

Registration number: 05440463

# **Kennametal Manufacturing UK Limited**

## **Annual Report and Financial Statements**

For the year ended 30 June 2023

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## **Kennametal Manufacturing UK Limited**

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## **Kennametal Manufacturing UK Limited**

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### **Company information**

<b>Directors</b>	M Williams J Grainger
<b>Company secretary</b>	J Grainger
<b>Registered office</b>	Building 14 PO BOX 29 Pensnett Trading Estate Kingswinford West Midlands DY6 7NP
<b>Independent Auditors</b>	Moore Kingston Smith LLP 9 Appold Street London EC2A 2AP
<b>Bankers</b>	Bank of America 2 King Edward Street London EC1A 1HQ

## **Kennametal Manufacturing UK Limited**

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### **Strategic Report**

**for the year ended 30 June 2023**

The directors of Kennametal Manufacturing UK Limited (the "Company") present their strategic report for the year ended 30 June 2023.

#### **Principal activities**

The principal activity of the Company is the reconditioning of carbide drills at the Kingswinford facility and the production of boride powders and inter-metallic evaporation sources at the Newport Facility.

#### **Fair review of the business**

The business environment is highly competitive and the Company has differentiated itself from its competitors by focusing on state of the art manufacturing technologies and processes in order to deliver both a cost competitive and technologically enhanced product offering.

The Company's overriding objective is to achieve attractive and sustainable rates of profitable growth through a combination of organic growth and acquisitions. The key elements of the Company's strategy for growth are:

- Developing its product range and increasing the number of new products.
- Effective training and development to retain employees and deliver the customer service promise.

The directors carefully observe the current armed conflict in Israel with the Hamas. Although they do not expect any direct affect to the business, there could be shortages in material supplies that might affect the Kennametal group. The directors consider the results for the year to be in line with expectations.

#### **Results for the year**

The profit for the financial year amounted to £201,000 (2022: £230,000).

#### **Key performance indicators (KPIs')**

The primary KPI used by management is growth in turnover generated in the wider Kennametal Group, through the activities of this company. The turnover in 2023 was £6,416,370 (2022: £5,408,810). The activities of the Company are closely linked with those of the Kennametal Group, which is driven by the portfolio management, and sales and marketing strategy.

As a result of the straightforward nature of the business, the Company's directors are of the opinion that analysis using other KPI's is not necessary for an understanding of the development, performance or position of the business. The activities of the Company are closely linked with those of the Kennametal Group and therefore group KPIs' are monitored at a group level.

## **Strategic Report**

**for the year ended 30 June 2023**

### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company relate to increased competition, uncertainty in the manufacturing sector and economic instability. From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Kennametal Group, which include those of the Company, are discussed in the group's annual report which does not form part of this report.

### **Financial risk management policies and procedures**

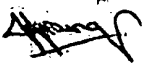
The key financial risk that the Company's operations expose it to is price risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company.

The Company's turnover is invoiced in Pounds Sterling and all of its operations and costs are also invoiced in Pounds Sterling. Consequently the impact of movements in exchange rates on the performance of the Company are minimised.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management. The policies set by the directors are implemented by the Company's finance department. The directors are committed to ensuring that the highest quality risk management systems are in operation. The objective is to safeguard the interests of the shareholders, suppliers, customers and staff through effective management of corporate and operational risk.

Price risk - The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits.

Approved by the Board on 14.02.2024 and signed by



J Grainger  
Director

## **Kennametal Manufacturing UK Limited**

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### **Directors' Report**

**for the year ended 30 June 2023**

The directors present the annual report and the audited financial statements of Kennametal Manufacturing UK Limited ("the Company") for the year ended 30 June 2023.

#### **Directors of the Company**

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

M Williams  
J Grainger

#### **Dividends**

The directors do not recommend the payment of any dividends (2022: £nil).

#### **Directors' indemnities**

The Company maintains liability insurance for its directors and officers. Following shareholder approval the Company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The qualifying indemnity was in force during the financial year and also at the date of approval of the financial statements.

#### **Going concern**

The Company receives reimbursement and Markup from the Toller contract with Kennametal Europe GmbH on a monthly basis. The Company continues to operate in continued contractual arrangements under the Logistics Service contract from Kennametal Europe GmbH. Therefore, the Company believes that it is appropriate for the Company's financial statements to be prepared on a going concern basis, and that no further disclosures relating to the Company's ability to continue as a going concern has to be made. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The entity has a short term receivable against Kennametal Holding GmbH from the Cash Pool of £1,194,000 as of 30 June 2023.

The Company has made enquiries to the directors of Kennametal Holding GmbH, which is the Cash Pooling Holder of the EMEA Kennametal Group and they confirmed there is currently no risk in the Financing structure of the group, and liquidity will be assured for the foreseeable future. The directors, having assessed the responses of the directors of the Company's parent enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group's ability to continue with the current cash generation and banking arrangements.

The Kennametal group has a solid liquidity position. Beside solid available own cash, Kennametal has a revolving credit facility agreement which allows up to \$700M. EMEA can participate with up to \$250M in this credit agreement, not considering additional available local credit lines.

The Kennametal Inc. Group's regional forecast scenario considers risks and opportunities of our markets, and in total clearly demonstrates our ability to operate for at least twelve months from the approval date of these financial statements.

## **Directors' Report**

**for the year ended 30 June 2023**

### **Future developments**

The Company works under the Toll Manufacturing Contract with Kennametal Europe GmbH, and has received confirmation about the continuation of the contractual arrangements with Kennametal Europe GmbH for the foreseeable future, at least 12 months from the signature of Financial Statement 2023. Planned volumes for the next financial year are expected to be relatively flat compared with those of current financial year in the food packaging market, but we expect reasonable growth in machining and contract press for other markets.

### **Events since the balance sheet date**

No material subsequent events have occurred since the statement of financial position date which would affect the financial statements of the Company.

### **Financial risk management**

Further details of the Company's activities in respect of financial risk management are included in the Strategic Report on page 3.

### **Directors' indemnities**

The Company maintains liability insurance for its directors and officers. Following shareholder approval, the Company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. The qualifying indemnity was in force during the financial year and also at the date of approval of the financial statements.

### **Political contributions**

The Company did not make any political contributions or incur any political expenditure during the year (2022: £nil).

### **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom generally accepted accounting practice (United Kingdom Accounting Standards, comprising FRS 102 'The financial reporting standard applicable in the UK and Republic of Ireland', and applicable law).

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

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

## **Directors' Report**

**for the year ended 30 June 2023**

### **Statement of directors' responsibilities in respect of the financial statements (continued)**

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

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.

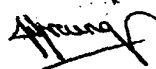
### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

### **Appointment of auditors**

Pursuant to Section 485 of the Companies Act 2006 ("Act"), Moore Kingston Smith LLP was appointed as the Company's auditors and shall hold office until the end of the next period.

Approved by the Board on 14.02.2024 and signed on its behalf by



J Grainger  
Director



# **Independent Auditors' Report to the Members of Kennametal Manufacturing UK Limited**

## **Opinion**

We have audited the financial statements of Kennametal Manufacturing UK Limited (the 'company') for the year ended 30 June 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 themselves. 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.

## **Independent Auditors' Report to the Members of Kennametal Manufacturing UK Limited(continued)**

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## **Independent Auditors' Report to the Members of Kennametal Manufacturing UK Limited (continued)**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are [the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation]
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

## **Independent Auditors' Report to the Members of Kennametal Manufacturing UK Limited (continued)**

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

### **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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

*Moore Kingston Smith LLP*

Colin Turnbull (Senior Statutory Auditor)  
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

9 Appold Street  
London  
EC2A 2AP  
United Kingdom

14.02.2024

## **Kennametal Manufacturing UK Limited**

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### **Statement of Comprehensive Income** for the year ended 30 June 2023

		2023 £'000	2022 £'000
	Note		
<b>Turnover</b>	4	6,416	5,409
Cost of sales		<u>(6,183)</u>	<u>(5,279)</u>
<b>Operating profit</b>	5	233	130
Interest receivable and similar income	6	<u>29</u>	<u>5</u>
<b>Profit before taxation</b>		262	135
Tax (expense)/credit on profit	10	<u>(61)</u>	<u>95</u>
<b>Profit for the financial year</b>		<u>201</u>	<u>230</u>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the results above.

There was no other comprehensive income for 2023 or 2022 other than included within the statement of comprehensive income.

The notes on pages 14 to 29 form an integral part of these financial statements.

## Kennametal Manufacturing UK Limited

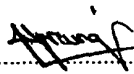
### Statement of Financial Position

as at 30 June 2023

Registration number: 05440463

		2023 £'000	2022 £'000
	Note		
<b>Fixed assets</b>			
Intangible assets	11	15	17
Tangible assets	12	3,080	3,188
		<u>3,095</u>	<u>3,205</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	2,226	2,367
		<u>2,226</u>	<u>2,367</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(912)</u>	<u>(1,425)</u>
<b>Net current assets</b>		<u>1,314</u>	<u>942</u>
<b>Total assets less current liabilities</b>		4,409	4,147
<b>Deferred tax liabilities</b>	15	<u>(160)</u>	<u>(99)</u>
<b>Net assets</b>		<u>4,249</u>	<u>4,048</u>
<b>Capital and reserves</b>			
Called up share capital	17	5	5
Share premium account		130	130
Profit and loss account		<u>4,114</u>	<u>3,913</u>
<b>Total equity</b>		<u>4,249</u>	<u>4,048</u>

The financial statements on pages 11 to 29 were approved by the Board of Directors on 14.02.2024 and signed on its behalf by

  
J Grainger  
Director

The notes on pages 14 to 29 form an integral part of these financial statements.

**Kennametal Manufacturing UK Limited**

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**Statement of Changes in Equity**  
for the year ended 30 June 2023

	<i>Called up Share capital £'000</i>	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total Equity £'000</i>
<b>At 1 July 2021</b>	<b>5</b>	<b>130</b>	<b>3,683</b>	<b>3,818</b>
Profit for the financial year	-	-	230	230
<b>At 30 June 2022</b>	<b>5</b>	<b>130</b>	<b>3,913</b>	<b>4,048</b>
<b>At 1 July 2022</b>	<b>5</b>	<b>130</b>	<b>3,913</b>	<b>4,048</b>
Profit for the financial year	-	-	201	201
<b>At 30 June 2023</b>	<b>5</b>	<b>130</b>	<b>4,114</b>	<b>4,249</b>

The notes on pages 14 to 29 form an integral part of these financial statements.

## **Notes to the Financial Statements**

for the year ended 30 June 2023

### **1 General information**

Kennametal Manufacturing UK Limited's principal activity is the reconditioning of carbide drills at the Kingswinford facility and the production of boride powders and inter-metallic evaporation sources at the Newport facility.

The Company is a private company limited by share capital, is incorporated in England and domiciled in the UK.

The address of its registered office is Building 14, PO BOX 29, Pensnett Trading Estate, Kingswinford, West Midlands, DY6 7NP, United Kingdom.

### **2 Accounting policies**

#### ***Summary of significant accounting policies***

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### ***Statement of compliance***

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

#### ***Basis of preparation***

These financial statements have been prepared using the historical cost convention.

These financial statements are presented in £ (GBP).

The level of rounding is to the nearest thousand ('000).

#### ***Exemptions for qualifying entities under FRS 102***

The Company is a wholly owned subsidiary company of a group headed by Kennametal Inc., and is included in the consolidated financial statements of that company, which are publicly available via the company's website [www.kennametal.com](http://www.kennametal.com) or from Kennametal Inc., 525 William Penn Place Suite 3300 Pittsburgh, Pennsylvania, United States of America. In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement
- Key Management Personnel compensation



## **Notes to the Financial Statements**

**for the year ended 30 June 2023**

### **2 Accounting policies (continued)**

#### *Exemptions for qualifying entities under FRS 102 (continued)*

As the consolidated financial statements of Kennametal Inc. include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

#### *Going concern*

The Company receives reimbursement and Markup from the Toller contract with Kennametal Europe GmbH on a monthly basis. The Company continues to operate in continued contractual arrangements under the Logistics Service contract from Kennametal Europe GmbH. Therefore, the Company believes that it is appropriate for the Company's financial statements to be prepared on a going concern basis, and that no further disclosures relating to the Company's ability to continue as a going concern has to be made. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The entity has a short term receivable against Kennametal Holding GmbH from the Cash Pool of £1,194,000 as of 30 June 2023.

The Company has made enquiries to the directors of Kennametal Holding GmbH, which is the Cash Pooling Holder of the EMEA Kennametal Group and they confirmed there is currently no risk in the Financing structure of the group, and liquidity will be assured for the foreseeable future. The directors, having assessed the responses of the directors of the Company's parent enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group's ability to continue with the current cash generation and banking arrangements.

The Kennametal group has a solid liquidity position. Beside solid available own cash, Kennametal has a revolving credit facility agreement which allows up to \$700M. EMEA can participate with up to \$250M in this credit agreement, not considering additional available local credit lines.

The Kennametal Inc. Group's regional forecast scenario considers risks and opportunities of our markets, and in total clearly demonstrates our ability to operate for at least twelve months from the approval date of these financial statements.

## Notes to the Financial Statements

for the year ended 30 June 2023

### 2 Accounting policies (continued)

#### *Revenue recognition*

Revenue is recognised when the risks and rewards of ownership are transferred to a third party, typically when the goods are delivered to the customer.

Turnover represents amounts derived from the reconditioning of carbide drills and the production of boride powders and inter-metallic evaporation sources. Turnover is shown net of value added tax, returns and discounts.

#### *Interest expense and income*

Interest receivable and similar income include interest receivable recognised in Statement of Comprehensive Income using the effective interest method.

#### *Foreign currency transactions and balances*

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Statement of Comprehensive Income.

#### *Tax*

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

**Notes to the Financial Statements**  
for the year ended 30 June 2023

**2 Accounting policies (continued)**

***Tangible assets***

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Construction in progress includes cost of building under construction as at the balance sheet date.

***Depreciation***

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows;

Freehold buildings	30 - 50 years
Office equipment	3 - 10 years
Plant and machinery	5 to 15 years

Freehold land and construction in progress is not depreciated.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised as a profit/loss on disposal.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

***Intangible assets***

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

***Leases***

Arrangements which transfer substantially all of the risks and rewards of the assets to the Company are classified as finance leases. All other arrangements are classified as operating leases. Amounts payable under operating leases are charged to the Statement of Comprehensive Income on a straight line bases over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term. A short lease of less than 12 months would be classed as operating lease even if all risks and rewards transferred.

## Notes to the Financial Statements

for the year ended 30 June 2023

### 2 Accounting policies (continued)

#### *Financial instruments*

The Company has adopted sections 11 and 12 of FRS102 in respect of financial instruments.

#### *Financial assets*

Basic financial assets, including trade debtors, cash and bank balances and amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rates of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each year, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the assets expire or are settled, or (b) substantially all the risk and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### *Financial liabilities*

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

## **Notes to the Financial Statements**

for the year ended 30 June 2023

### **2 Accounting policies (continued)**

#### ***Cash pool arrangement***

The Company generates cash through third party customer contracts. The Company participates in the group's centralised cash-pooling treasury arrangement and so shares banking arrangements with its parent and fellow subsidiaries. The cash held under the group's cash-pooling arrangement with Kennametal Holding GmbH is showed as a short-term receivable of £1,194,000 (2022: £1,566,000) in note 13 of these financial statements.

#### ***Share capital***

Ordinary shares are classified as equity. Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the year in which the dividend and other distributions are approved by the shareholders. These amounts are recognised in the Statement of Changes in Equity.

#### ***Employee benefits***

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution and defined benefit pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the year in which the service is received.

The Company operates an annual bonus plan for employees. An expense is recognised in the Statement of Comprehensive Income when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

#### ***Defined contribution pension obligation***

The Company operates a defined contribution pension scheme for the benefit of its employees. Contributions payable are charged to the Statement of Comprehensive Income in the year they are payable.

#### ***Defined benefit pension obligation***

The Company also participates in the Kennametal Defined Benefit Pension Scheme (the "Scheme"), which is a multiemployer final salary Scheme.

In accordance with FRS 102, Paragraph 28, the whole of the scheme is accounted for within the financial statements of Kennametal UK Limited, on the basis that it is the sponsoring employer.

### **3 Critical accounting judgements and estimation uncertainty**

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 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 year are addressed below.

**Notes to the Financial Statements**  
for the year ended 30 June 2023

**3 Critical accounting judgements and estimation uncertainty (continued)**

*Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

*Deferred tax asset recognition*

Deferred tax asset in respect of unrelieved tax losses are only recognised when it is probable that they will be recovered against future taxable profits. There is a degree of estimation and judgement in assessing the level of future profitability. The net deferred tax asset has therefore been recognised due to the certainty of future taxable profits and the fact that the Company has established a track record of taxable profits over prior years.

**4 Turnover**

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

	2023 £'000	2022 £'000
UK	<u>6,416</u>	<u>5,409</u>

Analysis of turnover by category:

	2023 £'000	2022 £'000
Sales of goods	<u>6,416</u>	<u>5,409</u>

**Kennametal Manufacturing UK Limited**

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**Notes to the Financial Statements**

for the year ended 30 June 2023

**5 Expenses and auditor's remuneration**

Included in profit/(loss) are the following:

	2023 £'000	2022 £'000
Depreciation expense	381	445
Operating leases expense - company car	6	7
Amortisation expense	5	7
Loss/(gain) on disposal of tangible assets	65	(3)

**6 Interest receivable and similar income**

	2023 £'000	2022 £'000
Interest from group undertakings	<u>29</u>	<u>5</u>

**7 Staff numbers and costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

	2023 £'000	2022 £'000
Wages and salaries	1,933	1,903
Social security costs	216	215
Other pension costs	131	122
	<u>2,280</u>	<u>2,240</u>

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

	2023 No.	2022 No.
Production	<u>50</u>	<u>51</u>

**Kennametal Manufacturing UK Limited**

**Notes to the Financial Statements**  
for the year ended 30 June 2023

**8 Directors' emoluments**

The directors' remuneration for the year was as follows:

	2023 £'000	2022 £'000
Aggregate emoluments	<u>233</u>	<u>322</u>

Retirement benefits are accruing to two directors (2022: two) under the defined benefit pension scheme. Aggregated payments of £10,032 (2022: £6,484) were made to the defined contribution pension scheme.

The highest paid director has received the following amount:

	2023 £'000	2022 £'000
Emoluments	125	196
Benefits in kind	33	24
Pension costs, defined contribution scheme	<u>6</u>	<u>6</u>
	<u>164</u>	<u>226</u>

**9 Auditors' remuneration**

	2023 £'000	2022 £'000
Audit of the financial statements	<u>14</u>	<u>20</u>



**Notes to the Financial Statements**  
for the year ended 30 June 2023

**10 Tax on profit**

Tax expense/(credit) in the Statement of Comprehensive Income:

	2023 £'000	2022 £'000
<b>Deferred taxation</b>		
Origination and reversal of timing differences	56	(20)
Adjustments in respect of prior years	-	(80)
Effect of tax rate change on opening balance	5	5
<b>Total deferred taxation</b>	<b>61</b>	<b>(95)</b>
<b>Tax expense/(credit)</b>	<b>61</b>	<b>(95)</b>

The tax assessed for the year is higher (2022: lower) than the standard rate of corporation tax in the UK of 20.5% (2022: 19%).

The expense/(credit) for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2023 £'000	2022 £'000
<b>Profit before taxation</b>	<b>262</b>	<b>135</b>
Tax on profit at standard UK tax rate of 20.5% (2022: 19%)	54	26
Fixed asset differences	(14)	(2)
Other tax adjustments, reliefs and transfers	(20)	-
Effects of group relief	26	3
Tax rate changes	-	(80)
Remeasurement of deferred tax for changes in tax rates	15	(5)
Super deductions	-	(37)
<b>Tax expense/(credit) for the year</b>	<b>61</b>	<b>(95)</b>

**Factors that may affect future tax charges**

The standard rate of tax applied to reported profit on ordinary activities is 20.5% (2022: 19%). An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax asset as at 30 June 2023 has been calculated based on this rate.

**Notes to the Financial Statements**  
for the year ended 30 June 2023

**11 Intangible assets**

	<i>Software</i> <i>£'000</i>
<b>Cost or valuation</b>	
At 1 July 2022	61
Additions	5
Disposals	<u>(10)</u>
At 30 June 2023	<u>56</u>
<b>Accumulated amortisation</b>	
At 1 July 2022	44
Amortisation charge	7
Disposals	<u>(10)</u>
At 30 June 2023	<u>41</u>
<b>Carrying amount</b>	
At 30 June 2023	<u>15</u>
At 30 June 2022	<u>17</u>

## Kennametal Manufacturing UK Limited

### Notes to the Financial Statements for the year ended 30 June 2023

#### 12 Tangible assets

	<i>Freehold land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Office Equipment £'000</i>	<i>Construction in Progress £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 July 2022	2,107	5,592	1,937	152	9,788
Additions	-	74	362	-	436
Disposals	<u>(8)</u>	<u>(253)</u>	<u>(64)</u>	<u>(99)</u>	<u>(424)</u>
At 30 June 2023	<u>2,099</u>	<u>5,413</u>	<u>2,235</u>	<u>53</u>	<u>9,800</u>
<b>Accumulated depreciation</b>					
At 1 July 2022	1,078	4,651	871	-	6,600
Charge for the year	62	127	192	-	381
Eliminated on disposal	<u>(8)</u>	<u>(194)</u>	<u>(59)</u>	<u>-</u>	<u>(261)</u>
At 30 June 2023	<u>1,132</u>	<u>4,584</u>	<u>1,004</u>	<u>-</u>	<u>6,720</u>
<b>Carrying amount</b>					
At 30 June 2023	<u>967</u>	<u>829</u>	<u>1,231</u>	<u>53</u>	<u>3,080</u>
At 30 June 2022	<u>1,029</u>	<u>941</u>	<u>1,066</u>	<u>152</u>	<u>3,188</u>

Freehold land and buildings include Freehold Land of £259,000 (2022: £259,000) which has not been depreciated.

## **Kennametal Manufacturing UK Limited**

### **Notes to the Financial Statements** for the year ended 30 June 2023

#### **13 Debtors: amounts falling due within one year**

	2023 £'000	2022 £'000
<i>Amounts falling due within one year</i>		
Amounts owed by group undertakings	1,901	2,078
Other debtors	134	146
Prepayments and accrued income	191	143
	<u>2,226</u>	<u>2,367</u>

The amounts owed by group undertakings are unsecured, repayable on demand and are interest free except amount owed by Kennametal Holding GmbH where the interest is charged based on SONIA and the interest rate ranges from 1.36% to 4.26% (2022: 0.05%).

#### **14 Creditors: amounts falling due within one year**

	2023 £'000	2022 £'000
<i>Amounts falling due within one year</i>		
Trade creditors	467	483
Amounts owed to group undertakings	441	514
Accruals and deferred income	4	428
	<u>912</u>	<u>1,425</u>

The amounts owed to group undertakings are unsecured, repayable on demand and are interest free.

**Notes to the Financial Statements**

**for the year ended 30 June 2023**

**15 Deferred tax liabilities**

Movement in deferred tax:

	2023 £'000
At 1 July 2022	(99)
Deferred tax charge to the Statement of Comprehensive Income for the year	(61)
At 30 June 2023	<u>(160)</u>

The total deferred tax liability assessed at 25% (2022: 25%) can be analysed as follows:

	2023 £'000	2022 £'000
Fixed asset timing differences	(406)	(374)
Losses and other deductions	246	275
	<u>(160)</u>	<u>(99)</u>

**16 Pension commitments**

The Company participates in the Kennametal Defined Benefit Pension Scheme (the "Scheme"). The assets of the scheme are held separately from those of the Company in independently administered funds.

Pension costs are accounted for in accordance with FRS 102, Paragraph 28. The Company participates in the Kennametal Defined Benefit Pension Scheme (the "Scheme"), which is a multi-employer final salary scheme.

In accordance with FRS 102, Paragraph 28, the whole of the scheme is accounted for within the financial statements of Kennametal UK Limited, on the basis that it is the sponsoring employer.

**Defined benefit contribution scheme**

Contributions paid by the Company, to the defined contribution scheme in the year amounted to £131,000 (2022: £122,000). The amounts of contributions outstanding at the year-end were £nil (2022: £nil).

## Kennametal Manufacturing UK Limited

### Notes to the Financial Statements for the year ended 30 June 2023.

#### 17 Capital and reserves

##### Authorised

	No.	2023 £'000	No.	2022 £'000
Ordinary shares of £1 each	50,000	50	50,000	50

##### Allotted, called up and fully paid shares

	No.	2023 £'000	No.	2022 £'000
Ordinary shares of £1 each	5,001	5	5,001	5

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

##### Reserves

###### *Called up share capital*

Represents the nominal value of shares issued.

###### *Share premium account*

Share premium represents the excess of the issue price over the par value on shares issued less transaction costs arising on issue.

###### *Profit and Loss Account*

Represents the reserves for net gains and losses recognised in the Statement of Comprehensive Income.

#### 18 Operating lease commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

<i>Others</i>	2023 £'000	2022 £'000
- within one year	1	3
- between two and five years	-	1
	<u>1</u>	<u>4</u>

During the year £6,206 (2022: £6,741) was recognised as expense in Statement of Comprehensive Income in respect of operating lease.

**Notes to the Financial Statements**

**for the year ended 30 June 2023**

**19 Related party transactions**

The Company has taken advantage of the exemption granted under FRS102 paragraph 1.12 (e) to not disclose transactions with other group companies where they are wholly owned by a common parent entity.

**20 Parent undertaking and ultimate controlling party**

The Company's immediate parent is Kennametal UK Limited, incorporated in England.

Kennametal UK Limited is a wholly owned subsidiary undertakings of Kennametal GmbH (formerly Kennametal Hertel AG), incorporated in Germany. The smallest group into which the results of the Company are consolidated is that headed by Kennametal GmbH (formerly Kennametal Hertel AG).

The largest group into which the results of the Company are consolidated is that headed by the ultimate parent undertaking and controlling party, Kennametal Inc., incorporated in the United States of America. The consolidated financial statements of the group are available from Kennametal Inc., 525 William Penn Place Suite 3300 Pittsburgh, Pennsylvania, United States of America.

**21 Events since the balance sheet date**

No material subsequent events have occurred since the statement of financial position date which would affect the financial statements of the Company.