

Hardide Coatings Limited

Financial Statements

For the year ended 30 September 2020

Registered Number: 04055277



HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

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HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

Company Information

DIRECTORS

Y Zhuk
P Kirkham
S Hallam (appointed 21 April 2020)

SECRETARY

S Hallam

AUDITOR

James Cowper Kreston
2 Chawley Park
Cumnor Hill
Oxford
OX2 9GG

BANKERS

The Royal Bank of Scotland
Dale Street
Liverpool
L2 2PP

PATENT AGENT

Harrison Goddard Foote
Belgrave Hall
Belgrave Street
Leeds
LS2 8DD

REGISTERED OFFICE & HEAD OFFICE

Unit 9
Longlands Road
Bicester
Oxfordshire
OX26 5AH

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

REPORT OF THE DIRECTORS

The Directors present their report together with the financial statements for the year ended 30 September 2020.

Principal activity and business review

Hardide Coatings Ltd is a leading UK producer of patented Chemical Vapour Deposition (CVD) coatings for the oil and gas industry, flow control equipment, advanced engineering and aerospace.

Strategic Report

The Company has taken advantage of the small companies exemption not to prepare a strategic report in accordance with Section 414B of the Companies Act 2006.

PERFORMANCE OVERVIEW

During the year, the business relocated to its new facility in Bicester, with full production commencing shortly before the end of the financial year. This was achieved to timescale, within budget, and despite the difficulties posed by the Covid-19 pandemic. The Company's facilities continued to operate as normal throughout the pandemic, with considerable emphasis being placed on health and safety measures to protect staff and contractors. The Company has followed official guidelines in the places where we operate and has supported remote working where possible.

The pandemic has brought considerable disruption to our key markets of oil & gas, and aerospace. We have remained close to our customers during this time and we are confident that higher demand will return once economies start opening up and travel restrictions are removed. The pandemic also paused a number of customers' R&D and test programmes, although we are beginning to see some of these being resumed.

The Company utilised the Government's Coronavirus Job Retention Schemes to match our workforce to demand and protect employment.

Revenue declined 12% compared with the previous year as the pandemic impacted our end user markets.

Direct expenses including production salaries reduced by 16%, primarily due to the reduced activity levels but also because of a stronger mix of sales. However, overheads increased by 16% as a result of rent incurred on the new site, as well as other dual running expenses associated with this facility. We have made a further provision of £50,000 for anticipated dilapidation costs on the new building, whilst retaining the existing provision on the previous premises.

The start to the new financial year has continued to be adversely impacted by the pandemic. Whilst the level of demand from customers in the Company's primary markets has been uncertain, the Board is nevertheless confident that this will pick up again as economic and travel restrictions re-open.

Directors

The present membership of the Board is set out below.

Y Zhuk

P Kirkham

S Hallam (appointed 21 April 2020)

P Davenport (resigned 21 April 2020)

The Company is a wholly owned subsidiary of Hardide plc and the interests of the group Directors are disclosed in the financial statements of the parent Company.

Statement of Directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

REPORT OF THE DIRECTORS

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

James Cowper Kreston will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

On behalf of the board



P D Kirkham
Director
3 June 2021

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HARDIDE COATINGS LIMITED

Opinion

We have audited the financial statements of Hardide Coatings Limited (the 'Company') for the year ended 30 September 2020, set out on pages 8 to 24, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes, 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 Financial Reporting Standard 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 30 September 2020 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 United Kingdom, including the Financial Reporting Council'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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HARDIDE COATINGS LIMITED (CONTINUED)

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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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 Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HARDIDE COATINGS LIMITED (CONTINUED)

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



James Pitt BA (Hons) FCA (Senior Statutory Auditor)

for and on behalf of

James Cowper Kreston

Chartered Accountants and Statutory Auditor
2 Chawley Park
Cumnor Hill
Oxford
Oxfordshire
OX2 9GG
Date: 10 June 2021

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Revenue	3	3,192	3,632
Cost of sales		(1,506)	(1,790)
Gross profit		1,686	1,842
Administrative expenses		(1,806)	(1,561)
Depreciation and amortisation		(208)	(181)
Other operating income	4	24	9
Provisions	17	(50)	(101)
Operating (loss) / profit	5	(354)	8
Finance income	6	1	2
Finance costs	7	(10)	-
(Loss) / profit on ordinary activities before taxation		(363)	10
Taxation	9	-	-
(Loss) / profit on ordinary activities after taxation and		(363)	10
Other comprehensive income		-	-
Total comprehensive (loss) / income for the financial year		(363)	10

All operations are continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

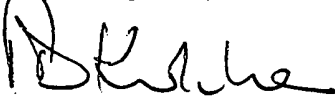
STATEMENT OF FINANCIAL POSITION as at 30 September 2020

Hardide Coatings Limited, registered Company number 04055277

	Note	2020 £'000	2019 £'000
Fixed assets			
Goodwill	11	-	5
Tangible fixed assets	12	4,557	972
		<u>4,557</u>	<u>977</u>
Current assets			
Stocks and WIP	13	357	303
Debtors: Amounts falling due within one year	14	545	1,970
Cash at bank and in hand		634	986
		<u>1,536</u>	<u>3,259</u>
Creditors: amounts falling due within one year	15	<u>(2,375)</u>	<u>(575)</u>
Net current (liabilities) /assets		<u>(839)</u>	<u>2,684</u>
Total assets less current liabilities		<u>3,718</u>	<u>3,661</u>
Creditors: amounts falling due after one year			
Financial liabilities	16	(427)	(26)
Provisions	17	(106)	(101)
Total Creditors: amounts falling due after one year		<u>(533)</u>	<u>(127)</u>
NET ASSETS		<u>3,185</u>	<u>3,534</u>
Capital and reserves			
Called up share capital	18	19	19
Share premium reserve	19	2,065	2,065
Other reserves	19	107	93
Profit and loss account	19	994	1,357
TOTAL EQUITY		<u>3,185</u>	<u>3,534</u>

The financial statements were approved and authorised for issue by the Board of Directors on 3 June 2021 and are signed on behalf of the Board of Directors.

The accompanying accounting policies and notes form an integral part of these financial statements.



P D Kirkham

Director

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

STATEMENT OF CHANGES IN EQUITY for the year ended 30 September 2020

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Profit and Loss Account £'000	Total £'000
At 1 October 2018	19	2,065	76	1,324	3,484
Profit for the year and total comprehensive income	-	-	-	10	10
Share options	-	-	17	23	40
At 1 October 2019	19	2,065	93	1,357	3,534
Loss for the year and total comprehensive income	-	-	-	(363)	(363)
Share options	-	-	14	-	14
At 30 September 2020	19	2,065	107	994	3,185

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

STATEMENT OF CASH FLOWS for the year ended 30 September 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
(Loss) / profit before tax	(363)	10
Adjustments for:		
Depreciation and amortisation	208	181
Share options charge	14	25
Movements in working capital:		
(Increase) in stocks	(54)	(56)
Decrease in debtors	106	173
Increase / (decrease) in creditors	295	(92)
Increase in provisions	50	101
Cash generated from operations	256	342
Finance income	(1)	2
Finance costs	10	-
Net cash generated from operating activities	265	344
Cash flows from investing activities		
Purchase of tangible fixed assets	(3,789)	(676)
Sale of tangible fixed assets	1	-
Inter-group financing	2,813	477
Interest received	1	-
Net cash generated from investing activities	(974)	(199)
Cash flows from financing activities		
New loan raised	402	-
Interest paid	(10)	-
Repayment of finance lease	(35)	-
Net cash generated from financing activities	357	-
Net (decrease) / increase in cash and cash equivalents	(352)	145
Cash and cash equivalents at the start of the year	986	841
Cash and cash equivalents at the end of the year	634	986

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, on a going concern basis, in accordance with the accounting policies set out below.

These financial statements have been prepared in compliance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. All amounts are rounded to the nearest thousand pounds.

The principal activity of the Company is disclosed on page 3.

(b) Consolidation

The Company was, at the end of the year, a wholly owned subsidiary of another Company incorporated in England and Wales.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated on a straight-line basis over the useful economic life, which is estimated to be 20 years.

(d) Turnover

Turnover is the total amount receivable by the Company for goods supplied and services provided excluding VAT and trade discounts. Turnover is recognised when the risks and rewards of ownership are transferred which is at the point of delivery of the goods or completion of the service or, exceptionally, upon completion where we have been specifically instructed by the customer to withhold despatch.

(e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost less estimated residual value of each asset over its expected useful life in equal instalments. Depreciation is not charged on assets under construction. The rates applicable are:

Leasehold improvements	-	period of lease
Plant and Machinery	-	2 years – 10 years
Fixtures, fittings and computer equipment	-	4 years

(f) Leased assets

Assets held under finance leases are capitalised in the Statement of Financial Position and depreciated over their expected useful economic lives. The interest element of the leasing payments represents a constant proportion of the balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

(g) Stocks

Stock and work in progress are stated at the lower of cost and net realisable value. Cost of work in progress includes materials, direct labour and an attributable part of manufacturing overheads based on normal levels of activity. Stock is accounted for on a first in, first out basis and after provision for any slow-moving or obsolete items.

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

(h) Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or the right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

(i) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate of exchange ruling at the date of transaction. Exchange differences are dealt with through the Statement of Comprehensive Income.

(j) Research and development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

(k) Government grants

Government grants towards research and development and investment are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense. Grants that have been received under the Government's Job Retention Scheme are recognised as income in the period to which the underlying furloughed staff costs relate.

(l) Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(m) Pensions

The Company has operated a workplace pension scheme for its employees since November 2016, and contributes 3% of the employees' qualifying pay on a monthly basis. These are charged to the Statement of Comprehensive Income in the year in which they become payable.

(n) Share-based payments

Some of the Company's employees have been granted share options over the shares of Hardide plc, the parent undertaking, during the period. The fair value of equity-settled share payments is determined at the date of grant and is recognised on a straight line basis over the vesting period based on the Group's estimate of options that will eventually vest. Further details are set out in Note 20. The fair value of share options is measured by the Black-Scholes pricing model.

(o) Going concern

The directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of reduced sales scenarios for COVID-19. The major variables are the depth, duration and timing of recovery from the COVID-19 pandemic. The directors considered the impact of COVID-19 on our key markets and in particular the effect of reduced demand from key customers in those markets is likely to have on the business for a period of at least 12 months from the date of signing the financial statements. Whilst the situation evolves daily, making scenario planning difficult, we have considered various impacts on sales, profitability and cash flows and believe that the Company has adequate resources to continue in operational existence for the foreseeable future.

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

(o) Going concern (cont'd)

The Company has considered how the virus may affect various functions of the business; from the supply chain to the ability of our customers to operate. A major disruption would most likely manifest itself in lost volumes and require significant action in relation to operational cost reductions and additional working capital. Overall, we developed plans for several possible out turns, with volumes dropping significantly and for the impact lasting for a substantial part of our 2021 financial year. The revenue and operational leverage impact of such a volume loss would have a major negative impact on the Company, however the scenario modelling would indicate that the Company would have sufficient cash reserves over the foreseeable future. The directors believe that the Group is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least 12 months from the date of signing of the Group financial statements. Therefore, they consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. In making this assessment, the directors have considered all available information and have not identified any material uncertainties that cast doubt upon the continuing use of the going concern basis

(p) Trade and other debtors

Trade and other debtors are receivable within one year and do not constitute a financing transaction and are recorded at the undiscounted amount expected to be received, net of any impairment.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and demand deposits with banks.

(r) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 of the investment have been affected.

(s) Trade and other creditors

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Interest bearing borrowings

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the income statement. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability.

(u) Derivative financial instruments

The Company does not use forward foreign currency contracts or other derivative financial instruments.

(v) Employee benefits

Short-term employee benefits are recognised as an expense in the period in which they are incurred.

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

(w) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(x) Financial instruments

The Company does not enter into hedging or speculative derivative contracts. Financial assets and liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the Statement of Comprehensive Income in the financial period to which it relates.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

(a) Tangible fixed assets represent a significant proportion of the asset base of the Company. The estimates and assumptions made to determine their carrying value and related depreciation are significant to the Company's financial position and performance. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. No residual value is expected for any of the Company's assets and, apart from some items of high-value specialised equipment, most plant and machinery is estimated to have 4 years of useful life from the date of purchase or installation.

(b) Going concern basis including its effect on the impairment of assets. The Company monitors cash flow as part of its day to day control procedures and management consider cash flow projections on a monthly basis and also prepares detailed forward projections for future periods which also include various scenarios. As a consequence, the Directors are satisfied that the Company is able to maintain sufficient resources to continue in operation for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the financial statements. Were this not to be the case the carrying value of the Company's assets may have to be impaired.

(c) The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share-based payment transactions are disclosed in Note 20 to the Financial Statements.

(d) In 2019, the Company made provisions for onerous lease and dilapidations on its site in Wedgwood Road, Bicester. The directors are satisfied that these judgements and estimates are still valid. The Company has also made a provision for dilapidations on its site in Longlands Road, Bicester, based on an estimate of any remedial work that the landlord may require when the premises are vacated.

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

3. TURNOVER

Turnover is attributable to sales of high-performance coatings to customers in the oil & gas, flow control, aerospace, and general engineering industries. All turnover originates in the UK. Turnover by destination is as follows:

	2020 £'000	2019 £'000
UK	2,316	1,661
Europe	121	84
North America	755	1,887
	<u>3,192</u>	<u>3,632</u>

4. OTHER OPERATING INCOME

	2020 £'000	2019 £'000
Foreign exchange gain	-	9
Government Job Retention Scheme grant	24	-
	<u>24</u>	<u>9</u>

5. OPERATING (LOSS) / PROFIT

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

	2020 £'000	2019 £'000
Auditor's remuneration - audit of financial statements	8	8
- fees payable for tax compliance	2	2
Depreciation and amortisation		
Goodwill	5	5
Tangible fixed assets, owned	203	176
Operating lease rentals – land and buildings	253	130
Operating lease rentals – cars	11	11
Operating lease rentals – office equipment	2	3
Operating lease rentals – plant and machinery	16	8

6. FINANCE INCOME

	2020 £'000	2019 £'000
Interest on bank deposits	1	2

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

7. FINANCE COSTS

	2020	2019
	£'000	£'000
Interest on loans	10	-

8. STAFF COSTS AND NUMBERS

Staff costs during the year were as follows:

	2020	2019
	£'000	£'000
Salaries	1,040	945
Accrued bonus	37	56
Share-based payment charge	14	25
Social security costs	121	109
Employer pension contributions	22	19
	<u>1,234</u>	<u>1,154</u>

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £22,000 (2019: £19,000). There were no amounts outstanding to be paid at the year end (2019: £Nil).

The average number of employees of the Company during the year was made up as follows:

	2020	2019
	Number	Number
Technical	8	8
Production	12	13
Sales and marketing	2	2
Management and administration	4	3
	<u>26</u>	<u>26</u>

Remuneration in respect of Directors was as follows:

	2020	2019
	£'000	£'000
Total emoluments	<u>539</u>	<u>441</u>
Highest paid Director	191	217
Share-based payment charge	37	24
Employer pension contributions	-	11

The directors (all considered to be key management personnel) are also employees of Hardide plc. Their remuneration is included in the above Directors' remuneration disclosure but is accounted for in the books of Hardide plc. All employer pension contributions and any share-based payment charges for Directors are accounted for in the books of Hardide plc; none of these charges are incurred or payments made by Hardide Coatings Limited.

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year:

	2020 £'000	2019 £'000
UK Corporation tax on the (loss) / profit for the year	-	-

(b) Factors affecting current tax charge:

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

	2020 £'000	2019 £'000
(Loss) / profit on ordinary activities before taxation	(363)	10
(Loss) / profit on ordinary activities by rate of tax	(69)	2
Effect of:		
Expenses not deductible for tax purposes	7	19
Other timing differences	61	(13)
Deferred tax not recognised	1	-
Utilisation of tax losses	-	(8)
Total current tax (note 9(a))	-	-

The Company has unutilised tax losses of approximately £1,906,000 (2019: £137,000).

10. DEFERRED TAXATION

Deferred taxation not recognised is as follows:

	2020 £'000	2019 £'000
Tax effect of timing differences		
Excess of capital allowances over depreciation	(361)	(51)
Losses	362	23

11. GOODWILL

	Purchased goodwill £'000
Cost at 1 October 2019 and 30 September 2020	98
Amortisation at 1 October 2019	93
Provided in the year	5
Amortisation at 30 September 2020	98
Net book amount at 1 October 2019	5
Net book amount at 30 September 2020	-

Goodwill relates to the purchase of Isle Hardide Limited by Hardide Coatings Limited, and is amortised over 20 years as this was the estimated life of the intellectual property purchased.

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

12. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Leasehold buildings £'000	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost at 1 October 2019	2,993	262	160	127	3,542
Additions	2,533	1,121	38	97	3,789
Reclassification	(112)	112	-	-	-
Disposals	(7)	-	-	(5)	(12)
Cost at 30 September 2020	5,407	1,495	198	219	7,319
Depreciation at 1 October 2019	2,102	247	142	79	2,570
Provided in the year	154	16	7	26	203
Disposals	(6)	-	-	(5)	(11)
Depreciation at 30 September 2020	2,250	263	149	100	2,762
Net book amount at 1 October 2019	891	15	18	48	972
Net book amount at 30 September	3,157	1,232	49	119	4,557

13. STOCKS

	2020 £'000	2019 £'000
Raw materials and consumable stores	335	259
Work in progress	22	44
	357	303

Inventories are regularly checked for obsolescence, and the cost of any obsolete stock is immediately written off as an expense. The cost of stocks recognised as an expense during the year amounted to £677,000 (2019: £973,000).

14. DEBTORS

	2020 £'000	2019 £'000
Trade debtors	337	569
Amounts owed by group undertakings	-	1,319
Prepayments and accrued income	145	68
Other debtors	63	14
	545	1,970

Trade debtors are regularly reviewed for age and possible impairment. It is the Directors' opinion that, at the Statement of Financial Position date, no trade debt required impairment. There is no general provision for bad debts and no trade receivable was classified as a bad debt during the year.

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade creditors	605	410
Amounts owed to group undertakings	1,494	-
Social security and other taxes	35	25
Accruals and deferred income	122	140
Obligations under finance lease	74	-
Provision for onerous lease	45	-
	<u>2,375</u>	<u>575</u>

The amount owed to group undertakings is the balance of the intercompany loan account with Hardide PLC. This is non-interest bearing and is repayable on demand.

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2020 £'000	2019 £'000
Obligations under finance lease	293	-
Accruals	134	26
	<u>427</u>	<u>26</u>

In March 2020, the company entered into a 5 year Hire Purchase agreement with Hitachi Capital (UK) Plc for an amount of £402,000 at a rate of interest of 4.99%. The loan is secured against the chemical vapour disposition reactor installed at the UK premises.

17. PROVISIONS

	2020 £'000	2019 £'000
Provisions bought forward	101	-
Provisions utilised	-	-
Provisions charged	50	101
	<u>151</u>	<u>101</u>
Provision for onerous lease	51	51
Provision for dilapidations	100	50
	<u>151</u>	<u>101</u>

HARDIDE COATINGS LIMITED FINANCIAL STATEMENTS YEAR ENDED 30 SEPTEMBER 2020

	2020 £'000	2019 £'000
Maturity analysis:		
Within 1 year	45	-
1 to 2 years	56	95
2 to 3 years	-	6
3 to 4 years	-	-
4 to 5 years	-	-
5+ years	50	-
	151	101

In addition to the dilapidations provision held in relation to the former premises, the Directors have also made a reasonable estimate of future dilapidation costs that were to arise at the end of the lease period on the new premises it has relocated into during the financial year.

18. SHARE CAPITAL

	2020 £'000	2019 £'000
Allotted, called up and fully paid: 1,929,706 ordinary shares of 1p each	19	19

19. RESERVES

A description of the Company's reserves is as follows:

Share Capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Other reserve – this comprises the share-based payments reserve, credited with amounts charged to the profit and loss account for share options.

Profit and loss account – includes all current and prior period retained profits and losses.

20. SHARE OPTIONS

The Company operates an Enterprise Management Incentive Scheme whereby it grants share options to key employees. The shares under option are those of the parent Company, Hardide plc. A summary of the movement in share options during the year is as follows:

	Number	Average exercise price
Outstanding at 30 September 2019	353,440	48.3p
Exercisable at 30 September 2019	328,440	46.2p
Granted during year	268,211	62.0p
Exercised during year	104,740	23.0p
Lapsed during year	-	-
Outstanding at 30 September 2020	516,911	60.5p
Exercisable at 30 September 2020	223,700	57.1p

The fair values at the date of grant were measured by the use of Black-Scholes pricing model. The assumptions used in the model vary depending on the date of grant and vesting period. This model is the same as that used to value the options in Hardide plc's accounts since 2006.

The charge for share-based payments in the year amounted to £14,000 (2019: £25,000).

21. CAPITAL COMMITMENTS

At the balance sheet date the Company had capital commitments of £124,000 for the purchase of equipment (2019: £1,574,000) and £11,000 for leasehold improvements (2019: £1,107,000).

22. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 2020 or 30 September 2019.

23. RELATED PARTY TRANSACTIONS

The Company's parent Company and controlling party is Hardide plc which prepares group financial statements which are available on the Company's website www.hardide.com and at its registered office.

The Company has taken advantage of the exemption provided under FRS 102 s.33.1A not to disclose transactions with related parties where a subsidiary undertaking is a wholly owned member of a group.

There were no transactions with key management personnel in the period other than remuneration as disclosed in note 8.

24. POST BALANCE SHEET EVENTS

On 26 January 2021, the Company entered into a £250,000 Coronavirus Business Interruption Loan Scheme (CBILS) backed loan facility with Nucleus Cash Flow Finance Limited. The term is over 60 months at an interest rate of 11%, with the first loan repayment instalment commencing in February 2022.

On 26 April 2021, the Company's parent company entered into a £250,000 CBILS backed loan facility with MEIF ESEM Debt LP. The Company has provided a floating charge over its trade receivables and has also provided a guarantee in favour of the lender.

25. LEASING COMMITMENTS

Operating lease commitments amounting to £307,000 (2019: £281,000) are due within one year. The total future minimum lease payments are payable as follows:

	2020	2020	2019	2019
	Land and	Other	Land and	Other
	Buildings		Buildings	
	£'000	£'000	£'000	£'000
In one year or less	270	37	270	11
Between one and five years	720	36	812	5
In five years or more	1,570	-	1,749	-

26. FINANCIAL RISK MANAGEMENT

The Company has exposures to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure. To a lesser extent the Company is exposed to interest rate risk.

The Company is exposed to currency exchange rate risk due to a significant proportion of its sales and receivables being denominated in non-Sterling currencies. No active management of this risk is undertaken since the time between sale and receipt is relatively short.

The Company manages liquidity risk to ensure that it can meet its financial obligations as and when they fall due. The Company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all financial obligations, the Company has access to additional funds from its parent company Hardide plc.

The Company offers credit terms to its customers which allow payment of the debt after delivery of the goods. The Company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by strong on-going customer relationships and by credit insurance.

The Company deposits funds in excess of its short-term requirements with a number of institutions, wherever possible maximising interest receivable but mindful of the financial robustness of the institution in question. Changes in bank interest rates will affect the amount of interest received.

27. FINANCIAL ASSETS AND LIABILITIES

	2020	2019
	£'000	£'000
Financial assets measured at amortised cost		
- Trade debtors	337	569
- Amounts owed by group undertakings	-	1,319
- Other debtors	63	14
Financial liabilities measured at amortised cost		
- Trade creditors	605	410
- Amounts owed to group undertakings	1,494	-
- Other creditors	146	155
- Rent free period	145	36
- Provisions	151	101

28. COMPANY INFORMATION

Hardide Coatings Limited is a private Company limited by share capital, incorporated in England and Wales with Company number 04055277. Its registered office is 9 Longlands Road, Bicester, Oxfordshire OX26 5AH.