

Registration number: 00084170

EPC United Kingdom PLC

Report and Financial Statements

31 December 2020



EPC United Kingdom PLC

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EPC United Kingdom PLC

Company Information

Directors B.C. Williams
 O.L. Obst
 R.R. Keen
 I.W. Davies

**Company
secretary** D. Bloor

Registered office Venture Crescent
 Nix's Hill Industrial Estate
 Alfreton
 Derbyshire
 DE55 7RA

**Independent
auditors** PricewaterhouseCoopers LLP
 Chartered Accountants and Statutory Auditors
 One Chamberlain Square
 Birmingham
 B3 3AX

Strategic Report

for the Year Ended 31 December 2020

Introduction

The directors are pleased to present the Strategic Report on EPC United Kingdom PLC for the year ended 31 December 2020.

Principal activity

The principal activity of the Company is that of manufacturing and supplying industrial explosives and allied products for mines, quarries and civil engineering, drilling and blasting services, fuel additives and chemicals together with transport and forwarding.

Business Review

"Safety is our number 1 priority"

EPC United Kingdom PLC (the "Company" or "EPC United Kingdom") takes a proactive position on health, safety and environmental standards, promoting participation by management and staff at all levels in the organisation. Safety is the Company's number one priority and the directors take an active role in leading the Company, paying attention to leading and lagging indicators for both Occupational and Process Safety with "Zero Harm" being the ultimate aim.

Reporting of 'near misses' is actively encouraged amongst all employees, incidents are investigated and communicated. The directors work with senior management to remove any barriers to the reporting of issues up the management hierarchy and promote an open culture of communication.

To further enhance the open culture the Company maintains a 'Stop work policy'; a declaration by the senior management team that employees have the authority to stop work if there is any concern regarding health and safety in the workplace.

The Directors are pleased that EPC United Kingdom's efforts in behavioural safety, and "SPIRIT" Values have continued positively through the chronic crisis of the Covid-19 pandemic. The Directors recognise the efforts of all employees, the management and the leadership in these challenging times; recognising the additional burdens of communication, support and in particular on the mental health and wellbeing competency that now exists within the business. The directors are proud to state and recognise that the Company now has 62 mental health first aiders.

The Company's investments in systems and people has benefited the Company's business continuity planning and preparation in response to Brexit and Covid-19.

The Company has a Major Accident prevention policy which has been cascaded down to all employees. All of the Company's site activities have been considered in depth, the major hazards identified, the risks assessed and measures taken to reduce them to a level that is as low as is reasonably practicable.

Principal operating activities have continued as:

Explosives - industrial explosives, allied products and services for quarries, mines and civil engineering;

Blasting Services - drilling and blasting services;

Fuel Additives - fuel additives, chemicals and third party services;

Logistics - transport and forwarding; and

EDSL - secure services, handling and destruction of hazardous materials.

Strategic Report

for the Year Ended 31 December 2020 (continued)

The directors report that a profit for the year of £1,222,000 was achieved in 2020 (2019: £85,000) and the Company had net assets of £5,383,000 (2019: £5,537,000) as at 31 December 2020.

The directors recognise the successful efforts of the management team in implementing the full business continuity plan during this period, and do not note any concerns for the longer term.

Principal risks, financial risks and uncertainties

The key business risks and uncertainties affecting the Company are considered to relate to competition, credit risk and the liabilities under the defined benefit pension scheme. These risks are managed and mitigated through the Company's operational and accounting controls, policies and procedures.

The Company recognises the risks it faces in connection with its business operations and monitors various key performance indicators as part of its monthly accounting and management reporting processes. These key performance indicators include sales and margin trends, health and safety indicators and employee statistics. Much of this information is commercially sensitive in nature.

Modern Slavery

The Company has a Modern Slavery and Human Trafficking Policy which is available on the Company's website.

Business Continuity

The directors are pleased that the Company achieved the ISO 22301 standard for Business Continuity Management System (BCMS). This has been beneficial in managing through the COVID-19 situation.

Financial key performance indicators

The primary tool for monitoring financial performance is monthly management accounts. These are compared to budgets and forecasts at a Company level. Performance of the different operational activities is monitored using appropriate measures. Significant issues are discussed at management meetings when any risks noted in the Directors' Report are also highlighted.

	2020	2019
Operating profit margin	3.3%	0.3%
Return on capital employed (a)	34.3%	3.1%

a) return being operating profit per financial statements divided by total equity.

Strategic Report

for the Year Ended 31 December 2020 (continued)

Statement by the directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006

The Board of directors (the “Board”) of EPC United Kingdom PLC confirm that it has performed its duties in respect of Section 172 of the Companies Act 2006. The Board of directors considers, both individually and together, that they have acted in the way they consider would be most likely to promote the success of the Company for the benefit of its members as a whole in the decisions taken during the year ended 31 December 2020.

In addition to previous comments in this Strategic Report, the directors had regard for the following matters:

Long term decision-making - the Company benefits from having a number of different business activities. These complement each other by spreading risk as each has different cyclical demands. This has been particularly relevant in times of political and economic uncertainty, such as during Brexit negotiations, and the COVID-19 situation.

Risk management - On an ongoing basis the Board assesses the major risks affecting the Company and develops appropriate responses to address those risks in an efficient and effective manner. This is taken into consideration when setting goals, budgets and forecasting financial performance. This ensures the Company understands the financial impact of such risks and can respond to these given situations on a timely basis. The directors ensure that the Company follows a well documented risk management process that is externally audited. Current accreditations include:

ISO 14001 - Environmental Management

ISO 9001 - Quality Management Systems

ISO 18001 - Health & Safety Management

ISO 22301 - Business Continuity Management System

Procedures are in place to cover financial processes in line with best practice.

Company employees - full engagement with employees with open lines of communication, is important to the Company. As noted in the Directors’ Report, the Company attaches great importance to the Esprit D’Equipe initiative, and it follows the SPIRIT values:

Safety
Passion
Integrity
Respect
Innovation
Team Work

Strategic Report

for the Year Ended 31 December 2020 (continued)

Business relationships - as market leader in its core activities, the Company maintains high standards in its dealings with all external stakeholders, including customers and suppliers. These business ethics are cascaded throughout the business. The directors actively support membership of industry associations, to provide leadership and to encourage best practice behaviours:

- International Society of Explosives Engineers (ISEE)
- Quarries National Joint Advisory Committee (QNJAC)
- Gold Member of Construction Line
- Proskills, approved partner
- Cyber Essentials Plus (IT)
- Institute Of Quarrying
- Institute of Chemical Engineers
- Institute of Occupational Safety and Health and Mental Health England

Community and the environment - the Company fosters good relationships with the people and communities. We aim to reduce the Company's impact on the environment, for example, through energy-saving initiatives and waste reduction. It is seen by the directors as important to maintain this, to support local projects, and to protect local wildlife.

Shareholders

The Company is a member of a global group. The Company's majority shareholder is Societe Anonyme d'Explosifs et de Produits Chimiques ("EPC Groupe"). The Board maintains regular dialogue with the parent and fellow group undertakings throughout the year. Communication with other minority shareholders also occurs at the AGM.

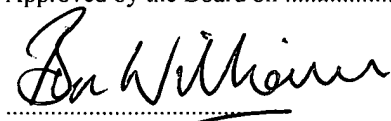
Suppliers

All of our suppliers are integral to the success of the Company and we have regular ongoing dialogue with our supply chain. We are committed to the UK Prompt Payment Code.

Regulators

As described in this Strategic Report safety is the Company's priority. The Board ensures the Company is in compliance with all regulatory requirements.

Approved by the Board on 28/6/21 and signed on its behalf by:



B.C. Williams
Director

Directors' Report

for the Year Ended 31 December 2020

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

Results and dividends

The profit for the financial year, after taxation, amounted to £1,222,000 (2019: £85,000).

No dividend was paid in the year (2019: £nil).

No dividend is being proposed by the directors by the date of the approval of these financial statements (2019: £nil).

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

P. de Brancion (resigned 17 December 2020)

B.C. Williams

O.L. Obst

R.R. Keen

J. French (resigned 24 June 2020)

I.W. Davies (appointed 24 June 2020)

The directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Financial risk management

Price and foreign exchange risk

The major price risks faced by the Company relate to the impact of world prices for oil on key raw materials. Other risks relate to the fluctuation in currency exchange rates.

Credit risk

The Company has policies which require regular credit checks on its major customers.

Liquidity and cash flow risk

The Company has appropriate banking facilities in place to adequately maintain its liquidity.

Future developments

The directors are optimistic about prospects for 2021.

Overall in the coming year the aim is to concentrate on achieving maximum growth in existing market segments, continue to develop and build existing relationships with customers and generate new business where possible.

Directors' Report

for the Year Ended 31 December 2020 (continued)

Employee involvement

The Company places considerable value on the full engagement of its employees and has continued its previous practice of keeping them informed regularly through team briefings, employee forums and newsletters. The Company attaches great importance to the Esprit D'Equipe initiative whereby employees act as Safety Ambassadors to develop and communicate a Safe Working message, to establish a culture in line with the SPIRIT values.

Disabled employees

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Research and development

Research and development is carried out appropriate to the Company's needs so as to improve, or to maintain; the competitive position of the Company's products in their respective market places. These activities resulted in a £369,000 (2019: £188,000) Research and Development Expenditure Credit (RDEC) for projects carried out in 2019 and 2020.

Going concern

In assessing the Company's ability to continue to operate as a going concern the directors have considered the cash position of the Company and, after making enquiries, have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This included a review of the cash flow forecasts for a period of 12 months from the date of approval of these financial statements and included a severe but plausible downside scenario. Accordingly, they continue to adopt the going concern basis of accounting in preparing these financial statements. This has been reviewed in light of the COVID-19 situation and the opinion is unchanged.

COVID-19

The Company has been affected like all others by the COVID-19 situation. Operations have been managed well, in line with the Crisis Management procedure that is in place. Operating costs have been adjusted to match changes in turnover levels, and liquidity has been maintained. The directors have taken the impact of Covid-19 into consideration when assessing the valuation of the assets at the balance sheet date and concluded that no further impairments were required.

Directors' Report

for the Year Ended 31 December 2020 (continued)

Streamlined Energy and Carbon Reporting (SECR) disclosure

GHG emissions and energy use data for the financial year ending 31 December 2020

The Company monitors energy usage and has consumed 12,015,503 kWh in the year. Using an established conversion factor this equated to 2,870 tonnes of GHG emissions.

Fuel	Number of units	Units	Conversion factor	Kg CO2e
Grid electricity	2,847,695	kWh	0.23314	663,912
Natural gas	181,864	kWh	0.18387	33,439
Burning oil	1,812,624	kWh	0.24666	447,102
Diesel	7,173,320	kWh	0.24057	1,725,686
Total	12,015,503			2,870,138

The intensity ratio of the amount of kWh in total energy used per employee was 55,886 units, (12,015,503 / 215 employees).

Energy efficiency actions

During the year, we identified the following energy saving opportunities and have developed a plan to act on these:

- Improve energy management and improve staff awareness
- Develop a aMM&T (automatic measuring, monitoring and tracking) system
- Install solar PV array.

Methodology

Greenhouse gas emissions are calculated using the UK Department for BEIS's (Business, Energy & Industrial Strategy) recommended Carbon Trust energy conversion factors 2020: condensed set, which were provided by the Carbon Trust.

Matters covered in the Strategic Report

The Company's key business risks are disclosed within the Strategic Report.

Directors' Report

for the Year Ended 31 December 2020 (continued)

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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

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

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

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The six year term of PricewaterhouseCoopers LLP has ended, and a review process is being undertaken to decide on the appointment of auditors for 2021. This will be confirmed in General Meeting of the Company.

28/6/21
Approved by the Board on and signed on its order by:

.....
D. Bloor
Company secretary

Independent Auditor's Report

to the Members of EPC United Kingdom PLC

Report on the audit of the financial statements

Opinion

In our opinion, EPC United Kingdom PLC's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report

to the Members of EPC United Kingdom PLC (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Independent Auditor's Report

to the Members of EPC United Kingdom PLC (continued)

Auditors' 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 auditors' 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.

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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to improve revenue and profits. Audit procedures performed by the engagement team included:

- Review of correspondence with regulators, enquiries of management and testing of the financial statement disclosures to supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, to identify potential management bias, in particular in relation to the defined benefit obligations; and
- Identifying and testing journal entries, in particular journal entries with unusual descriptions and any journal entries posted with unusual account combinations in relation to revenue and profits.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

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

Independent Auditor's Report

to the Members of EPC United Kingdom PLC (continued)

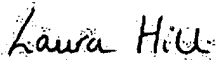
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Laura Hill (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

28 June 2021

Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	4	56,600	62,791
Cost of sales		<u>(42,708)</u>	<u>(48,714)</u>
Gross profit		13,892	14,077
Distribution costs		(3,717)	(3,734)
Administrative expenses		(10,265)	(11,247)
Other operating income		<u>1,936</u>	<u>1,073</u>
Operating profit	5	1,846	169
Interest payable and similar expenses	9	(46)	(84)
Other finance costs	10	(204)	(283)
Revaluation gain on investment property	15	-	330
Amounts written off investments		-	(710)
Gain on extinguishment of debt		<u>-</u>	<u>710</u>
Profit before tax		1,596	132
Taxation	11	<u>(374)</u>	<u>(47)</u>
Profit for the financial year		<u>1,222</u>	<u>85</u>
Other comprehensive loss for the year			
Actuarial losses on defined benefit pension scheme		(1,830)	(1,149)
Movement of deferred tax relating to pension deficit		<u>454</u>	<u>207</u>
Other comprehensive loss for the year		(1,376)	(942)
Total comprehensive loss for the year		<u>(154)</u>	<u>(857)</u>

The above results were derived from continuing operations.

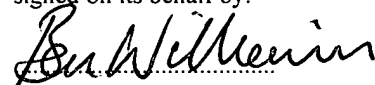
The notes on pages 17 to 45 form an integral part of these financial statements.

Balance Sheet

as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	13	297	323
Tangible assets	14	9,584	10,137
Investment property	15	2,000	2,000
Investments	16	340	340
		<u>12,221</u>	<u>12,800</u>
Current assets			
Stocks	17	3,330	3,300
Debtors	18	11,759	12,707
Cash at bank and in hand		<u>2,610</u>	<u>1,538</u>
		17,699	17,545
Creditors: Amounts falling due within one year	19	<u>(12,239)</u>	<u>(13,385)</u>
Net current assets		<u>5,460</u>	<u>4,160</u>
Total assets less current liabilities		17,681	16,960
Creditors: Amounts falling due after more than one year	20	(513)	(664)
Provisions for liabilities	23	(5)	(11)
Defined benefit pension scheme liability	24	<u>(11,780)</u>	<u>(10,748)</u>
Net assets		<u>5,383</u>	<u>5,537</u>
Capital and reserves			
Called up share capital	25	990	990
Revaluation reserve	26	2,078	2,078
Profit and loss account	26	<u>2,315</u>	<u>2,469</u>
Total equity		<u>5,383</u>	<u>5,537</u>

The financial statements on pages 14 to 44 were approved and authorised by the Board on 28/6/21 and signed on its behalf by:


 B.C. Williams
 Director

Registration number: 00084170

The notes on pages 17 to 45 form an integral part of these financial statements.

Statement of Changes in Equity

for the Year Ended 31 December 2020

	<i>Called up share capital £ 000</i>	<i>Revaluation reserve £ 000</i>	<i>Profit and loss account £ 000</i>	<i>Total £ 000</i>
At 1 January 2019	990	2,078	3,326	6,394
Profit for the year	-	-	85	85
Other comprehensive loss	-	-	(942)	(942)
Total comprehensive loss	-	-	(857)	(857)
At 31 December 2019	990	2,078	2,469	5,537
Profit for the year	-	-	1,222	1,222
Other comprehensive loss	-	-	(1,376)	(1,376)
Total comprehensive loss	-	-	(154)	(154)
At 31 December 2020	990	2,078	2,315	5,383

The notes on pages 17 to 45 form an integral part of these financial statements.

Notes to the Financial Statements

for the Year Ended 31 December 2020

1 General information

EPC United Kingdom PLC's (the "Company") principal activity is that of manufacturing and supplying industrial explosives and allied products for mines, quarries and civil engineering, drilling and blasting services, fuel additives and chemicals together with transport and forwarding.

The Company is a private company limited by shares and is incorporated and domiciled in England.

The address of its registered office is:

Venture Crescent
Nix's Hill Industrial Estate
Alfreton
Derbyshire
DE55 7RA
England, United Kingdom

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investment property, unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of the financial statements is in compliance with FRS 102 and requires the use of certain critical accounting estimates. It also requires management to exercise judgements in applying the Company's accounting policies (see note 3).

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The following principal accounting policies have been applied consistently:

These financial statements are presented in Pounds Sterling (£), as that is the currency in which the majority of the Company's transactions are denominated, and rounded to the nearest '000.

2.2 Going concern

In assessing the Company's ability to continue to operate as a going concern the directors have considered the cash position of the Company and, after making enquiries, have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This included a review of the cash flow forecasts for a period of 12 months from the date of approval of these financial statements and included a severe but plausible downside scenario. Accordingly, they continue to adopt the going concern basis of accounting in preparing these financial statements. This has been reviewed in light of the COVID-19 situation and the opinion is unchanged.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.3 Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirement to prepare a statement of cash flows. (Section 7 of FRS 102 and para 3.17(d)); and
- the requirements under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), 12.29A, 26.18(b), 26.19-26.21 and 26.23 as the information is provided in the consolidated financial statement disclosures (see note 29).

This information is included in the consolidated financial statements of EPC Groupe, a company incorporated in France and quoted on the Bourse de Paris, and are available to the public from Greffe du Tribunal de Commerce de Nanterre, 4 rue Pable Neruda, 92020 Nanterre.

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Statement of Comprehensive Income within administrative expenses over its useful economic life of 20 years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years. The rationale behind the choice of useful life is that continuous improvement and the availability of new technology could make existing technology redundant. Other intangible assets are amortised on a straight line basis.

2.5 Tangible assets

Tangible assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of tangible assets, the cost of replacing part of such an item when that cost is incurred. If the replacement part is expected to provide incremental future benefits to the Company, the carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.5 Tangible assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Depreciation is provided on the following basis:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Freehold buildings	Over 30 years.
Short term leasehold property	Over the period of the lease or the estimated useful life, if this is a shorter period.
Plant and machinery (including office equipment and fixtures & fittings)	Over the estimated useful lives of the assets concerned, which vary between 3 and 20 years.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

2.6 Investment property

An investment property is property held to earn rentals or for capital appreciation or both, rather than for:

- a) use in production or supply of goods or services or for administrative purposes; or
- b) sale in the ordinary course of business.

Investment property is initially measured at cost, which comprises its purchase price and any directly attributable expenditure. It is subsequently measured at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

For the purpose of determining the fair value of the investment property, the directors obtain a professional independent valuation every three years by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. In the intervening period, the directors estimate the current market valuations themselves and compare them to market data.

2.7 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

2.8 Investment in subsidiary companies

Investments in subsidiaries are measured at cost less accumulated impairment.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first-in, first-out basis. Work-in-progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income within cost of sales.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares. The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.11 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'interest payable and similar expenses'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'Administrative expenses'.

2.13 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.15 Leasing and hire purchase

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the Statement of Comprehensive Income over the shorter of estimated useful economic life and the term of the lease.

Where assets are financed by leasing agreements that do not give rights approximating to ownership (operating leases), expenses are charged to profit or loss as incurred.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

2.16 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

2.19 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.19 Pensions (continued)

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date, (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the Statement of Comprehensive Income as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of comprehensive income as an 'other finance cost'.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as Other Comprehensive Income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.21 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.22 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. The directors are considered to be the Key Management Personnel and their remuneration is disclosed within note 8.

2.23 Turnover

Turnover represents amounts invoiced by the Company in respect of goods supplied and services rendered during the year, excluding value added tax and discounts. Turnover is recognised when (a) the significant risks and rewards of ownership transfer to the third party, typically when the goods have been delivered and services have been completed; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Company's sales channels have been met. Accrued income is recognised where the goods or services have been provided but not yet invoiced.

2.24 Other operating income

Other operating income relates to the recharge of employees of the Company to other group companies plus Research and Development Expenditure Credit (RDEC), and any other small amounts of income. The Company also recognises claims under Coronavirus Job Retention Scheme receivable from the government in income in the year in which they are receivable.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.25 Share-based payments

EPC Groupe provides share-based payment arrangements to certain employees of the Company. Equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest. Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement. There are no cash-settled arrangements.

3 Judgements in applying accounting policies and key sources of estimation

The preparation of the financial statements requires management to make judgements, estimates and assumptions in the application of accounting policies that affect reported amounts of assets, liabilities, income and expense. Further information about these areas of judgement is contained below. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgement

Going concern status: The directors have considered the impact of COVID-19 pandemic on the Company and performed a range of scenario modelling as part of their going concern assessment. Based on these assessments, the directors have prepared these financial statements on a going concern basis.

Critical accounting estimate

Defined benefit pension scheme: The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. These factors are estimated by management in determining the net pension obligation in the Balance sheet. The assumptions reflect historical experience and current trends.

See note 24 for the disclosures relating to the defined benefit pension scheme.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

4 Turnover

Turnover represents amounts invoiced by the Company in respect of goods supplied and services rendered during the year, excluding value added tax and discounts. All turnover originates in the United Kingdom. The analysis of turnover by geographical destination is as follows:

	2020 £ 000	2019 £ 000
United Kingdom	52,386	57,358
Rest of Europe	4,082	5,169
Other	132	264
	<u>56,600</u>	<u>62,791</u>

The analysis of the Company's turnover for the year by class of business is as follows:

	2020 £ 000	2019 £ 000
Sale of goods	31,839	35,508
Rendering of services	24,035	26,488
Other	726	795
	<u>56,600</u>	<u>62,791</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

5 Operating profit

The operating profit is stated after (crediting)/ charging:

	2020 £ 000	2019 £ 000
Research and development tax credit	(369)	(188)
Recharges to other group companies	(669)	(740)
Coronavirus Job Retention Scheme benefit	(776)	-
Depreciation expense	1,277	1,083
Amortisation of intangible assets	34	31
Operating leases	3,123	3,281
Loss/(gain) on sale of tangible assets	63	(43)
Foreign exchange losses	10	36
Inventory recognised as an expense	26,883	31,148
Research and development costs	<u>1,364</u>	<u>1,563</u>

6 Auditors' remuneration

	2020 £ 000	2019 £ 000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	81	76
Audit related assurance services - half year review	10	10
All other services	<u>18</u>	<u>13</u>
	<u>109</u>	<u>99</u>

Other auditors' services relate to the retirement benefit scheme advice regarding the Pension Protection Fund (PPF) levy.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

7 Staff costs

The monthly average number of persons employed by the Company (including executive directors) during the year, was:

	2020 <i>No.</i>	2019 <i>No.</i>
Manufacturing	129	143
Marketing, administrative and research and development	86	94
	<u>215</u>	<u>237</u>

Staff costs including directors' remuneration were as follows:

	2020 <i>£ 000</i>	2019 <i>£ 000</i>
Wages and salaries	8,774	9,503
Social security costs	923	968
Cost of defined contribution scheme	462	517
	<u>10,159</u>	<u>10,988</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 <i>£ 000</i>	2019 <i>£ 000</i>
Aggregate directors' emoluments	367	313
Company contributions to defined contribution pension schemes	24	17
	<u>391</u>	<u>330</u>

These amounts include emoluments totalling £220,955 (2019: £221,216) paid by a fellow subsidiary undertaking.

During the year, the number of directors that exercised share options was nil (2019: nil). The number of directors included in the defined contribution scheme within the year was 2 (2019: 1).

The highest paid director received remuneration of £236,955 (2019: £237,216). This includes defined contribution pension contributions of £19,333 (2019: £17,129).

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

9 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Bank interest payable	40	77
Interest payable on finance leases	6	7
	<u>46</u>	<u>84</u>

10 Other finance costs

	2020 £ 000	2019 £ 000
Net interest on the net defined benefit liability	<u>204</u>	<u>283</u>

11 Taxation

Tax charged in the Statement of Comprehensive Income.

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	13	-
Deferred taxation		
Origination and reversal of timing differences	255	(98)
Pension timing differences	101	119
Adjustments in respect of prior periods	43	26
Tax rate changes	<u>(38)</u>	<u>-</u>
Total deferred taxation	<u>361</u>	<u>47</u>
Tax on profit	<u>374</u>	<u>47</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

11 Taxation (continued)

The tax on profit for the year is higher than the standard rate of corporation tax in the UK (2019: higher than the standard rate of corporation tax in the UK) of 19% (2019: 19%)

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	1,596	132
Corporation tax at standard rate of 19% (2019: 19%)	303	25
Expenses not deductible for tax purposes	108	33
Income not taxable	(42)	(37)
Adjustments in respect of prior periods	43	26
Tax rate changes	(38)	-
Total tax charge for the year	374	47

12 Deferred taxation

	2020 £ 000
At 1 January	1,747
Profit and loss	(361)
Other comprehensive income	454
At 31 December	1,840

The deferred tax asset is comprised as follows:

	2020 £ 000	2019 £ 000
Accelerated capital allowances	(398)	(202)
Short term timing differences	-	14
Pension deficit	2,238	1,935
	1,840	1,747

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

12 Deferred taxation (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

13 Intangible assets

	<i>Goodwill</i> £ 000	<i>Software</i> £ 000	<i>Total</i> £ 000
Cost			
At 1 January 2020	471	55	526
Additions	-	8	8
At 31 December 2020	471	63	534
Accumulated amortisation			
At 1 January 2020	161	42	203
Charge for the year	25	9	34
At 31 December 2020	186	51	237
Net book amount			
At 31 December 2020	285	12	297
At 31 December 2019	310	13	323

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

14 Tangible assets

	<i>Freehold land and buildings £ 000</i>	<i>Short-term leasehold property £ 000</i>	<i>Plant and machinery £ 000</i>	<i>Total £ 000</i>
Cost				
At 1 January 2020	3,948	76	18,512	22,536
Additions	3	-	784	787
Disposals	-	-	(197)	(197)
Transfers	145	-	(145)	-
At 31 December 2020	<u>4,096</u>	<u>76</u>	<u>18,954</u>	<u>23,126</u>
Accumulated depreciation				
At 1 January 2020	2,421	59	9,919	12,399
Depreciation for the year	71	-	1,206	1,277
Eliminated on disposal	-	-	(134)	(134)
Transfers	133	-	(133)	-
At 31 December 2020	<u>2,625</u>	<u>59</u>	<u>10,858</u>	<u>13,542</u>
Net book amount				
At 31 December 2020	<u>1,471</u>	<u>17</u>	<u>8,096</u>	<u>9,584</u>
At 31 December 2019	<u>1,527</u>	<u>17</u>	<u>8,593</u>	<u>10,137</u>

The cost of the above that has been pledged as security for liabilities at 31 December 2020 is £1,261,000 (2019: £1,261,000).

Cost less accumulated depreciation of finance lease assets included in plant and machinery is £504,000 (2019: £600,000).

Included in freehold land and buildings is freehold land at cost of £1,129,000 (2019:£1,129,000) that is not depreciated.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

15 Investment property

	2020 £ 000	2019 £ 000
At 1 January	2,000	1,670
Gain on revaluation	-	330
At 31 December	<u>2,000</u>	<u>2,000</u>

The investment property was valued in 2019 by Savills (UK) Ltd independent valuers who hold recognised relevant professional qualifications and have relevant experience in the location of the investment property. The directors have assessed the valuation and have not noted any change.

If the investment property was held at historic cost it would be as follows:

	2020 £ 000	2019 £ 000
Historic cost	<u>468</u>	<u>468</u>
	<u>468</u>	<u>468</u>

Valuation method - The property was valued with reference to the sale of similar properties in the locality (the comparable approach), making property specific adjustments as necessary. The investment property value has been assessed by the directors based on their knowledge of the condition of the sites as well as the property prices in the locations.

Assumptions - The general assumptions used by the directors are that the use of prices of similar properties in the location is appropriate for assessing the value of this property.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

16 Investments

Subsidiaries £ 000

Cost

At 1 January 2020	3,086
At 31 December 2020	3,086

Impairment

At 1 January 2020	2,746
At 31 December 2020	2,746

Net book amount

At 31 December 2020	340
At 31 December 2019	340

Subsidiary undertakings

Name	Class of shares	Holding	Principal activity
Blasting Services Limited	Ordinary	100%	Dormant
Exchem Explosives Limited	Ordinary	100%	Dormant
Exchem Transport Limited	Ordinary	100%	Dormant
EDSL Limited	Ordinary	100%	Dormant
EPC Metrics Limited	Ordinary	100%	Manufacturing and environmental servicing
Exchem Defence Systems Limited	Ordinary	100%	Dormant

The registered address of the above listed companies is Venture Crescent, Nix's Hill Industrial Estate, Alfreton, Derbyshire, DE55 7RA

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

17 Stocks

	2020 £ 000	2019 £ 000
Raw materials and consumables	1,330	1,391
Work in progress	18	16
Finished goods and goods for resale	1,982	1,893
	<u>3,330</u>	<u>3,300</u>

Stocks are stated after an impairment provision of £244,000 (2019: £182,000). The replacement cost of stocks is not materially different to its carrying value.

18 Debtors

	Note	2020 £ 000	2019 £ 000
Trade debtors		8,866	9,903
Amounts owed by group undertakings	28	81	172
Other debtors		255	10
Prepayments		653	839
Deferred tax assets	12	1,840	1,747
Corporation tax receivable		64	36
		<u>11,759</u>	<u>12,707</u>

The amounts owed by group undertakings are unsecured, payable on demand and non-interest bearing. Trade debtors are stated after provisions for impairment of £nil (2019: £nil).

The deferred tax asset mainly relates to the pension deficit and therefore is due after more than one year.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

19 Creditors: amounts falling due within one year

	2020 £ 000	2019 £ 000
Bank loans and overdrafts	-	1,694
Trade creditors	5,335	7,450
Amounts owed to group undertakings	1,014	760
Accruals and other payables	3,326	2,645
Social security and other taxes	2,405	680
Finance lease liabilities	159	156
	<u>12,239</u>	<u>13,385</u>

Bank loans and overdrafts relate to the Company's debt factoring facility.

The factored debts are secured against the specific assets to which they relate. Amounts owed to group undertakings are unsecured, payable on demand and non-interest bearing.

20 Creditors: amounts falling due after more than one year

	2020 £ 000	2019 £ 000
Finance lease liabilities	513	593
Loans	-	71
	<u>513</u>	<u>664</u>

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

21 Finance Leases

The future minimum finance lease payments are as follows:

	2020 £ 000	2019 £ 000
Not later than one year	185	182
Later than one year and not later than five years	<u>539</u>	<u>635</u>
	724	817
Less: future finance charges	<u>(52)</u>	<u>(68)</u>
	<u>672</u>	<u>749</u>

22 Financial instruments

Financial assets

	2020 £ 000	2019 £ 000
Financial assets that are debt instruments measured at amortised cost	<u>9,202</u>	<u>10,085</u>
	<u>9,202</u>	<u>10,085</u>

Financial liabilities

	2020 £ 000	2019 £ 000
Financial liabilities measured at amortised cost	<u>(10,347)</u>	<u>(13,369)</u>
	<u>(10,347)</u>	<u>(13,369)</u>

Financial assets are measured at amortised cost and comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities are measured at amortised cost and comprise bank loans and overdrafts, trade creditors, amounts owed to group undertakings, other creditors, finance lease liabilities and accruals.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

23 Provisions

	2020 £ 000	2019 £ 000
At 1 January	11	11
Utilised in year	(6)	-
At 31 December	5	11

The Company is committed to a policy of environmental protection and appropriate action is taken to deal with contamination. This is expected to be utilised over a period of exceeding one year. During the financial year the provision was utilised further for the safe removal of asbestos by £6,000 (2019: £nil).

24 Pension commitments

Defined benefit pension schemes

The Company operates a pension scheme, the EPC UK PLC Pension and Assurance Scheme ("the Scheme"), which has both a defined benefit and defined contribution section. The defined benefit section of the Scheme provides benefits based on final pensionable pay.

The Scheme is funded with the assets being held by the Trustees separately from the assets of the Company. The Scheme was closed to new entrants on 1 October 2006. The Scheme has a number of participating employers. The principal employer of the Scheme is EPC United Kingdom PLC. The assets and liabilities attributable to each of the participating employers have been identified and disclosed separately for each employer.

A formal actuarial valuation was undertaken as at 31 December 2017. This showed a total shortfall across all participating employers of £14,600,000 which is being met by additional contributions of £1,013,416 per annum (increasing at 3% per annum) with effect from 1 March 2019 until 30 April 2028. The scheme ceased making contributions in respect of future benefit accrual from 1 April 2018. EPC United Kingdom PLC also contributes to individual pension arrangements through the defined contribution scheme. The assets of these arrangements are held separately from those of the Company with insurance companies. The pension cost represents the contributions payable by the Company to these arrangements and amounted to £462,000 (2019: £517,000). At the balance sheet date, the Company owed £77,000 (2019: £83,000) in respect of these contributions.

As at 1 January 2013, Blasting Services Limited's assets and liabilities were transferred to EPC United Kingdom PLC, and Blasting Services Limited ceased to participate in the Scheme going forward. The Trustees of the Scheme agreed to enter into a Flexible Apportionment Arrangement (FAA) which resulted in Blasting Services Limited's share of the Scheme's assets and liabilities being apportioned to EPC United Kingdom PLC.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

24 Pension commitments (continued)

	2020 £ 000	2019 £ 000
Reconciliation of present value of plan liabilities		
At the beginning of the year	(51,903)	(48,545)
Interest cost	(1,017)	(1,362)
Remeasurement (losses)/gains due to changes in demographic assumptions	(136)	1,059
Remeasurement losses due to changes in financial assumptions	(5,770)	(6,196)
Benefits paid	1,969	3,141
At the end of the year	(56,857)	(51,903)
	2020 £ 000	2019 £ 000
Reconciliation of fair value of plan assets		
At the beginning of the year	41,155	38,286
Interest income	813	1,079
Remeasurement gains / (losses)	4,076	3,988
Contributions	1,135	1,086
Benefits paid	(1,969)	(3,141)
Administrative expenses	(133)	(143)
At the end of the year	45,077	41,155
	2020 £ 000	2019 £ 000
Composition of plan assets		
Equities and hedge funds	15,132	14,684
Bonds	14,030	12,686
Liability driven investment	13,739	11,612
Property	422	436
Alternatives	1,592	1,481
Cash and other assets	162	256
Total plan assets	45,077	41,155

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

24 Pension commitments (continued)

	2020 £ 000	2019 £ 000
Fair value of scheme assets	45,077	41,155
Present value of scheme liabilities	(56,857)	(51,903)
Net pension scheme liability	(11,780)	(10,748)
	2020 £ 000	2019 £ 000
Recognised in the Statement of Comprehensive Income		
Interest on obligation	(204)	(283)
Administrative expense	(133)	(143)
	(337)	(426)

Amounts above exclude the actuarial losses recognised in Other comprehensive income.

	2020 £ 000	2019 £ 000
Actual return on scheme assets	4,889	5,067
Pension assumptions		
	2020	2019
Discount rate	1.30%	2.00%
Rate of increase in pensions	2.80%	2.90%
RPI	2.85%	2.95%
CPI	2.00%	1.95%

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

24 Pension commitments (continued)

	2020	2019
Mortality		
Male aged 65	20.7	20.6
Female aged 65	22.7	22.5
Male aged 45	22.0	21.9
Female aged 45	<u>24.2</u>	<u>24.0</u>

Sensitivity Analysis

The impact of defined benefit obligation of changes in the significant assumptions is shown approximately below:

	<i>Increase in DBO £ 000</i>
Discount rate (0.5%)	5,009
Inflation +0.5% (RPI and CPI)	3,083
RPI + 0.50%	1,720
CPI + 0.50%	1,322
1 year increase in Life Expectancy	2,409

25 Share capital

Allotted, called up and fully paid shares

	2020 £ 000	2019 £ 000
1,858,890 (2019: 1,858,890) Ordinary shares of £0.50 (2019: £0.50) each	929	929
610,000 (2019: 610,000) Deferred shares of £0.10 (2019: £0.10) each	<u>61</u>	<u>61</u>
	<u>990</u>	<u>990</u>

Voting Rights

Both Ordinary and Deferred shareholders are entitled to vote at meetings in any circumstances.

Distribution of Dividends

If a dividend is paid, this shall be in the order of:

- 3% of nominal value to ordinary shareholders; then
- 3% of nominal value to deferred shareholders; then
- any remaining dividend is split 75% to the ordinary shareholders, and 25% to deferred shareholders.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

25 Share capital (continued)

Liquidation Preference

In the event of a liquidation or capital reduction, any assets remaining after settling liabilities should be distributed in this order:

- to ordinary shareholders (nominal value plus any dividend owed); then
- to deferred shareholders (nominal value plus any dividend owed); then
- any balance remaining: 75% to ordinary and 25% to deferred shareholders.

26 Reserves

The revaluation reserve is a non-distributable reserve that represents an increase in the carrying amounts of tangible assets on revaluation.

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

27 Contingent assets

In January 2019 the Company experienced an incident at its Bramble Island location that resulted in damage to property and equipment and disruption to the manufacturing process. As a result the Company submitted a claim to its insurer. While the amount of the claim has not been agreed, the Company believes that a satisfactory settlement of the claim will be agreed. In accordance with FRS 102 the Company has not recognised the proceeds as an asset, but is disclosing in this note, the existence of the possible asset as an inflow of economic benefits is probable.

At the time of approving these financial statements it is not practicable to estimate the financial effect of the claim.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

28 Related party transactions

During the year the Company sold and purchased goods and services with companies that are related due to being members of the Societe ANonume d'Explosifs et Produits Chimiques and 4 December SAS groups.

Transactions in the year were as follows:

For year ended 31 December 2020

	<i>Opening</i>	<i>Sales</i>	<i>Purchases</i>	<i>Repayments</i>	<i>Closing</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Adex Services Limited	4	-	(800)	706	(90)
Arabian Explosives	-	-	-	-	-
Blasting Services Limited	-	-	-	-	-
EPC Cote D'Ivoire	-	3	-	(3)	-
EPC Canada Explosives LTD	-	42	-	(25)	17
EPC France	11	-	(295)	261	(23)
Nitrates et Innovation S.A.S	12	8	(240)	190	(30)
SEI EPC Italia SpA	18	-	-	1	19
EPC Metrics Limited	(351)	-	-	20	(331)
EPC Sverige	114	202	-	(271)	45
Kemek	(27)	250	-	(223)	-
Mining Explosives Limited	(202)	366	(734)	161	(409)
Societe Anonyme d'Explosifs et de Produits Chimiques	(180)	-	(1,316)	1,365	(131)
Adex SNC	13	-	-	(13)	-
	(588)	871	(3,385)	2,169	(933)

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

28 Related party transactions (continued)

For year ended 31 December 2019

	<i>Opening</i>	<i>Sales</i>	<i>Purchases</i>	<i>Repayments</i>	<i>Closing</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Adex Services Limited	114	-	(880)	770	4
Arabian Explosives	-	11	-	(11)	-
Blasting Services Limited	(712)	-	-	712	-
EPC Cote D'Ivoire	-	5	-	(5)	-
EPC Canada Explosives LTD	11	28	-	(39)	-
EPC France	(23)	73	(290)	251	11
Nitrates et Innovation S.A.S	56	69	(249)	136	12
SEI EPC Italia SpA	96	-	-	(78)	18
EPC Metrics Limited	(376)	-	-	25	(351)
EPC Sverige	-	118	-	(4)	114
Kemek	10	457	(32)	(462)	(27)
Mining Explosives Limited	315	441	(665)	(293)	(202)
Societe Anonyme d'Explosifs et de Produits Chimiques	(411)	1	(987)	1,217	(180)
Adex SNC	-	13	-	-	13
	(920)	1,216	(3,103)	2,219	(588)

29 Controlling party

The immediate parent undertaking of EPC United Kingdom PLC is Societe Anonyme d'Explosifs et de Produits Chimiques ("EPC Groupe"). The ultimate parent company is Argos Wityu Partners S.A. in Luxembourg.

EPC Groupe is the parent undertaking of the largest and smallest group to consolidate the results of the Company and whose financial statements are publicly available at 31 December 2020. The consolidated financial statements of EPC Groupe, a company incorporated in France and quoted on the Bourse de Paris, are available to the public from Greffe du Tribunal de Commerce de Nanterre, 4 rue Pable Neruda, 92020 Nanterre.

Notes to the Financial Statements

for the Year Ended 31 December 2020 (continued)

30 Capital commitments

	2020 £ 000	2019 £ 000
Contracted for but not provided in the financial statements	<u>552</u>	<u>395</u>

The capital commitment relates to a Mobile Emulsion Manufacturing Unit and electrical infrastructure replacement.

31 Commitments under operating leases

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £ 000	2019 £ 000
Not later than one year	2,079	2,390
Later than one year and not later than five years	1,950	3,079
Later than five years	<u>184</u>	<u>221</u>
	<u>4,213</u>	<u>5,690</u>

32 Contingent liabilities

The Company has an invoicing discounting facility in place with Societe Generale Finance for certain selected customers as set out in note 19. There is no bank overdraft facility or debenture.