. Where there are break clauses, or options to extend, the term is estimated as that term which is reasonably certain to be undertaken. The Company considers the requirements of the business and the financial implications to break or extend a lease when making this estimate.

IPCO UK Process Systems Limited

Notes to the Financial Statements (continued)

3. Turnover

	2019 £000	*Period from 5 July 2017 to 31 December 2018 £000
Major products/service line:		
Sale of solid steel conveyor belts and installation services	**861**	-
Process equipment and plant	**71**	-
	932	-
By activity:		
Sale of goods (Comparative only)	**-**	310
Rendering of services (Comparative only)	**-**	627
	-	937
By geographical market:		
United Kingdom	**853**	907
Ireland	**53**	22
Germany	**16**	8
France	**4**	-
Sweden	**2**	-
Italy	**4**	-
	932	937

*The company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

4. Expenses and auditors' remuneration

Auditor's remuneration:

	2019 £000	Period from 5 July 2017 to 31 December 2018 £000
Amounts receivable by the Company's auditor in respect of:		
Audit of financial statements of subsidiaries of the Company	**5**	5

5. Staff numbers and costs

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

	2019	Period from 5 July 2017 to 31 December 2018
Management	**3**	3
Sales, General & Administration	**5**	3
	8	6

The aggregate payroll costs of these persons were as follows:

	2019 £000	Period from 5 July 2017 to 31 December 2018 £000
Wages and salaries	**326**	343
Social security costs	**41**	52
Contributions to defined contribution plans	**51**	32
	418	427

6. *Directors' remuneration*

	2019 £000	Period from 5 July 2017 to 31 December 2018 £000
Directors' remuneration	**71**	74
Company contributions to defined contribution plans	**12**	13
	83	87

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director was £71,000 (2018: £74,000) and company pension contributions of £12,000 (2018: £13,000) were made to a money purchase scheme on his behalf.

Retirements benefit are accruing to one Director under money purchase schemes (2018: 1).

The information above represents the remuneration received by one Director of the Company, the remaining Directors are remunerated by other Group companies. It is not practicable to ascertain separately the element that relates to their emoluments for services to the Company. These Directors did not receive any emoluments from the Company for their services to the Company.

7. Interest receivable and similar income

	2019 £000	Period ended 5 July 2017 to 31 December 2018 £000
Net foreign exchange gain	**3**	-
	3	-

8. Interest payable and similar expenses

	2019 £000	Period from 5 July 2017 to 31 December 2018 £000
Interest payable to parent company	**-**	2
Bank interest and charges	**3**	-
Net foreign exchange losses	**-**	3
Interest expense on lease liabilities	**6**	-
	9	5

IPCO UK Process Systems Limited

Notes to the Financial Statements (continued)

9. Taxation

Recognised in the Profit and Loss Account:

	2019 £000	Period from 5 July 2017 to 31 December 2018 £000
UK corporation tax		
Current tax on income for the year	**31**	5
Total current tax	**31**	5
Deferred tax (see note 17)		
Fixed asset temporary differences	**(1)**	3
Total deferred tax	**(1)**	3
Tax on profit	**30**	8

The tax on profit for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are reconciled below:

Reconciliation of effective tax rate:

	2019 £000	Period from 5 July 2017 to 31 December 2018 £000
Profit for the year	**122**	35
Total tax expense	**30**	8
Profit excluding taxation	**152**	43
Tax using the UK corporation tax rate of 19% (2018: 19%)	**29**	8
Fixed asset differences	**1**	-
Total tax expense for the year	**30**	8

Tax rate change

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Notes to the Financial Statements (continued)

10. Goodwill

	Goodwill £000
Cost	
At 1 January 2019	1,408
At 31 December 2019	**1,408**
Impairment	
At 1 January 2019	-
At 31 December 2019	-
Net book value	
At 31 December 2019	**1,408**
At 31 December 2018	1,408

11. Tangible assets

	Plant and Machinery £000	Fixtures and fittings £000	Leasehold improvements £000	Total £000
Cost				
At 1 January 2019	7	14	16	37
At 31 December 2019	**7**	**14**	**16**	**37**
Depreciation				
At 1 January 2019	2	2	3	7
Depreciation charge for the year	2	4	4	10
At 31 December 2019	**4**	**6**	**7**	**17**
Net book value				
At 31 December 2019	**3**	**8**	**9**	**20**
At 31 December 2018	5	12	13	30

Notes to the Financial Statements (continued)

12. Right of use asset

	Leasehold Premises £000	Vehicles £000	Machinery £000	Total £000
Cost				
Assets recognised upon adoption of IFRS 16	109	16	12	137
Additions	-	86	-	86
Remeasurement	1	-	-	1
Balance at 31 December 2019	**110**	**102**	**12**	**224**
Accumulated Depreciation				
Depreciation charge for the year	25	32	3	60
Balance at 31 December 2019	**25**	**32**	**3**	**60**
Net book value				
At 31 December 2019	**85**	**70**	**9**	**164**
At 31 December 2018	-	-	-	-

13. Stocks

	2019 £000	2018 £000
Finished goods	**10**	13
Work in progress	**-**	66
	10	79

14. Debtors

	2019 £000	2018 £000
Trade receivables	**147**	228
Other debtors	**16**	16
Prepayments and accrued income	**29**	27
Amounts owed by group undertakings	**108**	-
	300	271

At 31 December 2019, debtors falling due after more than one year amounted to £16,434 (2018: £16,434).

Notes to the Financial Statements (continued)

15. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	**4**	8
Lease liability (see note 19)	**63**	-
Taxation and social security	**83**	46
Accruals and deferred income	**36**	45
Amounts owed to Group undertakings	**36**	204
Overdraft	**39**	69
	261	372

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

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

	2019	2018
	£000	£000
Lease liability (see note 19)	**104**	-
	104	-

17. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Fixed asset temporary differences	**-**	-	**(2)**	(3)	**(2)**	(3)
Net tax liabilities	**-**	-	**(2)**	(3)	**(2)**	(3)

Movement in deferred tax during the year 2019:

	Balance as at 1 January 2019	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance as at 31 December 2019**
	£000	**£000**	**£000**	**£000**
Fixed asset temporary differences	**(3)**	**1**	**-**	**(2)**
	(3)	**1**	**-**	**(2)**

17. Deferred tax (continued)

Movement in deferred tax during the previous period 2018:

	Balance as at 5 July 2017	Recognised in profit or loss	Recognised in other comprehensive income	Balance as at 31 December 2018
	£000	£000	£000	£000
Fixed asset temporary differences	-	(3)	-	(3)
	-	(3)	-	(3)

18. Employee benefits

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £51,000 (2018: £32,000).

19. Leases

As lessee

The Company leases cars and a property in UK for business purposes.

2019 - Leases under IFRS 16

	2019
	£000
Total cash outflow for leases	**63**

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

	2019
	£000
Depreciation charged of right-of-use assets (see note 12)	
Leasehold Premises	**25**
Vehicles	**32**
Machinery	**3**
	60
Lease interest expense (see note 8)	
Interest expense	**6**

2018 - Operating leases under IAS 17

	2018
	£000
Lease expense	76

Notes to the Financial Statements (continued)

19. Leases (continued)

Lease obligations

2019 - Operating leases under IFRS 16

Maturity analysis - contractual undiscounted cash flows	**2019 £000**
Not later than 1 year	**64**
Later than 1 year and not later than 5 years	**110**
Total undiscounted lease liabilities as at 31 December	**174**

Lease liabilities included in the statement of financial position as 31 December	**2019 £000**
Current	**63**
Non-current	**104**
	167

2018 - Operating leases under IAS 17

	2018 £000
Less than one year	46
Between two and five years	108
	154

20. Share capital and reserves

	2019 £000	2018 £000
Called up, allotted and fully paid:		
1,378,000 Ordinary shares of £1.00 each	**1,378**	1,378
	1,378	1,378

All class of shares have equal voting rights. Each shareholder will have one vote in respect of each share held. All shareholders have equal rights to participate in dividend distributions.

Reserves

Called up share capital

Represents the nominal value of shares issued.

Profit and Loss Account

Represents the reserves for net gains and losses recognised in the Profit and Loss Account.

IPCO UK Process Systems Limited

Notes to the Financial Statements (continued)

21. *Ultimate parent undertaking and controlling party*

The Company is a subsidiary undertaking of FAM AB, a company registered in Sweden, which is the ultimate parent company and controlling party.

The largest group in which the results of the Company are consolidated is that headed by FAM AB, P.O Box 16066, SE-103 22 Stockholm, Sweden. The smallest group in which they are consolidated is that headed by IPCO AB 2453-Västra Verken, 811 81 Sandviken, Sweden. The consolidated financial statements of these groups are available to the public and can be obtained from the Company Secretary at Units 3 & 4, Block B, Progress Point Second Avenue, Pensnett Trading Estate, Kingswinford, England, DY6 7FT.

22. Related parties

The Company is exempt from the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the group.

23. Subsequent events

During December 2019, a new virus ("Covid-19") emerged in China and infections started to occur across Asia and latterly the rest of the world. On 11 March 2020, the World Health Organisation ("WHO") declared Covid-19 a pandemic and national governments have acted to implement a range of policies and actions to combat the virus and its economic impact to national markets and the global economy.

The full extent of the Covid-19 economic impact is currently uncertain and the Directors continue to closely monitor developments and their impact on the Company. The outbreak of Covid-19 is expected to affect the Company's turnover and liquidity during 2020. At the date of signing this report, the Directors are uncertain of the extent of the impact on the Company and therefore the outbreak of Covid-19 is deemed to be a non-adjusting event.

24. Change in significant accounting policy

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1.16. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the Balance Sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-Balance Sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

IPCO UK Process Systems Limited

Notes to the Financial Statements (continued)

24. Change in significant accounting policy (continued)

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on the financial statements

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 December 2019.

	Impact of adoption of IFRS 16		
	As reported	**Adjustments**	**Balance without adoption of IFRS 16**
	£000	**£000**	**£000**
Balance sheet			
Property, plant and equipment	**20**	**-**	**20**
Right of use asset	**164**	**164**	**-**
Lease liability (current)	**(63)**	**(63)**	**-**
Lease liability (non-current)	**(104)**	**(104)**	**-**
Profit and Loss Account and Other Comprehensive Income			
Operating lease expense	**-**	**(63)**	**63**
Right of use asset depreciation	**60**	**60**	**-**
Interest expense lease	**6**	**6**	**-**

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January2019. The weighted-average rate applied is 2.98%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Company's financial statements and the lease liabilities recognised at 1 January 2019:

	1 January 2019 £000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	**154**
Discounted using the incremental borrowing rate at 1 January 2019	**140**
Recognition exemption for leases with less than 12 months of lease term at transition	**(3)**
Lease liabilities recognised as at 1 January 2019	**137**