

Premier Hytemp Bidco Limited
Financial Statements

For the year ended 30 September 2020



Company information

Company registration number	SC426386
Registered office	Newbridge Industrial Estate Newbridge Midlothian EH28 8PJ
Directors	D G S Bennett M Sreen M McBride H Rashid (appointed 14 January 2020)
Bankers	Bank of Scotland The Mound Edinburgh EH1 1YZ
Solicitors	Addleshaw Goddard LLP Exchange Tower 19 Canning Street Edinburgh EH3 8EH
Auditors	BDO LLP Statutory Auditor City Point 65 Haymarket Terrace Edinburgh EH12 5HD

Contents

Report of the directors	4 - 6
Report of the independent auditor	7 - 9
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13 - 26

Report of the directors (continued)

The directors present their annual report and the audited financial statements of Premier Hytemp Bidco Limited (the Company) for the year ended 30 September 2020.

In preparing this report, the directors have taken advantage of a small companies exemptions provided by section 415A of the Companies Act 2006.

Principal activity

The Company acts as an intermediate holding company within the Group (being Premier Hytemp Topco Limited and its subsidiaries) in addition to providing consultancy and financing services to other members of the Group.

Results, dividends and key performance indicators

The results for the year and the Company's financial position at the end of the year are shown in the statement of comprehensive income and statement of financial position on pages 11 and 12.

The loss after tax for the year ending 30 September 2020 was £1,480,000 (2019: profit of £3,082,000) relating to interest and related charges of £316,000 (2019: £970,000) on the Eurobonds and unsecured loan notes issued by the Company and investment write off of £1,101,000 (2019: write back of £3,082,000).

No dividends were paid or proposed during the year (2019: £nil).

The directors of Premier Hytemp Topco Limited manage performance on a group basis. For this reason, the Company's directors believe that analysis using key performance indicators (KPI's) for the Company is not necessary or appropriate for the understanding of the development, performance or position of the business of the Company.

Future developments

The Company will continue to act as an intermediate holding company and provide consultancy and financing services to fellow subsidiaries of Premier Hytemp Topco Limited.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated in the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of Premier Hytemp Topco Limited, which includes those of the Company, are discussed in the Group's annual report which does not form part of this report.

Going concern

The Company has the support of the ultimate holding company, Premier Hytemp Topco Limited, in providing adequate funds to meet its liabilities as they fall due. The directors have considered the overall impact of COVID-19 on the Company and wider group and this is set out within the strategic report of Premier Hytemp Topco Limited. In addition, the Company and Group's (being Premier Hytemp Topco Limited and its subsidiaries) management have carried out detailed reforecasts, including worst case scenarios and stress testing, taking into account the potential affect of COVID-19 on its workforce and other stakeholders, projected revenue and cash generation, projected costs (taking account of mitigation available), and working capital requirements. Under all scenarios, the forecasts demonstrated that the company could operate within its available funding arrangements. The group's funding arrangements run to April 2022. The directors are in the process of renewing these agreements and the funding partner has confirmed it will extend these for an additional 24 months. Accordingly, as there is a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and to meet its obligations as they fall due, the directors continue to adopt the going concern basis in preparing the financial statements.

Report of the directors (continued)

Going concern (continued)

However, the company has loan notes of £29.3m that are repayable on demand that, along with the other subsidiaries of the group have provided a cross guarantee in respect of. The lender, who is also the majority shareholder, has reviewed options of extending the loan notes however as the loans are considered non basic any extension would result in discounting of the loan notes crystallising a significant liability to the group. In order to ensure this does not occur the lender has provided confirmation that it does not intend to recall the borrowings within 12 months of approval of the financial statements. However, there is no certainty that the amounts will not be recalled. Should the loan notes be recalled, the group does not have sufficient levels of funds to make full repayment and would be required to seek additional funding to avoid the note holder exercising its rights. Therefore, the reliance on the lender not recalling the amounts owing to them indicates the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

Directors

The directors who served the Company during the year and to the date of this report are as follows:

D G S Bennett

M McBride

M Sreen

H Rashid (appointed 14 January 2020)

Directors' indemnity provisions

The directors have benefitted from third party indemnity provisions in place during the financial year and to the date of this report.

Directors' responsibilities

The directors are responsible for preparing the Report of the directors' 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). 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;
- 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 (continued)

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



H Rashid
Director
24 June 2021

Independent auditor's report to members of Premier Hytemp Bidco Limited

Opinion

We have audited the financial statements of Premier Hytemp Bidco Limited ("the company") for the year ended 30 September 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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.

Material uncertainty related to going concern

We draw attention to note 3(b) to the financial statements, which indicates that the company is reliant on amounts owing to the group's lender not being recalled and the financial support of its ultimate holding company. As stated in note 3(b), these events or conditions, along with other matters as set out in note 3(b) indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent auditor's report to members of Premier Hytemp Bidco Limited (continued)

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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 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 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, 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 members of Premier Hytemp Bidco 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:

<https://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.

DocuSigned by:
Martin Gill
B6F16A8EF9FD4ED...

Martin Gill (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh, UK

24 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of comprehensive income

	Note	2020 £'000	2019 £'000
Administration expenses		<u>(63)</u>	<u>(56)</u>
Operating loss	5	(63)	(56)
Amounts written (off) back investments	9	(1,137)	4,108
Interest payable and similar charges	6	<u>(316)</u>	<u>(970)</u>
Loss (profit) on ordinary activities before taxation		(1,516)	3,082
Tax on loss (profit) on ordinary activities	8	<u>-</u>	<u>-</u>
Loss (profit) for the financial year		<u>(1,516)</u>	<u>3,082</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(1,516)</u>	<u>3,082</u>

The results for the current and prior year have been derived wholly from continuing operations.

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

Statement of financial position

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	9	15,726	16,863
Current assets			
Debtors	10	4	1
Cash at Bank		<u>1</u>	<u>1</u>
		5	2
Creditors: amounts falling due within one year	11	(35,668)	(35,581)
Net current liabilities		<u>(35,663)</u>	<u>(35,579)</u>
Total assets less current liabilities		<u>(19,937)</u>	<u>(18,716)</u>
Creditors: amounts falling due after more than one year	12	(1,123)	(828)
Net liabilities		<u>(21,060)</u>	<u>(19,544)</u>
Capital and reserves			
Called-up share capital	13	9	9
Share premium account		845	845
Profit and loss account		<u>(21,914)</u>	<u>(20,398)</u>
Shareholders' deficit		<u>(21,060)</u>	<u>(19,544)</u>

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

The financial statements have been prepared in accordance with the provisions applicable to small companies subject to the small companies' regime.

These financial statements were approved by the board of directors on 24 June 2021 and are signed on their behalf by:



H Rashid
Director

Statement of changes in equity

	Note	Called-up share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
At 1 October 2018		9	845	(23,480)	(18,803)
Profit for the year		-	-	3,082	3,082
Capital contribution by ultimate controlling party		-	-	-	-
At 30 September 2019		9	845	(20,398)	(19,544)
At 1 October 2019		9	845	(20,398)	(19,544)
Loss for the year		-	-	(1,516)	(1,516)
Capital contribution by ultimate controlling party		-	-	-	-
At 30 September 2020		9	845	(21,823)	(21,060)

Notes to the financial statements

1 General information

Premier Hytemp Bidco Limited ('the Company') is an intermediate holding company within the Group (being Premier Hytemp Topco Limited and its subsidiaries) which also provides consultancy and financing services to other members of the Group.

The Company is incorporated and domiciled in the UK. The address of its registered office is Unit 11, Newbridge Industrial Estate, Newbridge, Midlothian, EH28 8PJ.

The financial statements have been rounded to the nearest thousand pounds.

2 Statement of compliance

The individual financial statements of Premier Hytemp Bidco Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 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.

(a) Basis of preparation

The Company was in a net liability position at 30 September 2020 however the directors have prepared detailed financial projections for the next 12 months and are satisfied that the trading results and the available lending facilities are sufficient to indicate that the Company is a going concern as outlined in the Report of the directors. As a result, the financial statements have been prepared on a going concern basis. These financial statements are also prepared under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The financial statements contain information about Premier Hytemp Bidco Limited as an individual company only and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Premier Hytemp Topco Limited.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(b) Going concern

The Company has the support of the ultimate holding company, Premier Hytemp Topco Limited, in providing adequate funds to meet its liabilities as they fall due. The directors have considered the overall impact of COVID-19 on the Company and wider group and this is set out within the strategic report of Premier Hytemp Topco Limited. In addition, the Company and Group's (being Premier Hytemp Topco Limited and its subsidiaries) management have carried out detailed forecasts, including worst case scenarios and stress testing, taking into account the potential affect of COVID-19 on its workforce and other stakeholders, projected revenue and cash generation, projected costs (taking account of mitigation available), and working capital requirements. Under all scenarios, the forecasts demonstrated that the company could operate within its available funding arrangements. The group's funding arrangements run to April 2022. The directors are in the process of renewing these agreements and the funding partner has confirmed it will extend these for an additional 24 months. Accordingly, as there is a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future and to meet its obligations as they fall due, the directors continue to adopt the going concern basis in preparing the financial statements.

However, the group has loan notes of £29.3m that are repayable on demand that the Company along with the other subsidiaries of the group have provided a cross guarantee in respect of. The lender, who is also the majority shareholder, has reviewed options of extending the loan notes however as the loans are considered non basic any extension would result in discounting of the loan notes crystallising a significant liability to the group. In order to ensure this does not occur the lender has provided confirmation that it does not intend to recall the borrowings within 12 months of approval of the financial statements. However, there is no certainty that the amounts will not be recalled. Should the loan notes be recalled, the group does not have sufficient levels of funds to make full repayment and would be required to seek additional funding to avoid the note holder exercising its rights and to enable it to continue providing the necessary funds to the company. This indicates the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following available exemption for qualifying entities.

- (i) The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its parent company, Premier Hytemp Topco Limited, includes the Company's cash flows in its own consolidated financial statements.
- (ii) The Company has taken advantage of the reduced disclosures available in Sections 11 and 12 of FRS 102 in relation to financial instruments.
- (iii) The Company has taken the exemption under the terms of FRS 102 33.1A from disclosing related-party transactions with wholly owned entities that are part of the Premier Hytemp Topco Limited group.
- (iv) The Company has taken the exemption under the terms of FRS 102 1.12E and 33.7 from disclosing key management personnel compensation.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(d) Foreign currency

(i) Functional and presentation currency

The Company's functional and presentation currency is pounds sterling.

(ii) Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income reported in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'interest receivable and similar income or interest payable and similar charges'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Cost of sales' or 'Administration expenses' as appropriate.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(e) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only 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 tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(f) Exceptional items

The Company classifies charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

(g) Investments

Fixed asset investments are shown at cost less any provisions for impairment. Income from fixed asset investments is included in the financial statements in the year in which it is receivable.

(h) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

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

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in statement of comprehensive income.

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

(i) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(j) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) *Financial assets*

Basic financial assets, including trade and other receivables and cash and bank balances 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 rate of interest.

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

At the end of each reporting period 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 loss is recognised in profit or loss.

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks 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.

(ii) *Financial liabilities*

Basic financial liabilities, including trade and other payables and loans from fellow group companies 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.

The Company considers the issue of Eurobonds to be a financing transaction as they are held by the Company's ultimate controlling party. As a result, the liability is recognised at the present value of future receipts discounted at a market rate. Any difference between the consideration received for Eurobonds issued and the initially recognised amount is treated as a capital contribution or distribution. This discount or premium recognised is then unwound using the effective interest rate method over the term of the Eurobonds.

Where a significant change to the underlying terms of the Eurobonds is made, the present value of future receipts discounted at a market rate is reassessed. Any difference between the carrying value at the point the terms are changed and the present value of future receipts is treated as a capital contribution or distribution.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(ii) *Financial liabilities (continued)*

Fees paid on the establishment of loan facilities, including the Eurobonds, are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(i) *Offsetting*

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

(k) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4 Critical accounting judgements and estimation uncertainty

In preparing the financial statements, 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 year are addressed below.

(i) *Impairment of assets*

At each reporting date management assess whether there is any indication that each asset might be impaired. If any indication exists, an estimate of the asset's recoverable amount is made as detailed in note 3(g). Estimation of the recoverable amount requires a number of assumptions as detailed further below.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by either:

Notes to the financial statements (continued)

4 Critical accounting judgements and estimation uncertainty (continued)

(i) Impairment of assets (continued)

- a. the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- Growth in EBITDA
- Timing and quantum of future capital expenditure
- Long term growth rates, and
- The selection of discount rates to reflect the risks involved.

or,

- b. the estimated fair value less costs to sell of the asset, both of which involve estimation where a readily available market price is not available.

Changing the assumptions selected by management could significantly affect the Company's impairment evaluation and hence results. See note 9 for details of the impairment charge recognised in the current year.

(ii) Market rate of interest on Eurobonds

Due to the nature of the Eurobonds there is no active market to determine the market rate of interest as such management makes an estimate as to what this rate is based on rates of interest on other forms of borrowings.

5 Operating loss

Audit fees of £3k (2019: £3k) were borne by Premier Hytemp Limited, a fellow subsidiary of Premier Hytemp Topco Limited.

6 Interest payable and similar charges

	2020 £'000	2019 £'000
Unwinding of discount on Eurobonds and unsecured loan notes	296	923
Amortisation of transaction fees	-	34
Interest payable on intercompany borrowing	21	13
	<u>316</u>	<u>970</u>

7 Employees and directors

No staff, other than the Directors, were employed by the Company during the current year or prior period.

The directors are listed on page 5 of the financial statements. The directors of the Company were remunerated by Premier Hytemp Topco Limited, the immediate parent company, during the current and prior year. Details of their emoluments are given in the financial statements of Premier Hytemp Topco Limited.

Notes to the financial statements (continued)

8 Taxation on ordinary activities

(a) Tax expense included in profit or loss

	2020 £'000	2019 £'000
Current tax:		
In respect of the year	-	-
Deferred tax:		
In respect of the year	-	-
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

(b) Reconciliation of tax charge

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

	2020 £'000	2019 £'000
Loss on ordinary activities before taxation	(1,516)	3,082
Loss on ordinary activities multiplied by standard rate of tax	(288)	586
Expenses not deductible for tax purposes	272	(606)
Transfer pricing adjustments	-	-
Deferred tax not recognised	16	20
Total charge for the year (note 8(a))	<u>-</u>	<u>-</u>

(b) Reconciliation of tax charge (continued)

There is an unrecognised deferred tax asset at year end of £310,000 (2019: £294,000) relating primarily to unrelieved tax losses carried forward. This asset is not recognised on the balance sheet due to the availability of losses to shelter the Company from corporation tax for the following period.

The standard rate of UK corporation tax for the period is 19% (2019: 19%) as result of the reduction to 19% on 1 April 2017. The unrecognized deferred tax balances have been measured at 19%.

Notes to the financial statements (continued)

9 Investments

	Investments in Subsidiaries £'000
Cost	
At 30 September 2019	33,009
Additions during the year	-
At 30 September 2020	<u>33,009</u>
Impairment	
At 30 September 2019	16,146
Impairment	1,137
At 30 September 2020	<u>17,283</u>
Net book value	
At 30 September 2020	<u><u>15,726</u></u>
At 30 September 2019	<u><u>16,863</u></u>

Due to the difficult trading conditions within the oil and gas industry brought about by the Covid-19 pandemic the directors considered the carrying value of the Company's investment in Premier Hytemp Holdings Limited should be impaired. This resulted in an impairment charge of £1,137,000 (2019: £nil). This charge was recognised on the statement of comprehensive income as amounts written off investments.

Notes to the financial statements (continued)

9 Investments (continued)

At 30 September 2019 and 30 September 2020 the Company held the share capital of the following undertaking:

	Registered office	Class of share capital held	Proportion of allotted shares held	Nature of business
Premier Hytemp Holdings Limited	Newbridge Industrial Estate, Newbridge, Midlothian, Scotland, EH28 8PJ	Ordinary	100%	Holding company/ provider of consultancy services
Premier Hytemp Limited	Newbridge Industrial Estate, Newbridge, Midlothian, Scotland, EH28 8PJ	Ordinary	100%	Manufacture of engineered metal components
Premier Hytemp Pte Limited	Newbridge Industrial Estate, Newbridge, Midlothian, Scotland, EH28 8PJ	Ordinary	100%	Manufacture of engineered metal components
Premier Hytemp Inc	1001 McKinney St STE 1600, Houston, TX 77002-6421, USA	Ordinary	100%	Dormant
Premier Hytemp SDN. BHD	No.8B, Jalan NIP 1/1, Taman Perindustrian Nusajaya 1 79200 Iskandar Puteri, Johor	Ordinary	100%	Manufacture of engineered metal components

All investments are indirectly held by Premier Hytemp Bidco Limited apart from its investment in Premier Hytemp Holdings Limited.

Notes to the financial statements (continued)

10 Debtors

	2020 £'000	2019 £'000
Amounts owed by group undertakings	-	-
Prepayments and accrued income	4	1
	<u>4</u>	<u>1</u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at 8% on any amount not relating to management services.

11 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	17	-
Amounts owed to group undertakings	296	179
Eurobonds	29,300	29,300
Accrued interest on Eurobonds	5,961	5,961
Accruals and deferred income	94	141
	<u>35,668</u>	<u>35,581</u>

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at 8% on any amount not relating to management services.

The total value in issue of Eurobonds expiring on 30 November 2019 is £29,300,000. The transaction expenses incurred are being amortised over the term of the Eurobonds. During the period £nil (2019: £34,000) was recognised as an expense with £nil (2019: £nil) being unamortised at the year end.

The Eurobonds are listed on the Channel Islands Stock Exchange and until 6 November 2014 accrued interest at a rate of 10% per annum. From that date the rate of interest was reduced to 5% with a further reduction to 0% being approved with effect from 1 April 2015.

	2020 £'000	2019 £'000
Opening Eurobond liability	29,300	28,641
Amortisation of transaction expenses	-	34
Amortisation of notional discount in interest rate	-	625
Closing Eurobond liability	<u>29,300</u>	<u>29,300</u>

The principal and interest accrued are repayable as follows:

	2020 £'000	2019 £'000
In more than one year, but no more than two years	<u>35,261</u>	<u>35,261</u>

The Eurobond holders have a floating charge over the assets of the Company and several fellow group companies, namely Premier Hytemp Topco Limited, Premier Hytemp Holdings Limited and Premier Hytemp Limited.

Notes to the financial statements (continued)

12 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Loan notes	<u>1,123</u>	<u>828</u>

As detailed in accounting policy 3(i) and 4 (ii), the Eurobonds and unsecured loan notes are considered to be a financing transaction and are therefore re-measured by discounting the expected future cash flows at a deemed market rate of interest when a significant change to the underlying terms occurs.

	2020 £'000	2019 £'000
Opening unsecured loan note liability	828	529
Adjustment to liability due to additional loan	-	-
Amortisation of notional discount in interest rate	295	299
Adjustment of liability for market rate of interest	-	-
Closing unsecured loan note liability	<u>1,123</u>	<u>828</u>

The principal and interest accrued are repayable as follows:

	2020 £'000	2019 £'000
In more than five years	<u>1,123</u>	<u>828</u>

13 Share capital

Authorised share capital:

	2020		2019	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>853,400</u>	<u>8,534</u>	<u>853,400</u>	<u>8,534</u>

Allotted, called up and fully paid:

	2019		2018	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>853,400</u>	<u>8,534</u>	<u>853,400</u>	<u>8,534</u>

Voting – on a show of hands each member holding ordinary shares has one vote, and on a poll each member holding ordinary shares has one vote for each ordinary share held.

Dividends – the ordinary shares have the right as respects dividends to participate in a distribution.

Winding up – the ordinary shares have the right, as respects capital, to participate in a distribution (including on a winding up).

Redemption – the ordinary shares are not to be redeemed or liable to be redeemed at the option of the company or the shareholder.

Notes to the financial statements (continued)

14 Contingent assets and liabilities

The Company, along with all other UK registered undertakings forming part of the Premier Hytemp Topco Limited Group, have provided cross guarantees in respect of external funding obtained by Premier Hytemp Limited, a fellow subsidiary of Premier Hytemp Topco Limited. The Company's obligations under the cross guarantee are secured by floating charges over the Company's assets. At 30 September 2020 the liability under the external funding was £889,000 (2019: £943,000).

The Company, along with several other undertakings forming part of the Premier Hytemp Topco Group, have also provided cross guarantees in respect of Eurobonds issued by the Company. The Company's obligations under the cross guarantee, are secured by floating charges over the Company's assets. For the UK undertakings, the floating charges issued to the holders of the Eurobonds rank after those issued to the bank on liquidation. At 30 September 2020 the outstanding debt and accrued interest relating to the Eurobonds was £35,261,000 (2019: £35,261,000).

The Company is part of a VAT group with its fellow subsidiaries of Premier Hytemp Topco Limited, sharing a common registration number. As a result, it has jointly guaranteed the VAT liability of the Premier Hytemp Topco VAT group and failure by other members of that group would give rise to additional liabilities for the Company. The directors are of the opinion that no liability is likely to arise from the failure of the companies included in this VAT group. At 30 September 2020 the contingent liability of the VAT group was £nil (2019: £nil).

15 Capital and other commitments

Contracted capital commitments entered into by the Company as at 30 September 2020 amounted to £nil (30 September 2019: £nil).

16 Related party transactions

At 30 September 2020 the Company owed unsecured loan notes with nominal value of £4,125,000 (2019: £4,125,000) Eurobond balances with a nominal value of £29,300,000 (2019: £29,300,000) and accrued interest of £5,961,000 (2019: £5,961,000) to Dunedin Buyout Fund II L.P., a private equity fund managed by Dunedin LLP, the ultimate controlling party of the Company. The terms of these Eurobonds are detailed in note 13.

At 30 September 2020 the Company also owed £106,000 (2019: £142,000) to Dunedin LLP for director fees. The total charge for the year ended was £58,000 (2019: £50,000).

All related party transactions were at an arm's length basis.

17 Controlling parties

Premier Hytemp Topco Limited, a company registered in Scotland, is the immediate and ultimate parent company. Premier Hytemp Topco Limited is the smallest and largest group to consolidate these financial statements. A copy of the financial statements of Premier Hytemp Topco Limited is available at Newbridge Industrial Estate, Newbridge, EH28 8PJ. The ultimate controlling party is Dunedin LLP.