Registration number: 00084170

EPC United Kingdom PLC

Report and Financial Statements

31 December 2019

Company information

Directors

P. de Brancion
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
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

Strategic Report
for the Year Ended 31 December 2019

Introduction
The directors are pleased to present the Strategic Report on EPC United Kingdom PLC for the year ended 31 December 2019.

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, safety culture and leadership were recognised by the Institute of Quarrying with the company winning two Excellence awards; Best Initiative to Engage Workforce with the Commit to be Fit campaign, and an individual recognition award for the Managing Director for Individual Excellence and Leadership.

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 2019 (continued)

The directors report that a profit for the year of £85,000 was achieved in 2019 (2018: £81,000) and the company had net assets of £5,537,000 (2018: £6,394,000) as at 31 December 2019.

During the year, productivity issues at the Fuel Additives plant contributed to the significantly reduced result from directors' expectations. The Directors recognise the successful efforts of the management in implementing the full business continuity plan during this period, and no concern 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 ISO22301 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 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.

	2019	*2018*
Operating profit margin	0.3%	0.8%
Return on capital employed (a)	3.1%	8.3%

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

Strategic Report
for the Year Ended 31 December 2019 (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 2019,

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 2019 (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)

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, its majority shareholder is 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 24/7/20 and signed on its behalf by:

Ben Williams

B.C. Williams
Director

Directors' Report
for the Year Ended 31 December 2019

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

Results and dividends
The profit for the financial year, after taxation, amounted to £85,000 (2018 - £81,000).

No dividend was paid in the year (2018: £400,000).

No dividend is being proposed by the directors by the date of the approval of these statements (2018: £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

B.C. Williams

O.L. Obst

R.R. Keen

J. French (resigned 24 June 2020)

The following director was appointed after the year end:

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 risk

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

Future developments
The directors are optimistic about prospects for 2020.

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 2019 (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 though 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 £188,000 (2018: £146,000) Research and Development Expenditure Credit (RDEC) for projects carried out in 2019.

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. 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 view this to be a non-adjusting balance sheet event, and therefore no change has been made to the 2019 results.

Directors' Report

for the Year Ended 31 December 2019 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors acknowledge their responsibilities for preparing the 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, 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 these audited financial statements, the directors are required to:

- select suitable accounting policies and 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 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 auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on ..24/9/20.... and signed on its order by:

....

D. Bloor

Company secretary

Independent Auditors' 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 2019 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 2019; the Statement of Comprehensive Income, 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

We have nothing to report in respect of the following matters in relation to which 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.

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

Independent Auditors' Report
to the Members of EPC United Kingdom PLC (continued)

Reporting on other information
The other information comprises all of the information in the 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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 Auditors' 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.

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.

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 received 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.

David Martin
....
David Martin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

24 September 2020

Statement of Comprehensive Income
for the year ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	4	62,791	69,087
Cost of sales		(48,714)	(55,000)
Gross profit		**14,077**	**14,087**
Distribution costs		(3,734)	(4,316)
Administrative expenses		(11,247)	(10,448)
Other operating income		1,073	1,205
Operating profit	5	**169**	**528**
Interest payable and similar expenses	9	(84)	(52)
Other finance costs	10	(283)	(295)
Amounts written off investments	17	(710)	(1,461)
Gain on extinguishment of debt	17	710	1,461
Revaluation gain on investment property	16	330	-
Profit before tax		**132**	**181**
Taxation	11	(47)	(100)
Profit for the financial year		**85**	**81**
Other comprehensive (loss)/income for the year			
Actuarial (losses) / gains on defined benefit pension scheme		(1,149)	1,518
Movement of deferred tax relating to pension deficit		207	(273)
Other comprehensive (loss)/income for the year		(942)	1,245
Total comprehensive (loss)/income for the year		(857)	1,326

The above results were derived from continuing operations.

The notes on pages 15 to 45 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	14	323	349
Tangible assets	15	10,137	10,042
Investment property	16	2,000	1,670
Investments	17	340	1,050
		12,800	13,111
Current assets			
Stocks	18	3,300	3,334
Debtors	19	12,707	16,114
Cash at bank and in hand		1,538	757
		17,545	20,205
Creditors: Amounts falling due within one year	20	(13,385)	(16,191)
Net current assets		4,160	4,014
Total assets less current liabilities		16,960	17,125
Creditors: Amounts falling due after more than one year	21	(664)	(461)
Provisions for liabilities	24	(11)	(11)
Defined benefit pension scheme liability	25	(10,748)	(10,259)
Net assets		5,537	6,394
Capital and reserves			
Called up share capital	26	990	990
Revaluation reserve	27	2,078	2,078
Profit and loss account		2,469	3,326
Total equity		5,537	6,394

The financial statements were approved and authorised by the Board on 24/9/20 and signed on its behalf by:

B.C. Williams

B.C. Williams
Director

The notes on pages 15 to 45 form an integral part of these financial statements.

Statement of Changes in Equity

for the Year Ended 31 December 2019

	Called up share capital £ 000	*Revaluation reserve £ 000*	*Profit and loss account £ 000*	*Total £ 000*
At 1 January 2018	990	2,078	2,400	5,468
Profit for the year	-	-	81	81
Other comprehensive income	-	-	1,245	1,245
Total comprehensive income	-	-	1,326	1,326
Dividends	-	-	(400)	(400)
At 31 December 2018	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

The notes on pages 15 to 45 form an integral part of these financial statements.

Notes to the Financial Statements
for the Year Ended 31 December 2019

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, 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 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 s401 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:

2.2 Going concern
As noted in the Directors' Report, the directors have considered the company's position, including reviewing the company's forecasts and projections. The directors consider the company has adequate resources to continue in operational existence for the foreseeable future and hence the going concern basis of preparation remains appropriate.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (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) and 12.29A, as the information is provided in the consolidated financial statement disclosures (see note 29).

This information is included in the consolidated financial statements of Societe E J Barbier as at 31 December 2019 which are available from Greffe du Tribunal de Commerce de Paris, 1 Quai de Corse, 75004 Paris, France.

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 was that continuous improvement and the availability of new technology could make existing technology redundant.

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.

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:

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Asset class	*Depreciation method and rate*
Freehold property	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 purposes of determining the fair value of the investment property, the directors obtain a professional independent valuation every three years. 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.

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 profit or loss.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

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.

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.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

2.19 Pensions (continued)

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.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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 with 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 Consolidated financial statements

The financial statements contain information about EPC United Kingdom PLC as an individual company and do not contain consolidated financial information. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its immediate parent Societe Anonyme d'Explosifs et de Produits Chimiques.

2.25 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.

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

3 Judgements in applying accounting policies and key sources of estimation

There are no significant accounting judgements in these financial statements. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. Estimates and assumptions are used in most areas of reporting. The ones having a greater chance of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually and amended if deemed necessary. See note 15 for the carrying amount of the tangible assets, and note 2.4 for the useful economic lives for each class of assets.

Stock provisions

The company manufactures a wide range of products across different product areas. Differing production methods are also used. To ensure that a fair net carrying amount is stated, the recoverability of the cost of stock, and the associated provisioning required is considered. When making stock provisions, management consider the nature and condition of the inventory, together with any time restrictions on its use. Assumptions about the anticipated saleability of finished goods, and future usage of raw materials are made. See note 18 for the net carrying amount of the inventory and associated provision.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. Management makes an assessment of trade and other debtors by reviewing the ageing profile of debtors and historical experience. See note 19 for the net carrying amount of the debtors plus any associated impairment provision, if any.

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 25 for the disclosures relating to the defined benefit pension scheme.

Investment property

The company makes fair value estimations of their investment property based on current market rents and investment property yields for comparable real estate. Fair value has been estimated in the year by Savills (UK) Ltd, a professional, qualified valuation company. See note 16 for the carrying amount of investment property.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (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:

	2019 *£ 000*	*2018* *£ 000*
United Kingdom	57,358	62,830
Rest of Europe	5,169	6,066
Other	264	191
	62,791	69,087

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

	2019 *£ 000*	*2018* *£ 000*
Sale of goods	35,508	43,528
Rendering of services	26,488	24,740
Other	795	819
	62,791	69,087

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

5 Operating profit

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

	2019 *£ 000*	*2018* *£ 000*
Research and development tax credit	(188)	(146)
Recharges to other group companies	(740)	(920)
Depreciation expense	1,083	1,072
Amortisation of intangible assets	31	29
Operating leases	3,281	3,200
Gain on sale of tangible assets	(43)	(90)
Foreign exchange losses	36	28
Inventory recognised as an expense	31,148	37,750
Research and development costs	1,563	1,327

6 Auditors' remuneration

	2019 *£ 000*	*2018* *£ 000*
Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements	76	74
Audit related assurance services - half year review	10	10
All other services	13	14
	99	98

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 2019 (continued)

7 Staff costs

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

	2019 *No.*	*2018* *No.*
Manufacturing	143	144
Marketing, administrative and research and development	94	95
	237	239

Staff costs including directors' remuneration were as follows:

	2019 *£ 000*	*2018* *£ 000*
Wages and salaries	9,503	9,171
Social security costs	968	982
Cost of defined benefit scheme	-	82
Cost of defined contribution scheme	517	506
	10,988	10,741

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 *£ 000*	*2018* *£ 000*
Aggregate Directors' Emoluments	313	279
Company contributions to defined contribution pension schemes	17	36
	330	315

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

8 Directors' remuneration (continued)

These amounts include emoluments totalling £221,216 (2018: £220,130) paid by a fellow subsidiary undertaking.

During the year, the number of directors that exercised share options was nil (2018: nil). The number of directors included in the defined contribution scheme within the year was 1 (2018: 1).

The highest paid director received remuneration of £237,216 (2018: £232,630). This includes defined contribution pension contributions of £17,129 (2018: £29,967).

9 Interest payable and similar expenses

	2019 *£ 000*	*2018* *£ 000*
Bank interest payable	77	52
Interest payable on finance leases	7	-
	84	52

10 Other finance costs

	2019 *£ 000*	*2018* *£ 000*
Net interest on the net defined benefit liability	283	295

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

11 Taxation

Tax charged in the Statement of comprehensive income.

	2019 *£ 000*	*2018* *£ 000*
Current taxation		
Adjustments in respect of prior periods	-	69
Deferred taxation		
Origination and reversal of timing differences	(98)	(37)
Pension timing differences	119	84
Adjustments in respect of prior periods	26	(16)
Total deferred taxation	47	31
Tax on profit	47	100

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018: 19%)

The differences are reconciled below:

	2019 *£ 000*	*2018* *£ 000*
Profit before tax	132	181
Corporation tax at standard rate	25	34
Expenses not deductible for tax purposes	33	43
Income not taxable	(37)	(28)
Adjustments in respect of prior periods	26	53
Tax rate changes	-	(2)
Total tax charge for the year	47	100

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

11 Taxation (continued)

Factors that may affect future tax charges

Changes to the UK corporation tax rate were substantively enacted as part of the Finance Bill 2017 (on 6 September 2017). These included reductions to the main rate, to reduce the rate to 17% from 1 April 2020. However in the Finance Bill 2020 it was stated that the rate would remain at 19%. If deferred taxes at the balance sheet date had been measured using these tax rates the effect on these financial statements would be to increase net assets by £97,000.

12 Deferred taxation

	2019 *£ 000*
At 1 January	1,587
Profit and loss	(47)
Other comprehensive income	207
At 31 December	1,747

The deferred tax asset is comprised as follows:

	2019 *£ 000*	*2018* *£ 000*
Accelerated capital allowances	(202)	(273)
Short term timing differences	14	13
Pension deficit	1,935	1,847
	1,747	1,587

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

13 Dividends paid

	2019 *£ 000*	*2018* *£ 000*
Dividend per ordinary share of £nil (2018: £0.16)	-	306
Dividend per deferred share of £nil (2018: £0.15)	-	94
	-	400

14 Intangible assets

	Goodwill *£ 000*	*Software* *£ 000*	*Total* *£ 000*
Cost			
At 1 January 2019	471	50	521
Additions	-	5	5
At 31 December 2019	471	55	526
Accumulated amortisation			
At 1 January 2019	136	36	172
Charge for the year	25	6	31
At 31 December 2019	161	42	203
Net book amount			
At 31 December 2019	310	13	323
At 31 December 2018	335	14	349

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

15 Tangible assets

	Freehold property £ 000	*Short-term leasehold property £ 000*	*Plant and machinery £ 000*	*Total £ 000*
Cost				
At 1 January 2019	3,908	76	17,718	21,702
Additions	40	-	1,141	1,181
Disposals	-	-	(347)	(347)
At 31 December 2019	3,948	76	18,512	22,536
Accumulated depreciation				
At 1 January 2019	2,348	56	9,256	11,660
Depreciation for the year	73	3	1,007	1,083
Eliminated on disposal	-	-	(344)	(344)
At 31 December 2019	2,421	59	9,919	12,399
Net book amount				
At 31 December 2019	1,527	17	8,593	10,137
At 31 December 2018	1,560	20	8,462	10,042

The carrying amount of the above that has been pledged as security for liabilities at 31 December 2019 is £1,261,000 (2018: £620,000).

Cost and accumulated depreciation of finance lease assets were £1,136,000 and £536,000 respectively.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

16 Investment property

	2019 £ 000	2018 £ 000
At 1 January	1,670	1,670
Gain on revaluation	330	-
At 31 December	2,000	1,670

The investment property has been valued by Savills (UK) Ltd. If the investment property was held at historic cost it would be as follows:

	2019 £ 000	2018 £ 000
Historic cost	468	468
	468	468

Valuation method - The properties were valued with reference to the sale of similar properties in the locality (the comparable approach), making property specific adjustments as necessary.

Assumptions - The general assumptions used by the experts have been reviewed by the directors and found to be appropriate for the properties.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

17 Investments

Subsidiaries	*£ 000*
Cost or valuation	
At 1 January 2019	3,086
At 31 December 2019	3,086
Provision	
At 1 January 2019	2,036
Reduction in share capital of subsidiaries to £1	710
At 31 December 2019	2,746
Net book amount	
At 31 December 2019	340
At 31 December 2018	1,050

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

*Blasting Services Limited has reduced its share capital to £1 and subsequently released the debt owed by EPC United Kingdom PLC of £710,000 for nil consideration, resulting in an impairment in subsidiaries of £710,000. The entity was dormant except for this activity.

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

18 Stocks

	2019 *£ 000*	*2018* *£ 000*
Raw materials and consumables	1,391	1,461
Work in progress	16	22
Finished goods and goods for resale	1,893	1,851
	3,300	3,334

Stocks are stated after an impairment provision of £182,000 (2018: £54,000). The replacement cost of stocks is not materially different to its carrying value.

19 Debtors

	Note	*2019* *£ 000*	*2018* *£ 000*
Trade debtors		9,903	12,388
Amounts owed by group undertakings	28	172	602
Other debtors		10	219
Prepayments		839	1,318
Deferred tax assets	12	1,747	1,587
Corporation tax receivable		36	-
		12,707	16,114

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 (2018: £nil).

The deferred tax assets mainly relate to the pension deficit and therefore are due after more than one year.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

20 Creditors: amounts falling due within one year

	Note	2019 £ 000	2018 £ 000
Bank loans and overdrafts		1,694	3,729
Trade creditors		7,450	8,563
Amounts owed to group undertakings	28	760	1,522
Accruals and other payables		2,645	1,592
Social security and other taxes		680	519
Finance lease liabilities		156	266
		13,385	16,191

Bank loans and overdrafts relate to the debt factoring facility. Lease purchase obligations are secured on the specific assets to which they relate. Amounts owed to group undertakings are unsecured, payable on demand and non-interest bearing.

21 Creditors: amounts falling due after more than one year

	2019 £ 000	2018 £ 000
Finance leases	593	172
Loans	71	289
	664	461

The loans of £71,000 comprises the remaining balance on the ITG loan of £12,000 and Lombard loan of £59,000. The 3 year ITG loan has a maturity date of 28 February 2021 and an average interest rate of 1.73%. The 3 year Lombard loan has a maturity date of 31 March 2021 and an average interest rate of 3.97%.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

22 Finance Leases

The future minimum finance lease payments are as follows:

	2019 £ 000	2018 £ 000
Not later than one year	182	273
Later than one year and not later than five years	635	182
	817	455
Less: future finance charges	(68)	(17)
	749	438

23 Financial instruments

Financial assets

	2019 £ 000	2018 £ 000
Financial assets that are debt instruments measured at amortised cost	10,085	13,209
	10,085	13,209

Financial liabilities

	2019 £ 000	2018 £ 000
Financial liabilities measured at amortised cost	(14,053)	(16,652)
	(14,053)	(16,652)

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

Financial liabilities are measured at amortised cost and compromise bank loans and overdrafts, trade creditors, amounts owed to group undertakings, other creditors, corporation tax, hire purchase liability, other taxation and social security.

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

24 Provisions

	2019 £ 000	2018 £ 000
At 1 January	11	49
Utilised in year	-	(38)
At 31 December	11	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 £nil (2018: £38,000).

25 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 for 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 to 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 £517,000 (2018: £506,000). At the balance sheet date, the company owed £83,000 (2018: £82,000) 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 2019 (continued)

25 Pension commitments (continued)

	2019 £ 000	2018 £ 000
Reconciliation of present value of plan liabilities		
At the beginning of the year	(48,545)	(53,904)
Service cost	-	(82)
Interest cost	(1,362)	(1,313)
Remeasurement gains due to changes in demographic assumptions	1,059	312
Remeasurement (losses) / gains due to changes in financial assumptions	(6,196)	2,767
Experience gain on the obligation	-	906
Contributions	-	(38)
Benefits paid	3,141	2,807
At the end of the year	(51,903)	(48,545)

	2019 £ 000	2018 £ 000
Reconciliation of fair value of plan assets		
At the beginning of the year	38,286	41,659
Interest income	1,079	1,018
Remeasurement gains / (losses)	3,988	(2,467)
Contributions	1,086	1,094
Benefits paid	(3,141)	(2,807)
Administrative expenses	(143)	(211)
At the end of the year	41,155	38,286

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

25 Pension commitments (continued)

	2019 £ 000	2018 £ 000
Composition of plan assets		
Equities and hedge funds	14,684	9,379
Bonds	12,686	8,923
Liability driven investment	11,612	11,945
Property	436	-
Alternatives	1,481	-
Diversified growth fund	-	7,845
Cash and other assets	256	194
Total plan assets	41,155	38,286

	2019 £ 000	2018 £ 000
Fair value of scheme assets	41,155	38,286
Present value of scheme liabilities	(51,903)	(48,545)
Net pension scheme liability	(10,748)	(10,259)

	2019 £ 000	2018 £ 000
Recognised in Statement of Comprehensive Income		
Current service cost	-	(82)
Interest on obligation	(283)	(295)
Administrative expense	(143)	(211)
	(426)	(588)

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

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

25 Pension commitments (continued)

	2019 *£ 000*	*2018* *£ 000*
Actual return on scheme assets	5,067	(1,449)

Pension assumptions

	2019	*2018*
Discount rate	2.00%	2.90%
Rate of increase in pensions	2.90%	3.10%
RPI	2.95%	3.20%
CPI	1.95%	2.20%

	2019	*2018*
Mortality		
Male aged 65	20.6	21.1
Female aged 65	22.5	23.0
Male aged 45	21.9	22.5
Female aged 45	24.0	24.5

26 Called up share capital

Allotted, called up and fully paid shares

	2019 *£ 000*	*2018* *£ 000*
1,858,890 (2018: 1,858,890) Ordinary shares of £0.50 (2018: £0.50) each	929	929
610,000 (2018: 610,000) Deferred shares of £0.10 (2018: £0.10) each	61	61
	990	990

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

26 Called up share capital (continued)

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.

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.

27 Reserves

The revaluation reserve is a historic 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.

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

28 Related party transactions

Transactions are carried out with the EPC Group of companies and associates.

The below companies are subsidiaries or affiliates of Societe E J Barbier:

For year ended 31 December 2019

	Opening	*Sales*	*Purchases*	*Repayments*	*Closing*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
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'Explosifis et de Produits Chimiques	(411)	1	(987)	1,217	(180)
Adex SNC	-	13	-	-	13
	(920)	1,216	(3,103)	2,219	(588)

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

28 Related party transactions (continued)

For year ended 31 December 2018

	Opening	*Sales*	*Purchases*	*Repayments*	*Closing*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Adex Services Limited	193	-	(830)	751	114
Adex SNC	6	-	-	(6)	-
Arabian Explosives	-	6	-	(6)	-
Blasting Services Limited	(712)	-	-	-	(712)
EDSL Limited	(1,310)	-	-	1,310	-
EPC Canada	-	48	-	(37)	11
EPC Espana	-	2	-	(2)	-
EPC France	(51)	-	(148)	176	(23)
Nitrates et Innovation SAS	33	342	(245)	(74)	56
SEI EPC Italia SpA	(46)	-	(73)	215	96
EPC Metrics Limited	(391)	-	-	15	(376)
EPC Sverige	-	6	-	(6)	-
Exchem Defence Systems Limited	(30)	-	-	30	-
Exchem Explosives Limited	(119)	-	-	119	-
Kemek	3	358	(26)	(325)	10
Mining Explosives Limited	(73)	691	(759)	456	315
Modern and Chemical Services	10	16	-	(26)	-
Societe Anonyme d'Explosifis et de Produits Chimiques	(243)	-	(1,038)	870	(411)
	(2,730)	1,469	(3,119)	3,460	(920)

Notes to the Financial Statements
for the Year Ended 31 December 2019 (continued)

29 Controlling party

The immediate parent undertaking of EPC United Kingdom PLC is Societe Anonyme d'Explosifs et de Produits Chimiques (EPC). The directors regard the ultimate parent company as Societe E J Barbier, which is incorporated in France and owns 66.67% of the shares of EPC.

Societe E J Barbier publishes consolidated group financial statements that include the results of the company, are available from Greffe du Tribunal de Commerce de Paris, 1 Quai de Corse, 75004 Paris. EPC 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 2019. The consolidated financial statements of EPC, a company incorporated in France and quoted on the Bourse de Paris, are available to the public from Greffe du Tribunal de Commerce de Paris, 1 Quai de Corse, 75004 Paris.

30 Capital commitments

	2019 £ 000	2018 £ 000
Contracted for but not provided in the financial statements	395	834

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:

	2019 £ 000	2018 £ 000
Not later than one year	2,390	2,531
Later than one year and not later than five years	3,079	3,045
Later than five years	221	187
	5,690	5,763

Notes to the Financial Statements

for the Year Ended 31 December 2019 (continued)

32 Contingent liabilities

The company has an invoicing discounting facility in place with Societe Generale Finance for certain selected customers. There is no bank overdraft facility or debenture.

33 Post balance sheet event

In March 2020, the World Health Organization declared the outbreak of COVID-19, a pandemic. To date, the company has been impacted (see Directors' Report) however, overall, the company has seen limited impact on its activities at this stage.