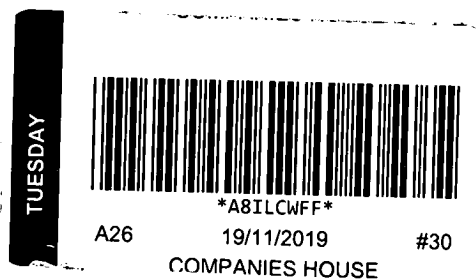


Company Registration No. 01985443 (England and Wales)

SPECIAL QUALITY ALLOYS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019



SPECIAL QUALITY ALLOYS LIMITED

COMPANY INFORMATION

Directors	A K Beardshaw S G S Marshall B J Beardshaw A C Beardshaw R Wood D M Pryce D J Matthews J Miller
Secretary	A C Beardshaw
Company number	01985443
Registered office	Bacon Lane Sheffield S9 3NH
Auditor	BHP LLP 2 Rutland Park Sheffield S10 2PD
Bankers	National Westminster Bank plc 42 High Street Sheffield S1 2GE

SPECIAL QUALITY ALLOYS LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 5
Statement of comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 21

SPECIAL QUALITY ALLOYS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2019

The directors present the strategic report for the year ended 31 May 2019.

Fair review of the business

The principal activities of the company continue to be the stockholding and distribution of bar stock, open die forging and ring rolling, primarily in nickel based superalloys and special steels.

The prime markets for these alloys include oil & gas, chemical processing, marine, power generation & general engineering.

Special Quality Alloys had a stronger than expected 2017/18 and consequently set a Plan for this year to replicate that performance, with no particular indication that the market would continue to strengthen. However, demand for its products further increased and importantly the company was well positioned to respond, exceeding all financial goals by some margin. Both domestic and international order intake was excellent. The company's agreed capital investment programme is on-going and the business outlook remains very positive. Its U.S. facility experienced a similarly strong performance, culminating in a record year for that business.

The Board considers the year to have been very successful and remains open to new and developing opportunities. However, the drive for on-going profitable growth will always be made with a careful and prudent financial approach that has been instrumental in building the robust foundations and longevity of the Group to date.

Results and dividends - The results for the year are set out on page 6.

On behalf of the board


A K Beardshaw

Director

11 November 2019

SPECIAL QUALITY ALLOYS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2019

The directors present their annual report and financial statements for the year ended 31 May 2019.

Principal activities

The principal activities of the company continue to be the manufacture and supply of nickel based super-alloys and special steels.

Directors

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

A K Beardshaw
S G S Marshall
B J Beardshaw
A C Beardshaw
R Wood
D M Pryce
D J Matthews
J Miller

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £2,650,000. The directors do not recommend payment of a final dividend.

Auditor

The auditor, BHP LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SPECIAL QUALITY ALLOYS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor are unaware. Additionally, the directors 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 auditors are aware of that information.

On behalf of the board



A K Beardshaw
Director

11 November 2019

SPECIAL QUALITY ALLOYS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPECIAL QUALITY ALLOYS LIMITED

Opinion

We have audited the financial statements of Special Quality Alloys Limited (the 'company') for the year ended 31 May 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

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

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

We have nothing to report in this regard.

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

SPECIAL QUALITY ALLOYS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPECIAL QUALITY ALLOYS LIMITED

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 directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

John Warner (Senior Statutory Auditor)
for and on behalf of BHP LLP

11 November 2019

Chartered Accountants
Statutory Auditor

2 Rutland Park
Sheffield
S10 2PD

SPECIAL QUALITY ALLOYS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2019

	Notes	2019 £	2018 £
Turnover	2	34,893,334	30,411,082
Cost of sales		(27,005,975)	(23,882,229)
Gross profit		7,887,359	6,528,853
Distribution costs		(57,181)	(27,735)
Administrative expenses		(2,424,526)	(2,341,316)
Other operating income		24,170	51,769
Operating profit	3	5,429,822	4,211,571
Interest receivable and similar income	6	5,900	(1,554)
Profit before taxation		5,435,722	4,210,017
Tax on profit	7	(1,039,122)	(808,517)
Profit for the financial year		4,396,600	3,401,500

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.


SPECIAL QUALITY ALLOYS LIMITED

BALANCE SHEET

AS AT 31 MAY 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	9	4,952,451		3,128,816	
Investments	10	492,919		492,919	
		<u>5,445,370</u>		<u>3,621,735</u>	
Current assets					
Stocks	12	16,770,580		14,510,694	
Debtors	13	8,977,703		10,958,327	
Cash at bank and in hand		3,833,641		2,221,218	
		<u>29,581,924</u>		<u>27,690,239</u>	
Creditors: amounts falling due within one year	14	(10,011,241)		(8,153,705)	
Net current assets		<u>19,570,683</u>		<u>19,536,534</u>	
Total assets less current liabilities		<u>25,016,053</u>		<u>23,158,269</u>	
Provisions for liabilities	15	(1,056,831)		(945,647)	
Net assets		<u>23,959,222</u>		<u>22,212,622</u>	
Capital and reserves					
Called up share capital	18	100,000		100,000	
Profit and loss reserves		23,859,222		22,112,622	
Total equity		<u>23,959,222</u>		<u>22,212,622</u>	

The financial statements were approved by the board of directors and authorised for issue on 11 November 2019 and are signed on its behalf by:


A K Beardshaw
Director

Company Registration No. 01985443

SPECIAL QUALITY ALLOYS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2019

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 June 2017		100,000	20,211,122	20,311,122
Year ended 31 May 2018:				
Profit and total comprehensive income for the year		-	3,401,500	3,401,500
Dividends	8	-	(1,500,000)	(1,500,000)
Balance at 31 May 2018		100,000	22,112,622	22,212,622
Year ended 31 May 2019:				
Profit and total comprehensive income for the year		-	4,396,600	4,396,600
Dividends	8	-	(2,650,000)	(2,650,000)
Balance at 31 May 2019		100,000	23,859,222	23,959,222

SPECIAL QUALITY ALLOYS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	20	7,428,514		2,619,717	
Income taxes paid		(941,586)		(923,744)	
Net cash inflow from operating activities		<u>6,486,928</u>		<u>1,695,973</u>	
Investing activities					
Purchase of tangible fixed assets		(2,259,905)		(1,198,941)	
Proceeds on disposal of tangible fixed assets		29,500		15,567	
Interest received/(paid)		5,900		(1,554)	
Net cash used in investing activities		<u>(2,224,505)</u>		<u>(1,184,928)</u>	
Financing activities					
Dividends paid		(2,650,000)		(1,500,000)	
Net cash used in financing activities		<u>(2,650,000)</u>		<u>(1,500,000)</u>	
Net increase/(decrease) in cash and cash equivalents		<u>1,612,423</u>		<u>(988,955)</u>	
Cash and cash equivalents at beginning of year		2,221,218		3,210,173	
Cash and cash equivalents at end of year		<u><u>3,833,641</u></u>		<u><u>2,221,218</u></u>	

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies

Company information

Special Quality Alloys Limited is a private company limited by shares incorporated in England and Wales. The registered office is Bacon Lane, Sheffield, S9 3NH.

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 functional 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. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Special Quality Alloys Limited is a wholly owned subsidiary of Special Steel Co. Limited and the results of Special Quality Alloys Limited are included in the consolidated financial statements of Special Steel Co. Limited which are available from Bacon Lane, Sheffield, S9 3NH.

1.2 Going concern

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

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

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.

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	Over term of lease
Plant and machinery	10% or 20% straight line
Fixtures, fittings & equipment	20% straight line
Computer equipment	20% straight line
Motor vehicles	25% straight line

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies

(Continued)

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 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 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.

1.7 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.

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.

1.8 Cash at bank and in hand

Cash at bank and in hand 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.

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies

(Continued)

1.9 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 balance sheet 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.

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.

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies

(Continued)

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.

1.10 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.

1.11 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.

1.12 Taxation

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

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 taxation is provided at appropriate rates on all timing differences using the liability method.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.14 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.

1.15 Retirement benefits

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

1.16 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.

1.17 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

2 Turnover and other revenue

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

	2019 £	2018 £
Turnover		
Sales	34,893,334	30,411,082

Turnover analysed by geographical market

	2019 £	2018 £
United Kingdom	21,334,273	20,484,550
Other markets	13,559,061	9,926,532
	34,893,334	30,411,082

3 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchnage (gains)/losses	(70,351)	275,266
Fees payable to the company's auditor for the audit of the company's financial statements	10,900	10,400
Depreciation of owned tangible fixed assets	436,270	393,774
Profit on disposal of tangible fixed assets	(29,500)	(11,530)
Operating lease charges	103,781	102,966

4 Employees

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

	2019 Number	2018 Number
Production	83	80
Admin	20	20
Directors	5	5
	108	105

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2019

4 Employees

(Continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	3,479,522	3,257,804
Social security costs	341,270	323,059
Pension costs	138,718	113,482
	<u>3,959,510</u>	<u>3,694,345</u>

5 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	398,468	429,166
Company pension contributions to defined contribution schemes	40,373	41,532
	<u>438,841</u>	<u>470,698</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2018 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	<u>119,784</u>	<u>115,771</u>

6 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	5,900	1,715
Other interest income	-	(3,269)
	<u>5,900</u>	<u>(1,554)</u>

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

7 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	920,122	785,168
Adjustments in respect of prior periods	-	6,349
Total current tax	920,122	791,517
Deferred tax		
Origination and reversal of timing differences	119,000	17,000
Total tax charge	1,039,122	808,517

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	5,435,722	4,210,017
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,032,787	799,903
Tax effect of expenses that are not deductible in determining taxable profit	1,313	2,534
Adjustments in respect of prior years	-	6,349
Effect of change in corporation tax rate	(13,980)	(18,213)
Fixed asset differences	18,833	18,808
Deferred tax not recognised	169	(864)
Taxation charge for the year	1,039,122	808,517

8 Dividends

	2019 £	2018 £
Interim paid	2,650,000	1,500,000

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

9 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 June 2018	989,915	3,938,024	277,335	312,707	372,084	5,890,065
Additions	-	2,170,954	11,373	8,493	69,085	2,259,905
Disposals	-	-	-	-	(83,538)	(83,538)
At 31 May 2019	989,915	6,108,978	288,708	321,200	357,631	8,066,432
Depreciation and impairment						
At 1 June 2018	400,126	1,636,326	248,118	253,171	223,508	2,761,249
Depreciation charged in the year	98,992	227,553	22,645	22,609	64,471	436,270
Eliminated in respect of disposals	-	-	-	-	(83,538)	(83,538)
At 31 May 2019	499,118	1,863,879	270,763	275,780	204,441	3,113,981
Carrying amount						
At 31 May 2019	490,797	4,245,099	17,945	45,420	153,190	4,952,451
At 31 May 2018	589,789	2,301,698	29,217	59,536	148,576	3,128,816

10 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	11	492,919	492,919

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 June 2018 & 31 May 2019	492,919
Carrying amount	
At 31 May 2019	492,919
At 31 May 2018	492,919

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2019

11 Subsidiaries

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Special Quality Alloys Inc	United States of America	Stockholding special quality alloys	Ordinary	95.00

12 Stocks

	2019 £	2018 £
Finished goods and goods for resale	16,770,580	14,510,694

13 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	8,288,523	6,824,684
Amounts due from group undertakings	571,081	4,021,732
Prepayments and accrued income	118,099	111,911
	8,977,703	10,958,327

14 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	5,990,121	4,966,755
Consignment stock creditors	1,442,639	1,347,070
Amounts due to group undertakings	1,050,770	940,916
Corporation tax	379,769	401,233
Other taxation and social security	622,472	194,872
Accruals and deferred income	525,470	302,859
	10,011,241	8,153,705

15 Provisions for liabilities

	2019 £	2018 £
Other liabilities	782,831	790,647
Deferred tax liabilities	274,000	155,000
	1,056,831	945,647

Movements on provisions apart from retirement benefits and deferred tax liabilities:

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2019

(Continued)

15 Provisions for liabilities

	Other liabilities £
At 1 June 2018	790,646
Utilisation of provision	(7,815)
At 31 May 2019	<u>782,831</u>

16 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 2019 £	Liabilities 2018 £
Balances:		
ACAs	<u>274,000</u>	<u>155,000</u>
Movements in the year:		2019 £
Liability at 1 June 2018		155,000
Charge to profit or loss		<u>119,000</u>
Liability at 31 May 2019		<u>274,000</u>

17 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>138,718</u>	<u>113,482</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.

18 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2019

18 Share capital

(Continued)

19 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019 £	2018 £
Acquisition of tangible fixed assets	579,650	2,444,497

20 Cash generated from operations

	2019 £	2018 £
Profit for the year after tax	4,396,600	3,401,500
Adjustments for:		
Taxation charged	1,039,122	808,517
Investment income	(5,900)	1,554
Gain on disposal of tangible fixed assets	(29,500)	(11,530)
Depreciation and impairment of tangible fixed assets	436,270	393,774
(Decrease) in provisions	(7,816)	(18,580)
Movements in working capital:		
(Increase) in stocks	(2,259,886)	(2,669,309)
Decrease in debtors	1,980,624	1,486,057
Increase/(decrease) in creditors	1,879,000	(772,266)
Cash generated from operations	7,428,514	2,619,717