

voestalpine High Performance Metals UK Limited

Annual report and financial statements
Registered number 0229550

For the year ended 31 March 2019



| Contents | Pages |
|---|--------------|
| Strategic report | 3 |
| Directors' report | 4 |
| Statement of directors' responsibilities | 5 |
| Independent auditor's report to the members of voestalpine High Performance Metals UK Limited | 6 |
| Profit and Loss Account | 8 |
| Balance Sheet | 9 |
| Statement of Changes in Equity | 10 |
| Notes | 11 |

Strategic report

Principal activity

The Company is a wholly owned subsidiary of voestalpine Edelstahl GmbH. The Company's principal activities are the stockholding and trading of special steels in tool, high speed and speciality steels, including nickel alloy in bar and tube form.

Review of the Business

The profit and loss account for the year is set out in page 8. Sales revenues increased by 17%, this was due to favourable trading conditions in Tooling and Aerospace markets and stabilising Oil and Gas revenues. Gross profit showed an 18% increase on last year. The business continues to expand its' presence in the North Sea Oil and Gas market, and continued investment in our machine shop has enhanced our value added service offering. The resulting reduced Operating Profit of £483k is a result of an increase in costs due to expansion at our Scottish O&G site, and global rebranding costs.

Business strategy

The business has continued to concentrate on niche areas in tool making, but has also continued to expand into special steel applications supplying the oil and gas, aerospace, automotive, power generation and food industries. The Business continues to expand its' service and product offering in Scotland giving it the opportunity to service the North Sea Oil & Gas markets more effectively.

Future Outlook

The directors expect a lean business model to be resilient enough to produce healthy returns even in a continued challenging economic environment in Oil & Gas, and given market uncertainty surrounding Brexit.

Principal risks and uncertainties

The special steel market is very competitive and has been traditionally dominated by European manufacturers. The competition from lower priced non-European imports is considered a principal risk to the company.

Brexit

The Company has taken actions, advised by the UK Government, to mitigate the risks of the UK leaving the EU with a No Deal Brexit, and is well placed to react quickly should a Deal be agreed.

Financial Risk Management

Managing debt continued to be challenging, although the Company takes steps to closely manage the risk of uninsured debt losses and ensure that they are minimised.

The directors monitor key performance indicators on liquidity, working capital efficiency and cash flow performance and review up to date running forecasts in both Sterling and foreign currency flows on a regular basis.

The company will take measures to reduce currency exposure in FY20.

Employees

Employment policies throughout the company have been established to comply with relevant legislation and codes of practice relating to employment, health and safety and equal opportunities. The company's policy is to consult and discuss current developments within the company with employees and to take account of their views in making decisions likely to affect their interests.

Approved on behalf of the board on


TT Gowans

Date.....

Director

22/11/19

Directors' report

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

Directors

The directors of the company who were in office during the year were:

TT Gowans
W Fugger (resigned 5th April 2019)
R Nöbauer
W Kuerbisch
PA Bardh (resigned 6th August 2019)
P Emanuelsson (resigned 5th April 2019)

The directors of the company who were in office up to the date of signing the financial statements were:

TT Gowans
M Potzinger (appointed 5th April 2019)
R Nöbauer
W Kuerbisch
K Spangberg (appointed 5th April 2019)

Third party indemnity cover for the directors was in place during the financial year and at the date of this report.

Dividend

During the year, the Company paid an interim dividend of £300,000 (2018: £Nil). The amount that the Directors recommend should be paid by way of Dividend is £300,000.

Supplier payment policy

It is not the Company's policy to follow any standard or code of payment practice but suppliers are paid in accordance with agreed terms. As at 31 March 2019, the Company had 25 days purchases outstanding in trade creditors (2018: 14 days).

Political and charitable contributions

The Company made no political donations during the year (2018: £Nil). The Company made charitable donations of £100 (2018: £670) during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Future Developments

A statement of future developments are included in the Strategic Report.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

Independent Auditors

PricewaterhouseCoopers LLP were appointed auditors during the financial period. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

The financial statements on pages 8 to 24 were approved by the Board of Directors on November 2019 and signed on its behalf by:



TT Gowans
Director

European Business Park
Taylors Lane
Oldbury
B69 2BN

Date 22/11/19

Independent auditors' report to the members of voestalpine High Performance Metals UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, voestalpine High Performance Metals UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2019; the Profit and Loss account, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of voestalpine High Performance Metals UK Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Matthew Walker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

22 November 2019

Profit and Loss Account For the year ended 31 March 2019

| | Note | 2019 | 2018 |
|--------------------------------------|------|----------|----------|
| | | £000 | £000 |
| Turnover | 2 | 55,021 | 47,187 |
| Cost of sales | | (43,994) | (37,862) |
| | | <hr/> | <hr/> |
| Gross profit | | 11,027 | 9,325 |
| Distribution costs | | (8,987) | (6,975) |
| Administrative expenses | | (1,989) | (1,927) |
| | | <hr/> | <hr/> |
| | | 51 | 423 |
| Other operating income | 3 | 432 | 112 |
| | | <hr/> | <hr/> |
| Operating profit | | 483 | 535 |
| Interest payable and similar charges | 7 | (212) | (120) |
| | | <hr/> | <hr/> |
| Profit before taxation | | 271 | 415 |
| Taxation on profit | 8 | (56) | (239) |
| | | <hr/> | <hr/> |
| Profit for the financial year | | 215 | 176 |
| | | <hr/> | <hr/> |

The result for the year and the prior year relate wholly to continuing activities.

There are no profits or losses other than those recognised above and therefore no Statement of Comprehensive Income has been presented.

The notes on pages 11 to 24 form part of these financial statements.


Balance Sheet at 31 March 2019

| | Note | 2019 £000 | £000 | 2018 £000 | £000 |
|---|------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | 5,816 | | 5,697 | |
| Investment property | 10 | 468 | | 485 | |
| | | | <u>6,284</u> | | <u>6,182</u> |
| Current assets | | | | | |
| Stocks | 11 | 21,091 | | 15,037 | |
| Debtors | 12 | 3,665 | | 4,776 | |
| Cash at bank and in hand | | 431 | | 552 | |
| | | <u>25,187</u> | | <u>20,365</u> | |
| Creditors: amounts falling due within one year | 13 | (21,343) | | (16,211) | |
| Net current assets | | | <u>3,844</u> | | <u>4,154</u> |
| Total assets less current liabilities | | | <u>10,128</u> | | <u>10,335</u> |
| Creditors: amounts falling due after more than one year | 14 | - | | (111) | |
| Provisions for liabilities | | | | | |
| Deferred tax liability | 15 | (79) | | (90) | |
| | | | <u>(79)</u> | | <u>(201)</u> |
| Net assets | | | <u>10,049</u> | | <u>10,134</u> |
| Capital and reserves | | | | | |
| Called up share capital | 17 | | 8,862 | | 8,862 |
| Profit and loss account | | | 1,187 | | 1,272 |
| Total Equity | | | <u>10,049</u> | | <u>10,134</u> |

The notes on pages 11 to 24 form part of these financial statements.

These financial statements were approved by the board of directors on

November 2019 and were signed on its behalf by:



TT Gowans
Director

Company registered number: 0229550

Statement of Changes in Equity

| | Note | Called up share capital £000 | Profit and loss account £000 | Total equity £000 |
|--|------|------------------------------------|------------------------------------|-------------------------|
| Balance at 1 April 2017 | | 8,862 | 1,096 | 9,958 |
| Total comprehensive income for the year | | | | |
| Profit for the financial year | | - | 176 | 176 |
| | | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | | - | 176 | 176 |
| | | <hr/> | <hr/> | <hr/> |
| Dividends | | - | - | - |
| | | <hr/> | <hr/> | <hr/> |
| Total Contributions by and distributions to owners | | - | - | - |
| | | <hr/> | <hr/> | <hr/> |
| Balance as 31 March 2018 | | 8,862 | 1,272 | 10,134 |
| | | <hr/> | <hr/> | <hr/> |
| Profit for the financial year | | | 215 | 215 |
| | | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | | | 215 | 215 |
| | | <hr/> | <hr/> | <hr/> |
| Dividends | 19 | | (300) | (300) |
| | | <hr/> | <hr/> | <hr/> |
| Total Contributions by and distributions to owners | | | (300) | (300) |
| | | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2019 | | 8,862 | 1,187 | 10,049 |
| | | <hr/> | <hr/> | <hr/> |

Notes

(forming part of the financial statements)

1 Accounting policies

voestalpine High Performance Metals UK Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 0229550 and the registered address is European Business Park, Taylors Lane, Oldbury, B69 2BN.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

New standards, amendments and IFRIC interpretations IFRS 9 and IFRS 15 are new accounting standards that are effective for the year end 31 March 2019. There has been no material impact on the company. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2019 that have had a material impact on the company.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, voestalpine AG includes the Company in its consolidated financial statements. The consolidated financial statements of voestalpine AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from voestalpine-Strasse 1, A4020, Linz, Austria.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

As the consolidated financial statements of voestalpine AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by FRS 13 Fair Value Measurement and the disclosures required by FRS 7 Financial Instrument Disclosures

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis in accordance with The Companies Act 2006 as applicable to companies using FRS 101.

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development and position are set out in the Strategic Report on page 3.

The Company participates in the Group's centralized treasury and banking arrangements, along with its parent, however, the Directors have no reason to believe that a material uncertainty exists for the Company and that the Company would not be able to continue in operational existence for the foreseeable future with its current banking arrangements. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses. Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

1.5 Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases, where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 2% to 10%
- plant and equipment 7.5% to 15%
- motor vehicles 25%
- fixtures and fittings 10%
- office equipment 20% to 33%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes (continued)

1 Accounting policies (continued)

1.7 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation.

A property interest held under an operating lease may also be accounted for as an investment property. IAS 40 allows the company to make this choice on a property-by-property basis.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Notes (continued)

1 Accounting policies (continued)

1.11 Turnover

Turnover represents the amount derived from the provision of goods and services, which fall within the Company's ordinary activities, stated net of Value Added Tax. Turnover is recognised at a point in time and has a single performance obligation. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery. Gross rental income represents rent receivable for the year. Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Property operating expenses are expensed as incurred.

New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 March 2019 but have not had a material impact on the company. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2019 have had a material impact on the company

1.12 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes (continued)

1 Accounting policies (continued)

1.14 Trade and Other Receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

1.15 Critical Accounting estimates and judgements

The Company makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 discussed below.

Judgements

1.16 Property, plant and equipment

Property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

Estimates

1.17 Inventory

The Company reviews the net realisable value of, and demand for, its inventory on a regular basis to provide assurance that recorded inventory is stated at the lower of cost and net realisable value. The level of inventories that are carried at net realisable value are shown in Note 11. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier raw material prices, and economic trends.

1.18 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying value of non-financial 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.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset, or cash generating unit.

The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply.

Notes (continued)

2 Turnover

The turnover of the Company is derived from the following geographical markets:

| | 2019 £000 | 2018 £000 |
|-----------------------|----------------------|----------------------|
| United Kingdom | 47,659 | 41,409 |
| Europe | 4,835 | 3,519 |
| Rest of World | 2,527 | 2,259 |
| | <hr/> | <hr/> |
| Total turnover | 55,021 | 47,187 |
| | <hr/> | <hr/> |

In the opinion of the directors, there is only one class of business.

3 Other operating income

| | 2019 £000 | 2018 £000 |
|-------------------|----------------------|----------------------|
| Commission income | 432 | 112 |
| | <hr/> | <hr/> |

4 Expenses and auditors' remuneration

| Included in profit are the following: | 2019 £000 | 2018 £000 |
|---|----------------------|----------------------|
| Inventories recognised as an expense | 43,774 | 37,451 |
| Depreciation of tangible fixed assets | 797 | 625 |
| Loss on disposal of tangible fixed assets | 15 | 6 |
| Operating leases: | | |
| Hire of other assets | 60 | 152 |
| Exchange (profit) / loss | (21) | 82 |
| | <hr/> | <hr/> |

| Auditors' remuneration. | 2019 £000 | 2018 £000 |
|-------------------------------------|----------------------|----------------------|
| Audit of these financial statements | 34 | 32 |
| Non-Audit services | - | - |
| | <hr/> | <hr/> |
| | 34 | 32 |
| | <hr/> | <hr/> |

Notes (continued)

5 Staff numbers and costs

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

| | Number of employees | |
|--------------------------|----------------------------|-------------|
| | 2019 | 2018 |
| Selling and distribution | 95 | 88 |
| Administration | 15 | 15 |
| | <u>110</u> | <u>103</u> |

The aggregate payroll costs of these persons were as follows:

| | 2019 £000 | 2018 £000 |
|-----------------------|----------------------|----------------------|
| Wages and salaries | 5,360 | 4,472 |
| Social Security costs | 512 | 364 |
| Other Pension costs | 225 | 249 |
| | <u>6,097</u> | <u>5,085</u> |

6 Directors' remuneration

| | 2019 £000 | 2018 £000 |
|---|----------------------|----------------------|
| Directors' remuneration | 260 | 208 |
| Company contributions to personal pension plans | - | - |
| | <u>260</u> | <u>208</u> |

The aggregate of remuneration and amounts receivable under long-term incentive schemes of the highest paid director was £260k (2018: £208k), and company pension contributions of £0 (2018: £0), were made to a personal purchase scheme on his behalf.

7 Interest payable and similar charges

| | 2019 £000 | 2018 £000 |
|--|----------------------|----------------------|
| Payable to group undertakings | 212 | 120 |
| Total interest payable and similar charges | <u>212</u> | <u>120</u> |

Notes (continued)

8 Taxation on profit

Recognised in the profit and loss account

| | 2019 £000 | 2018 £000 |
|--|----------------------|----------------------|
| UK corporation tax | | |
| Current tax on income for the period | (83) | (67) |
| Adjustments in respect of prior periods | 16 | (93) |
| | <hr/> | <hr/> |
| Total current tax | (67) | (160) |
| Deferred tax (see note 15) | | |
| Origination and reversal of temporary differences | 11 | (79) |
| Adjustments in respect of prior periods | - | - |
| | <hr/> | <hr/> |
| Total deferred tax | 11 | (79) |
| Taxation on profit | <hr/> (56) <hr/> | <hr/> (239) <hr/> |
| Reconciliation of effective tax rate | | |
| | 2019 £000 | 2018 £000 |
| Profit for the year | 215 | 176 |
| Total tax charge | <hr/> 56 <hr/> | <hr/> 239 <hr/> |
| Profit before taxation | 271 | 415 |
| Tax using the UK corporation tax rate of 19% (2018: 19%) | 51 | 79 |
| Reduction in tax rate on deferred tax balances | (9) | 47 |
| Non-deductible expenses | 32 | 20 |
| Over provided in prior years | - | - |
| Prior Years Correction | (18) | 93 |
| | <hr/> | <hr/> |
| Total tax charge | <hr/> 56 <hr/> | <hr/> 239 <hr/> |

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2017). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes (continued)

9 Tangible assets

| | Land and buildings £000 | Plant and equipment £000 | Fixtures & fittings £000 | Under construction £000 | Total £000 |
|--|--|---|---|--|-----------------------|
| Cost | | | | | |
| At beginning of year | 3,621 | 4,508 | 1,808 | 59 | 9,996 |
| Additions | 33 | 666 | 191 | 41 | 931 |
| Disposals | (250) | (2) | (19) | - | (271) |
| At end of year | 3,404 | 5,172 | 1,980 | 100 | 10,656 |
| Depreciation and impairment | | | | | |
| At beginning of year | 1,367 | 1,485 | 1,447 | - | 4,299 |
| Depreciation charge for the year | 66 | 596 | 135 | - | 797 |
| Disposals | (250) | (5) | - | - | (255) |
| At end of year | 1,183 | 2,076 | 1,582 | - | 4,841 |
| Net book value At 31 March 2019 | 2,222 | 3,096 | 398 | 100 | 5,816 |
| At 31 March 2018 | 2,254 | 3,023 | 361 | 59 | 5,697 |

Land and buildings

The net book value of land included within freehold land and buildings comprises:

| | 2019 £000 | 2018 £000 |
|------|----------------------|----------------------|
| Land | 782 | 782 |
| | 782 | 782 |

Notes (continued)

10 Investment property

| | £000 |
|-------------------------|------------|
| Cost | |
| At beginning of year | 799 |
| At end of year | <u>799</u> |
| Depreciation | |
| At beginning of year | 314 |
| Charge for the year | 17 |
| At end of year | <u>331</u> |
| Net book value | |
| At 31 March 2019 | 468 |
| At 31 March 2018 | <u>485</u> |

Investment properties are accounted for under the cost model. If the fair value model has been adopted then the valuation as at 31 March 2019 would have been £1,340,000, as determined by external, independent property valuers.

11 Stocks

| | 2019 £000 | 2018 £000 |
|-------------------------------------|----------------------|----------------------|
| Finished goods and goods for resale | 21,091 | 15,037 |
| | <u>21,091</u> | <u>15,037</u> |

There is no material difference between the carrying value of inventories and replacement costs. Included the above amount are provisions for slow moving inventory and NRV write down of £1,295k (2018: £1,897k)

Notes (continued)

12 Debtors

| | 2019 | 2018 |
|------------------------------------|--------------|--------------|
| | £000 | £000 |
| Trade debtors | 2,365 | 2,678 |
| Amounts owed by group undertakings | 622 | 255 |
| Other debtors | 589 | 1,304 |
| Prepayments and accrued income | 89 | 539 |
| | <u>3,665</u> | <u>4,776</u> |

An impairment loss of £0 (2018: £0) was recognised against trade debtors during the year.

All debtors are financial assets that are debt instruments measured at cost. Amount owed by group undertakings are unsecured, repayable under normal commercial arrangements and carry no interest.

13 Creditors: amounts falling due within one year

| | 2019 | 2018 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Trade creditors | 2,992 | 1,427 |
| Amounts owed to group undertakings | 14,662 | 10,349 |
| Taxation and social security | 2,424 | 2,014 |
| Accruals and deferred income | 1,265 | 2,421 |
| | <u>21,343</u> | <u>16,211</u> |

All creditors are financial liabilities measured at amortised cost.

Amount owed to group undertakings are unsecured, repayable under normal commercial arrangements and carry no interest.

14 Creditors: amounts falling due after more than one year

| | 2019 | 2018 |
|------------------------------|-------------|-------------|
| | £000 | £000 |
| Accruals and deferred income | - | 111 |
| | <u>-</u> | <u>111</u> |

Notes (continued)

15 Deferred tax liability

Recognised deferred tax assets and liabilities.

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|--------------------------------|---------------|-------------|--------------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Tangible fixed assets | - | - | (79) | (90) | (79) | (90) |
| Other | - | - | - | - | - | - |
| Net tax (liabilities) / assets | - | - | (79) | (90) | (79) | (90) |

Movement in deferred tax during the year

| | 1 April 2018 | Recognised in income | 31 March |
|-------------------------------------|-------------------------|---------------------------------|-----------------|
| 2019 | £000 | £000 | £000 |
| Other – losses and other deductions | (90) | 11 | (79) |
| | <u>(90)</u> | <u>11</u> | <u>(79)</u> |

Movement in deferred tax during the prior year

| | 1 April 2017 | Recognised in income | 31 March 2018 |
|-------------------------------------|-------------------------|---------------------------------|--------------------------|
| | £000 | £000 | £000 |
| Other – losses and other deductions | (11) | (79) | (90) |
| | <u>(11)</u> | <u>(79)</u> | <u>(90)</u> |

Notes (continued)

16 Employee benefits

Defined contribution plans

The Company contributes to a money purchase scheme. The scheme's assets are held separately from the Company in an independently administered fund. The total expense relating to these plans in the current year was £225,000 (2018: £249,000).

17 Called up share capital

Share capital

In thousands of shares

Ordinary shares

On issue at 1 April 2018

8,862

On issue at 31 March 2019

8,862

**Allotted, called up and fully paid
Ordinary shares of £1 each**

**2019
£000**

**2018
£000**

8,862

8,862

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

18 Operating leases

Non-cancellable operating lease rentals are payable' as follows:

| | 2019 £000 | 2018 £000 |
|----------------------------|----------------------|----------------------|
| Less than one year | 45 | 71 |
| Between one and five years | 64 | 109 |
| | 109 | 180 |

Leases as lessor

The investment properties are let under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

| | 2019 £000 | 2018 £000 |
|----------------------------|----------------------|----------------------|
| Less than one year | 99 | 112 |
| Between one and five years | - | 211 |
| | 99 | 323 |

During the year £140,123 (2018: £133,000) was recognised as rental income by the Company.

Notes (continued)

19 Dividend

During the year, the Company paid an interim dividend of £300,000 (2018: £Nil). The amount that the Directors recommend should be paid by way of Dividend is £300,000.

20 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of voestalpine Edelstahl GmbH, incorporated in Austria, which is the immediate parent company.

The largest group in which the results of the Company are consolidated is that headed by voestalpine AG, incorporated in Austria. The consolidated financial statements of these groups are available to the public and may be obtained from:

voestalpine-Strasse 1
A—4020
Linz
Austria