

Company registration number 06427770 (England and Wales)

**HORN CUTTING TOOLS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

# HORN CUTTING TOOLS LIMITED

## COMPANY INFORMATION

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|                          |  |
|--------------------------|--|
| <b>Director</b>          | Mr A Vollmer   |
| <b>Secretary</b>         | Palmerston Secretaries Limited   |
| <b>Company number</b>    | 06427770   |
| <b>Registered office</b> | Palmerston House<br>814 Brighton Road<br>Purley<br>Surrey<br>CR8 2BR   |
| <b>Auditor</b>           | Knox Cropper LLP Chartered Accountants and Statutory Auditor<br>Office Suite 1<br>Haslemere House<br>Lower Street<br>HASLEMERE<br>Surrey<br>GU27 2PE |
| <b>Bankers</b>           | HSBC Bank plc<br>75 High Street<br>Sutton<br>Surrey<br>SM1 1DU   |

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# HORN CUTTING TOOLS LIMITED

## CONTENTS

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|                                       | <b>Page</b> |
|---------------------------------------|-------------|
| Strategic report                      | 1           |
| Director's report                     | 2           |
| Director's responsibilities statement | 3           |
| Independent auditor's report          | 4 - 6       |
| Income statement                      | 7           |
| Statement of comprehensive income     | 8           |
| Statement of financial position       | 9           |
| Statement of changes in equity        | 10          |
| Notes to the financial statements     | 11 - 21     |

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# HORN CUTTING TOOLS LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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The director presents the strategic report for the year ended 31 December 2021.

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

2021 showed an improvement in trading for all the different divisions within which Horn Cutting Tools Limited continues to trade in despite the continuing disruption caused by the effects of the pandemic. As the markets started to open as lockdown reduced, turnover increased accordingly.

Customer orders of Horn products to the UK market increased by 10.57% compared to 2020. Likewise Manufacturing increased by 40.60%. The increase in manufacturing was due to Horn GmbH increasing the orders to the UK as the demand in the market increased.

The gross margin has increased from 47.82% to 53.32%. The increase is actually a continuing return to a more normal level of trading as the 2019 figure included a significant theft of stock, reducing the margin.

Turnover overall has increased by 13.96% on the previous a year as result of increased orders as effects of the pandemic reduce.

Administration expenditure remained very constant with a small decrease by 0.03%. This is despite payroll costs increasing (£90k) due to increased commission as the turnover increased. and also travel and entertaining costs due to employees being in lockdown for the majority of the year (£129k). The management charge showed an increase of £36k as trading increased. This was offset by reductions in subscriptions and advertising costs but even more so in currency exchange differences. Due to the continuing fluctuation in the Euro / GBP exchange rate as a result of the pandemic there was an exchange gain of £43k in comparison to a loss of £94k in the prior year.

Stock levels at the year end have been purposely reduced to improve liquidity and also as the concerns regarding Brexit implications have receded. The requirement to keep increased inventory is no longer necessary.

The company no longer was able to take advantage of the government furlough scheme in 2021 which did provide other income to the value of £123k in 2020, reducing the trading loss in that year.

The company's liquidity continues to be good and despite the payment of a significant dividend the net asset figure is still £2.3m. Therefore, there is no concern about the company's ability to pay its liabilities as they fall due.

Overall, the results for the year and the financial position at the year end were considered satisfactory, considering the mitigating circumstances, by the director.

The current uncertainty regarding the worldwide issue of the coronavirus has affected the Horn group as a whole with various countries continuing to be placed under lockdown reducing the ability to trade. In addition the war in Ukraine and the effect this has had on energy costs as well as the rise in inflation will increase the challenges faced by the company for the foreseeable short term future. Despite such an uncertain economic climate, the directors expect the company to continue to be profitable in the future.

On behalf of the board

Mr A Vollmer  
**Director**  
23 September 2022

# HORN CUTTING TOOLS LIMITED

## DIRECTOR'S REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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The director presents his annual report and financial statements for the year ended 31 December 2021.

### **Principal activities**

The principal activity of the company continued to be that of the supply of precision cutting and boring engineering tools.

### **Results and dividends**

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £1,500,000. The director does not recommend payment of a final dividend.

### **Director**

The director who held office during the year and up to the date of signature of the financial statements was as follows:

Mr A Vollmer

### **Future developments**

It is anticipated that the company will continue to trade profitably through this uncertain economic period.

### **Auditor**

In accordance with the company's articles, a resolution proposing that Knox Cropper LLP Chartered Accountants and Statutory Auditor be reappointed as auditor of the company will be put at a General Meeting.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr A Vollmer

**Director**

23 September 2022

## **HORN CUTTING TOOLS LIMITED**

### **DIRECTOR'S RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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 director is 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. He is 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.

# HORN CUTTING TOOLS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF HORN CUTTING TOOLS LIMITED

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#### Opinion

We have audited the financial statements of Horn Cutting Tools Limited (the 'company') for the year ended 31 December 2021 which comprise the income statement, 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 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 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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 director 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 director is 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 this gives rise to 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.

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

# HORN CUTTING TOOLS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF HORN CUTTING TOOLS LIMITED

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Director.

#### **Responsibilities of director**

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

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

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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, and the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks via communication with those charged with governance and the company's outsourced finance function, together with the review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements which were discussed and agreed by the audit team. These included risks associated with Revenue Recognition, Management override of Controls and the increased potential and pressure to commit fraud due to the Covid-19 environment which applies to many organisations.

# **HORN CUTTING TOOLS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HORN CUTTING TOOLS LIMITED**

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- Our approach included agreeing the company's recognition of income to the terms of the underlying contract, the review of journal entries processed in the accounting records and the investigation of significant and unusual transactions identified from our review of the accounting records, and the review of government support scheme grants received to ensure they were not fraudulently claimed.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

A further description of our responsibilities is available 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.

**Mr Matthew Elkins FCA (Senior Statutory Auditor)**  
**For and on behalf of Knox Cropper LLP Chartered Accountants and**  
**Statutory Auditor**

23 September 2022

**Chartered Accountants**  
**Statutory Auditor**

Office Suite 1  
Haslemere House  
Lower Street  
HASLEMERE  
Surrey  
GU27 2PE

# HORN CUTTING TOOLS LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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|   | Notes    | 2021<br>£      | 2020<br>£        |
|---|----------|----------------|------------------|
| <b>Turnover</b>                             | <b>3</b> | 9,403,072      | 8,251,490        |
| Cost of sales                               |          | (4,389,150)    | (4,305,368)      |
|   |          | <hr/>          | <hr/>            |
| <b>Gross profit</b>                         |          | 5,013,922      | 3,946,122        |
| Distribution costs                          |          | (214,950)      | (42,799)         |
| Administrative expenses                     |          | (4,271,619)    | (4,272,927)      |
| Other operating income                      |          | -              | 132,398          |
|   |          | <hr/>          | <hr/>            |
| <b>Operating profit/(loss)</b>              | <b>4</b> | 527,353        | (237,206)        |
| Interest receivable and similar income      | <b>6</b> | 165            | 2,438            |
| Interest payable and similar expenses       | <b>7</b> | (624)          | -                |
|   |          | <hr/>          | <hr/>            |
| <b>Profit/(loss) before taxation</b>        |          | 526,894        | (234,768)        |
| Tax on profit/(loss)                        | <b>8</b> | (74,957)       | 41,593           |
|   |          | <hr/>          | <hr/>            |
| <b>Profit/(loss) for the financial year</b> |          | <u>451,937</u> | <u>(193,175)</u> |

The income statement has been prepared on the basis that all operations are continuing operations.

## HORN CUTTING TOOLS LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

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|   | 2021           | 2020             |
|---|----------------|------------------|
|   | £              | £                |
| Profit/(loss) for the year              | 451,937        | (193,175)        |
| Other comprehensive income              | -              | -                |
| Total comprehensive income for the year | <u>451,937</u> | <u>(193,175)</u> |

# HORN CUTTING TOOLS LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

|   | Notes | 2021               |                  | 2020               |                  |
|---|-------|--------------------|------------------|--------------------|------------------|
|   |       | £                  | £                | £                  | £                |
| <b>Fixed assets</b>                                   |       |                    |                  |                    |                  |
| Tangible assets                                       | 10    |                    | 326,442          |                    | 308,665          |
| <b>Current assets</b>                                 |       |                    |                  |                    |                  |
| Stocks  | 11    | 1,011,614          |                  | 1,280,235          |                  |
| Debtors   | 12    | 2,275,029          |                  | 2,271,561          |                  |
| Cash at bank and in hand                              |       | 667,138            |                  | 2,137,627          |                  |
|   |       | <u>3,953,781</u>   |                  | <u>5,689,423</u>   |                  |
| <b>Creditors: amounts falling due within one year</b> | 13    | <u>(1,945,017)</u> |                  | <u>(2,616,178)</u> |                  |
| <b>Net current assets</b>                             |       |                    | <u>2,008,764</u> |                    | <u>3,073,245</u> |
| <b>Total assets less current liabilities</b>          |       |                    | <u>2,335,206</u> |                    | <u>3,381,910</u> |
| <b>Provisions for liabilities</b>                     |       |                    |                  |                    |                  |
| Deferred tax liability                                | 14    | <u>4,623</u>       |                  | <u>3,264</u>       |                  |
|   |       |                    | <u>(4,623)</u>   |                    | <u>(3,264)</u>   |
| <b>Net assets</b>                                     |       |                    | <u>2,330,583</u> |                    | <u>3,378,646</u> |
| <b>Capital and reserves</b>                           |       |                    |                  |                    |                  |
| Called up share capital                               | 16    |                    | 10,000           |                    | 10,000           |
| Profit and loss reserves                              |       |                    | <u>2,320,583</u> |                    | <u>3,368,646</u> |
| <b>Total equity</b>                                   |       |                    | <u>2,330,583</u> |                    | <u>3,378,646</u> |

The financial statements were approved and signed by the director and authorised for issue on 23 September 2022

Mr A Vollmer  
Director

Company Registration No. 06427770

# HORN CUTTING TOOLS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

|  | Share capital | Profit and loss reserves | Total       |
|--|---------------|--------------------------|-------------|
| Notes  | £             | £                        | £           |
| <b>Balance at 1 January 2020</b>                   | 10,000        | 3,561,821                | 3,571,821   |
| <b>Year ended 31 December 2020:</b>                |               |                          |             |
| Loss and total comprehensive income for the year   | -             | (193,175)                | (193,175)   |
| <b>Balance at 31 December 2020</b>                 | 10,000        | 3,368,646                | 3,378,646   |
| <b>Year ended 31 December 2021:</b>                |               |                          |             |
| Profit and total comprehensive income for the year | -             | 451,937                  | 451,937     |
| Dividends  | 9             | (1,500,000)              | (1,500,000) |
| <b>Balance at 31 December 2021</b>                 | 10,000        | 2,320,583                | 2,330,583   |

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

#### Company information

Horn Cutting Tools Limited is a private company limited by shares incorporated in England and Wales. The principal place of business is 32 New Street, Ringwood, Hampshire, BH24 3AD

#### 1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, [modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value]. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Horn S.A. These consolidated financial statements are available from its registered office, 37 Rue des Scillas, L-2529 Howald, Luxembourg.

#### 1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

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

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

|                                |                      |
|--------------------------------|----------------------|
| Land and buildings Leasehold   | 10% Straight Line    |
| Plant and machinery            | 20% Straight Line    |
| Fixtures, fittings & equipment | 15% Reducing Balance |
| Motor vehicles                 | 25% Straight Line    |

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

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.6 Stocks

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

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

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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**1 Accounting policies** **(Continued)**

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

A provision has been made for slow moving / obsolete stock.

**1.7 Cash and cash equivalents**

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

**1.8 Financial instruments**

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

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

**Basic financial assets**

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

**Other financial assets**

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

**Impairment of financial assets**

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

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

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

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### ***Derecognition of financial assets***

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

#### ***Classification of financial liabilities***

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

#### ***Basic financial liabilities***

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

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

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

#### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

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

#### ***Derecognition of financial liabilities***

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

### 1.9 Equity instruments

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

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### 1.10 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

#### 1.11 Taxation

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

##### *Current tax*

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

##### *Deferred tax*

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

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

#### 1.12 Employee benefits

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

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

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

#### 1.13 Retirement benefits

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

#### 1.14 Leases

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

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies (Continued)

#### 1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

#### 1.16 Foreign exchange

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

### 2 Judgements and key sources of estimation uncertainty

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

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

### 3 Turnover and other revenue

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

|   | 2021             | 2020             |
|---|------------------|------------------|
|   | £                | £                |
| <b>Turnover analysed by class of business</b>   |                  |                  |
| Sale of goods                                   | 9,403,072        | 8,251,490        |
|   | <u>9,403,072</u> | <u>8,251,490</u> |
|   |                  |                  |
|   | 2021             | 2020             |
|   | £                | £                |
| <b>Turnover analysed by geographical market</b> |                  |                  |
| Europe (not including Germany)                  | 8,113,191        | 7,330,259        |
| Germany   | 1,289,881        | 921,231          |
|   | <u>9,403,072</u> | <u>8,251,490</u> |
|   |                  |                  |
|   | 2021             | 2020             |
|   | £                | £                |
| <b>Other revenue</b>                            |                  |                  |
| Interest income                                 | 165              | 2,438            |
| Grants received                                 | -                | 123,693          |
|   | <u>165</u>       | <u>126,131</u>   |

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3 Turnover and other revenue (Continued)

Included within other income is an amount of £123,693 claimed via the HMRC Coronavirus Job Retention scheme for employees that were on furlough in 2020 due to the pandemic.

| 4 Operating profit/(loss)  | 2021              | 2020              |
|--|-------------------|-------------------|
|  | £                 | £                 |
| Operating profit/(loss) for the year is stated after charging/(crediting):   |                   |                   |
| Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss | (43,254)          | 94,767            |
| Government grants  | -                 | (123,693)         |
| Fees payable to the company's auditor for the audit of the company's financial statements                            | 8,650             | 10,075            |
| Depreciation of owned tangible fixed assets  | 91,989            | 105,123           |
| Operating lease charges  | 102,024           | 91,458            |
|  | <u>          </u> | <u>          </u> |

### 5 Employees

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

|                            | 2021      | 2020      |
|----------------------------|-----------|-----------|
|                            | Number    | Number    |
| Manufacturing              | 15        | 15        |
| Selling and Administration | 33        | 33        |
| Total                      | <u>48</u> | <u>48</u> |

Their aggregate remuneration comprised:

|                       | 2021             | 2020             |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Wages and salaries    | 2,156,525        | 2,068,938        |
| Social security costs | 265,608          | 253,204          |
| Pension costs         | 308,890          | 315,856          |
|                       | <u>2,731,023</u> | <u>2,637,998</u> |

### 6 Interest receivable and similar income

|                           | 2021       | 2020         |
|---------------------------|------------|--------------|
|                           | £          | £            |
| <b>Interest income</b>    |            |              |
| Interest on bank deposits | 70         | 1,877        |
| Other interest income     | 95         | 561          |
| Total income              | <u>165</u> | <u>2,438</u> |

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

|          |   |                 |                 |
|----------|---|-----------------|-----------------|
| <b>7</b> | <b>Interest payable and similar expenses</b>  | <b>2021</b>     | <b>2020</b>     |
|          |   | £               | £               |
|          | Other interest  | 624             | -               |
|          |   | <u>        </u> | <u>        </u> |
| <b>8</b> | <b>Taxation</b>   | <b>2021</b>     | <b>2020</b>     |
|          |   | £               | £               |
|          | <b>Current tax</b>  |                 |                 |
|          | UK corporation tax on profits for the current period  | 38,210          | -               |
|          |   | <u>        </u> | <u>        </u> |
|          | <b>Deferred tax</b>   |                 |                 |
|          | Origination and reversal of timing differences  | 36,747          | (41,593)        |
|          |   | <u>        </u> | <u>        </u> |
|          | Total tax charge/(credit)   | 74,957          | (41,593)        |
|          |   | <u>        </u> | <u>        </u> |
|          | The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows: |                 |                 |
|          |   | <b>2021</b>     | <b>2020</b>     |
|          |   | £               | £               |
|          | Profit/(loss) before taxation   | 526,894         | (234,768)       |
|          |   | <u>        </u> | <u>        </u> |
|          | Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)   | 100,110         | (44,606)        |
|          | Tax effect of expenses that are not deductible in determining taxable profit  | 30,236          | 23,003          |
|          | Tax effect of utilisation of tax losses not previously recognised   | (72,844)        | -               |
|          | Unutilised tax losses carried forward   | 35,388          | (17)            |
|          | Permanent capital allowances in excess of depreciation  | (19,292)        | (13,768)        |
|          | Other non-reversing timing differences  | 1,359           | (6,205)         |
|          |   | <u>        </u> | <u>        </u> |
|          | Taxation charge/(credit) for the year   | 74,957          | (41,593)        |
|          |   | <u>        </u> | <u>        </u> |
| <b>9</b> | <b>Dividends</b>  | <b>2021</b>     | <b>2020</b>     |
|          |   | £               | £               |
|          | Interim paid  | 1,500,000       | -               |
|          |   | <u>        </u> | <u>        </u> |

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 10 Tangible fixed assets

|                                    | Land and<br>buildings<br>Leasehold | Assets under<br>construction | Plant and<br>machinery | Fixtures, fittings<br>& equipment | Motor vehicles | Total     |
|------------------------------------|------------------------------------|------------------------------|------------------------|-----------------------------------|----------------|-----------|
|                                    | £                                  | £                            | £                      | £                                 | £              | £         |
| <b>Cost</b>                        |                                    |                              |                        |                                   |                |           |
| At 1 January 2021                  | 527,739                            | -                            | 1,329,571              | 167,071                           | 88,934         | 2,113,315 |
| Additions                          | -                                  | 69,494                       | 32,302                 | 7,970                             | -              | 109,766   |
| At 31 December 2021                | 527,739                            | 69,494                       | 1,361,873              | 175,041                           | 88,934         | 2,223,081 |
| <b>Depreciation and impairment</b> |                                    |                              |                        |                                   |                |           |
| At 1 January 2021                  | 375,578                            | -                            | 1,298,896              | 96,180                            | 33,996         | 1,804,650 |
| Depreciation charged in the year   | 40,496                             | -                            | 18,174                 | 11,086                            | 22,233         | 91,989    |
| At 31 December 2021                | 416,074                            | -                            | 1,317,070              | 107,266                           | 56,229         | 1,896,639 |
| <b>Carrying amount</b>             |                                    |                              |                        |                                   |                |           |
| At 31 December 2021                | 111,665                            | 69,494                       | 44,803                 | 67,775                            | 32,705         | 326,442   |
| At 31 December 2020                | 152,161                            | -                            | 30,675                 | 70,891                            | 54,938         | 308,665   |

### 11 Stocks

|                                     | 2021      | 2020      |
|-------------------------------------|-----------|-----------|
|                                     | £         | £         |
| Finished goods and goods for resale | 1,011,614 | 1,280,235 |

### 12 Debtors

|   | 2021      | 2020      |
|---|-----------|-----------|
|   | £         | £         |
| <b>Amounts falling due within one year:</b> |           |           |
| Trade debtors                               | 2,080,852 | 1,837,639 |
| Corporation tax recoverable                 | 11,790    | 104,978   |
| Other debtors                               | 46,160    | 67,242    |
| Prepayments and accrued income              | 136,227   | 226,314   |
|   | 2,275,029 | 2,236,173 |
| Deferred tax asset (note 14)                | -         | 35,388    |
|   | 2,275,029 | 2,271,561 |

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 13 Creditors: amounts falling due within one year

|                                    | 2021             | 2020             |
|------------------------------------|------------------|------------------|
|                                    | £                | £                |
| Payments received on account       | -                | 42,507           |
| Trade creditors                    | 1,341,789        | 1,627,741        |
| Amounts owed to group undertakings | 26,233           | 44,811           |
| Taxation and social security       | 440,531          | 756,865          |
| Accruals and deferred income       | 136,464          | 144,254          |
|                                    | <u>1,945,017</u> | <u>2,616,178</u> |

### 14 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

|                                | Liabilities<br>2021 | Liabilities<br>2020 | Assets<br>2021 | Assets<br>2020 |
|--------------------------------|---------------------|---------------------|----------------|----------------|
|                                | £                   | £                   | £              | £              |
| <b>Balances:</b>               |                     |                     |                |                |
| Accelerated Capital Allowances | 4,623               | 3,264               | -              | -              |
| Tax losses                     | -                   | -                   | -              | 35,388         |
|                                | <u>4,623</u>        | <u>3,264</u>        | <u>-</u>       | <u>35,388</u>  |

|                               | 2021         |
|-------------------------------|--------------|
|                               | £            |
| <b>Movements in the year:</b> |              |
| Asset at 1 January 2021       | (32,124)     |
| Charge to profit or loss      | 36,747       |
|                               | <u>4,623</u> |

The deferred tax liability set out relates to accelerated capital allowances.

### 15 Retirement benefit schemes

|   | 2021           | 2020           |
|---|----------------|----------------|
|   | £              | £              |
| <b>Defined contribution schemes</b>                                 |                |                |
| Charge to profit or loss in respect of defined contribution schemes | 308,890        | 315,856        |
|   | <u>308,890</u> | <u>315,856</u> |

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

# HORN CUTTING TOOLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 16 Share capital

|   | 2021   | 2020   | 2021   | 2020   |
|---|--------|--------|--------|--------|
| Ordinary share capital<br>Issued and fully paid | Number | Number | £      | £      |
| Ordinary Shares of £1 each                      | 10,000 | 10,000 | 10,000 | 10,000 |

### 17 Operating lease commitments

#### Lessee

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

|                            | 2021           | 2020           |
|----------------------------|----------------|----------------|
|                            | £              | £              |
| Within one year            | 142,130        | 142,130        |
| Between two and five years | 37,939         | 180,068        |
|                            | <u>180,069</u> | <u>322,198</u> |

### 18 Related party transactions

The company has taken advantage of the exemption available in section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

### 19 Parent Company

The company is a wholly owned subsidiary undertaking of Horn S.A, a company incorporated in Luxembourg.

The smallest and largest group in which the results of Horn Cutting Tools Limited are consolidated is headed by Horn S.A. The consolidated accounts of this group are available to the public and may be obtained from the registered place of business and principal business address: Horn S.A., 37 Rue des Scillas, L-2529 Howald, Luxembourg.

The ultimate controlling party is Mr Lothar Horn.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.