Company Registration No. 01681202 (England and Wales)

H.P. CHEMIE PELZER (U.K.) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

H.P. CHEMIE PELZER (U.K.) LIMITED

COMPANY INFORMATION

Directors	Mr Pietro Lardini	
	Mr Jan Ysenbrandt	(Appointed 9 September 2019)
Secretary	Mr Jeremy McCormick	
Company number	01681202	
Registered office	Units 5-8, Vaughan Trading Estate Sedgley Road East Tipton West Midlands DY4 7UJ	
Auditor	AGS Accountants & Business Advisors Limited Unit 1 Castle Court 2 Castlegate Way Dudley DY1 4RH	
Business address	Units 5-8, Vaughan Trading Estate Sedgley Road East Tipton West Midlands DY4 7UJ	

H.P. CHEMIE PELZER (U.K.) LIMITED

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H.P. CHEMIE PELZER (U.K.) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report and financial statements for the year ended 31 December 2019.

Review of business and future developments
Ongoing business was broadly in line with expectations.

During the year HP Chemie Pelzer has continued with the integration into the global group of Adler Pelzer. Adler Pelzer Group has implemented benefits and improvements by the introduction of Adler Pelzer's successful manufacturing systems.

The company retains its enviable reputation for quality and the skills of its workforce which continue to give it a competitive advantage.

Principal risks and uncertainties
The market for the manufacture and distribution of sound insulation materials for the for the automotive industry remains highly competitive. The company is party to the risk management procedures of Adler Pelzer Group which include regular reviews and enhancement of internal control systems, as well as identification of risks and swift implementation of appropriate measures to mitigate risk.

The company's operations expose it to a variety of financial risks that include foreign exchange risk, interest rate risk and credit risk.

To manage the successful and timely introduction of new projects the company has introduced project management tools and controls developed and tested by the parent company.

A general risk to the business arises as a result of the UK's decision to leave the European Union, with the possibility of affected trade between suppliers and customers within the EU.

Key performance indicators ("KPI's")
Revenue

Operating Profit

- Turnover has decreased year on year by £4.329m.
- Operating profits have improved from a loss of £7.137m in 2018 to a loss of £0.787m in 2019.

On behalf of the board

Mr Jan Ysenbrandt
Director
7 April 2021

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities
The principal activity of the company continued to be that of manufacture and supply of sound insulation materials for the automotive industry in the UK and mainland Europe.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Pietro Lardini	
Mr Jan Ysenbrandt	(Appointed 9 September 2019)

The directors do not have the benefit of a qualifying third party indemnity provision.

Results and dividends
The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

Financial risk management and future developments
These are set out within the strategic report on page 1.

Auditor
AGS Accountants & Business Advisors Limited were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the applicable United Kingdom Accounting Standards, including FRS102 have been followed, subject to any material departures disclosed and explained in the financial statement;
- notify its shareholders in writing about the use of disclosure exemption, if any, of FRS102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditor
In accordance with section 418 of the Companies Act 2006, director's reports shall include a statement, in the case of each director in office at the date the director's report is approved, that:

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

Going Concern
In view of the results for the year and the company's reliance on the financial support of Adler Pelzer Group, Adler Pelzer Holding GmbH has provided a letter of support which confirms that it will continue to provide sufficient support for at least the next 12 months from the date of approval of these financial statements to enable to company to continue in operation. For this reason the director continues to adopt the going concern basis in preparing the financial statements.

On behalf of the board

Mr Jan Ysenbrandt
Director

7 April 2021

H.P. CHEMIE PELZER (U.K.) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF H.P. CHEMIE PELZER (U.K.) LIMITED

Opinion

We have audited the financial statements of H.P. Chemie Pelzer (U.K.) Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified 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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Stephen Aston (Senior Statutory Auditor)
for and on behalf of AGS Accountants & Business Advisors Limited

7 April 2021

Certified Accountants
Statutory Auditor

Unit 1
Castle Court 2
Castlegate Way
Dudley
DY1 4RH

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	6,964,891	11,293,970
Cost of sales		(5,696,624)	(11,546,632)
Gross profit/(loss)		1,268,267	(252,662)
Administrative expenses		(2,055,244)	(6,884,843)
Operating loss	5	(786,977)	(7,137,505)
Interest receivable and similar income	7	250,612	157,926
Interest payable and similar expenses	8	(2,527,818)	(2,832,248)
Loss before taxation		(3,064,183)	(9,811,827)
Tax on loss	9	-	-
Loss for the financial year		(3,064,183)	(9,811,827)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

H.P. CHEMIE PELZER (U.K.) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	10		-		230
Tangible assets	11		539,486		801,436
			539,486		801,666
Current assets					
Stocks	12	6,014,362		3,597,249	
Debtors	13	4,832,440		7,368,335	
Cash at bank and in hand		236,607		372,406	
		11,083,409		11,337,990	
Creditors: amounts falling due within one year	14	(75,718,298)		(73,170,876)	
Net current liabilities			(64,634,889)		(61,832,886)
Total assets less current liabilities			(64,095,403)		(61,031,220)
Provisions for liabilities	15		(225,000)		(225,000)
Net liabilities			(64,320,403)		(61,256,220)
Capital and reserves					
Called up share capital	17		5,000,000		5,000,000
Profit and loss reserves			(69,320,403)		(66,256,220)
Total equity			(64,320,403)		(61,256,220)

The financial statements were approved by the board of directors and authorised for issue on 7 April 2021 and are signed on its behalf by:

Mr Jan Ysenbrandt
Director

Company Registration No. 01681202

H.P. CHEMIE PELZER (U.K.) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2018	5,000,000	(56,444,393)	(51,444,393)
Year ended 31 December 2018:			
Loss and total comprehensive income for the year	-	(9,811,827)	(9,811,827)
Balance at 31 December 2018	5,000,000	(66,256,220)	(61,256,220)
Year ended 31 December 2019:			
Loss and total comprehensive income for the year	-	(3,064,183)	(3,064,183)
Balance at 31 December 2019	5,000,000	(69,320,403)	(64,320,403)

H.P. CHEMIE PELZER (U.K.) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from operations	**22**		1,946,598		2,474,784
Interest paid			(2,527,818)		(2,832,248)
Net cash outflow from operating activities			(581,220)		(357,464)
Investing activities					
Purchase of tangible fixed assets		-		(9,422)	
Proceeds on disposal of tangible fixed assets		194,809		48,935	
Interest received		250,612		157,926	
Net cash generated from investing activities			445,421		197,439
Net decrease in cash and cash equivalents			(135,799)		(160,025)
Cash and cash equivalents at beginning of year			372,406		532,431
Cash and cash equivalents at end of year			236,607		372,406

1 Accounting policies

Company information

H.P. Chemie Pelzer (U.K.) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Units 5-8, Vaughan Trading Estate, Sedgley Road East, Tipton, West Midlands, DY4 7UJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

In view of the results for the year and the Company's reliance on the financial support of Adler Pelzer Group, Adler Pelzer Holding GmbH has provided a letter of support which confirms that it will continue to provide sufficient support for at least the next 12 months from the date of approval of these financial statements to enable to Company to continue in operation. For this reason the director continues to adopt the going concern basis in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets other than goodwill

Intangible assets comprises of computer software which is included at cost less accumulated amortisation and accumulated impairment losses. Software is amortised in equal instalments over 4 to 15 years which is the estimated useful economic life.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have been changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Software	3 Year Staight Line

1 Accounting policies **(Continued)**

1.5 Tangible fixed assets

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and costs attributable to bringing the assets to its working condition.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use. Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment in equal annual instalments over their estimated useful economic lives as follows:

Plant and machinery	8 to 15 years
Fixtures and fittings	4 to 20 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1 Accounting policies **(Continued)**

1.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within bank loans in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Other financial liabilities
Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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

1 Accounting policies **(Continued)**

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1 Accounting policies **(Continued)**

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019	**2018**
	£	**£**
Other significant revenue		
Interest income	250,612	157,926

3 Turnover and other revenue **(Continued)**

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	6,927,937	11,082,570
Rest of Europe	36,954	211,400
	6,964,891	11,293,970

4 Exceptional item

	2019	2018
	£	£
Expenditure		
Dilapidation costs	-	225,000

5 Operating loss

	2019	2018
Operating loss for the year is stated after charging/(crediting):	£	£
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	24,515	746,785
Fees payable to the company's auditor for the audit of the company's financial statements	16,393	25,323
Depreciation of owned tangible fixed assets	108,554	164,773
Profit on disposal of tangible fixed assets	(41,413)	-
Amortisation of intangible assets	230	1,643
Operating lease charges	267,151	810,314

6 Employees

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

	2019	2018
	Number	Number
Sales and administration	3	15
Manufacturing	8	44
Total	11	59

6 Employees (Continued)

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	635,162	1,482,205
Social security costs	64,058	150,884
Pension costs	2,926	11,323
	702,146	1,644,412

7 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	290	261
Interest receivable from group companies	250,322	157,665
Total income	250,612	157,926

Investment income includes the following:

	2019	2018
Interest on financial assets not measured at fair value through profit or loss	250,612	157,926

8 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	2,527,818	2,832,241
Other interest on financial liabilities	-	7
	2,527,818	2,832,248

9 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Loss before taxation	(3,064,183)	(9,811,827)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(582,195)	(1,864,247)
Unutilised tax losses carried forward	635,562	1,920,832
Permanent capital allowances in excess of depreciation	(53,367)	(56,585)
Taxation charge for the year	-	-

10 Intangible fixed assets

	Software
	£
Cost	
At 1 January 2019 and 31 December 2019	237,303
Amortisation and impairment	
At 1 January 2019	237,073
Amortisation charged for the year	230
At 31 December 2019	237,303
Carrying amount	
At 31 December 2019	-
At 31 December 2018	230

11 Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 January 2019	6,055,902	3,288,728	9,344,630
Disposals	(1,053,469)	-	(1,053,469)
At 31 December 2019	5,002,433	3,288,728	8,291,161
Depreciation and impairment			
At 1 January 2019	5,592,435	2,950,759	8,543,194
Depreciation charged in the year	63,215	45,339	108,554
Eliminated in respect of disposals	(900,073)	-	(900,073)
At 31 December 2019	4,755,577	2,996,098	7,751,675
Carrying amount			
At 31 December 2019	246,856	292,630	539,486
At 31 December 2018	463,467	337,969	801,436

12 Stocks

	2019	2018
	£	£
Raw materials and consumables	2,608,501	1,017,305
Work in progress	416,019	280,210
Finished goods and goods for resale	2,989,842	2,299,734
	6,014,362	3,597,249

13 Debtors

	2019	2018
Amounts falling due within one year:	£	£
Trade debtors	541,982	915,487
Amounts owed by group undertakings	4,110,483	6,099,958
Other debtors	8,853	14,214
Prepayments and accrued income	171,122	338,676
	4,832,440	7,368,335

14 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	1,485,924	1,954,973
Amounts owed to group undertakings	70,617,134	68,258,881
Taxation and social security	179,236	272,957
Other creditors	20,793	20,183
Accruals and deferred income	3,415,211	2,663,882
	75,718,298	73,170,876

15 Provisions for liabilities

	2019	2018
	£	£
Dilapidation provision	225,000	225,000

Movements on provisions:

	Dilapidation provision
	£
At 1 January 2019 and 31 December 2019	225,000

A provision has been made for dilapidation costs in relation to the trading premises in Liverpool which were vacated in March 2019.

16 Retirement benefit schemes

	2019	2018
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	2,926	11,323

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

17 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
5,000,000 Ordinary of £1 each	5,000,000	5,000,000

18 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	6,690	130,007
Between two and five years	-	6,690
	6,690	136,697

19 Ultimate controlling party

The immediate parent undertaking is Adler Pelzer Holding GmbH, a company incorporated in Germany.

Adler Pelzer Holding GmbH is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of this Company are available from H.P. Pelzer Holding GmbH, Brauckstrasse 51 D-58454 Witten, Germany.

The ultimate parent undertaking and controlling party is Adlergroup S.p.A., a company incorporated in Italy.

Adlergroup S.p.A. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of this Company are available from Riviera di Chiaia, 256 Napoli, Italy.

20 Contingent Liabilities

The company has a charge registered with Companies House in respect of a rent deposit deed in favour of Peel Investments (U.K) Limited, registered on 27 June 2008. The amount secured is £400,000 against the company's deposit account and all money withdrawn from the deposit account. This relates to a rental deposit on the building which the company currently has on a long term lease. No money has physically changed hands in respect of this deposit and it will only become payable where the company defaults on any repayments due as detailed in the covenants contained within the leasehold agreement.

21 Related Party Transactions

The Company has taken advantage of the exemption, as provided by paragraph 33.1A of FRS 102 and does not disclose transactions with members of the same group that are wholly owned. The Company discloses transactions with related parties which are not wholly owned within the same group.

22 Cash generated from operations

	2019	2018
	£	£
Loss for the year after tax	(3,064,183)	(9,811,827)
Adjustments for:		
Finance costs	2,527,818	2,832,248
Investment income	(250,612)	(157,926)
Gain on disposal of tangible fixed assets	(41,413)	-
Amortisation and impairment of intangible assets	230	1,643
Depreciation and impairment of tangible fixed assets	108,554	164,773
Increase in provisions	-	225,000
Movements in working capital:		
Increase in stocks	(2,417,113)	(76,121)
Decrease/(increase) in debtors	2,535,895	(1,925,854)
Increase in creditors	2,547,422	11,222,848
Cash generated from operations	1,946,598	2,474,784

23 Analysis of changes in net funds

	1 January 2019	Cash flows	31 December 2019
	£	£	£
Cash at bank and in hand	372,406	(135,799)	236,607