

Company registration number 01985443 (England and Wales)

SPECIAL QUALITY ALLOYS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022

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 M J Greensmith	(Appointed 1 August 2022)
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

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SPECIAL QUALITY ALLOYS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2022

The directors present the strategic report for the year ended 31 May 2022.

Having experienced a full year of trading in the 2020 / 2021 fiscal year, with the associated depressed global economic conditions driven by the ongoing pandemic, there was no significant reasons for the Board to write a plan dictating any dramatic change in financial performance for this new financial year.

Nevertheless, the company remains in a strong financial position at the end of the year with shareholders' funds increasing from £28.3m to £31.1m. Return on capital employed has changed from 9% to 11%. Return on capital employed is calculated as profit before tax divided by opening capital employed.

Consequently, the company started the year with modest plans, whilst still targeting profitable performance, although below pre-pandemic levels. The company is now well versed in operating with ingrained covid protocols, removing the distractions of the previous year. At the same time, our operational cost base was now correctly aligned with current market demand.

However, two notable external events occurred during the year which we consider had a material impact on overall performance. Firstly, the UK Government announced the removal of most Covid restrictions in England in July 2021, doing so earlier than many other comparable countries. This gave us some optimism that a return to normal demand / trading was possible in the shorter term. Secondly, Russia launched its 'special military operation' into Ukraine in February 2022. Energy supply from the East was swiftly weaponised, particularly gas, and this action starkly exposed western Europe's lack of investment in its own fossil fuel exploration and production and its over reliance on Russia.

Russia's behaviour, combined with the general decline of the pandemic and associated ramp in global economic activity inevitably lead to a dramatic spike in demand for energy, driving prices to record levels, particularly for gas. These events impacted our operating costs, whilst simultaneously driving up demand for our products and services as we are heavily focused on serving the global oil & gas market. For Special Quality Alloys, the business plan mirrored last years performance, and we ran at those numbers for most of the year. However, the events noted above created a dramatic surge in demand from the end of the third quarter onwards and new records for order intake were broken. This resulted in us just exceeding our overall sales plan, but means a large order book was built towards the end of year, the benefits of which will become more evident in the coming year. Our commitment to invest in new hot working equipment has also paid off. Our strategic aim of gaining market share from more traditional EU based competitors began to materialise as the reshoring phenomenon played out, driven by international supply chain disruption. Security of supply became prominent. Although our core market remains energy, work began to identify other industrial sectors that use our alloys and products which will be complementary to our capabilities. Finally, our ongoing commitment to quality and delivery, and the strong international customer relationships built over decades, culminated in us being awarded the Queens Award for Enterprise for International Trade in 2022. The company expects ongoing growth as markets recover and further benefit from the wider market share won in the demand ramp.

On behalf of the board

A K Beardshaw
Director

16 January 2023

SPECIAL QUALITY ALLOYS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2022

The directors present their annual report and financial statements for the year ended 31 May 2022.

Principal activities

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

Results and dividends

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

Ordinary dividends were paid amounting to £1,522,274. The directors do not recommend payment of a further dividend.

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
M J Greensmith

(Appointed 1 August 2022)

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;
- 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 2022

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

16 January 2023

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 2022 which comprise the statement of comprehensive income, the balance sheet, 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 May 2022 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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 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 or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with management, and from our commercial knowledge;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environments and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

SPECIAL QUALITY ALLOYS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPECIAL QUALITY ALLOYS LIMITED

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions; and

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with HMRC

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing Standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or 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.

Lisa Leighton
Senior Statutory Auditor
For and on behalf of BHP LLP

17 January 2023

Chartered Accountants
Statutory Auditor

2 Rutland Park
Sheffield
S10 2PD

SPECIAL QUALITY ALLOYS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2022

	Notes	2022 £	2021 £
Turnover	2	28,309,741	30,324,652
Cost of sales		(21,945,551)	(25,325,691)
Gross profit		6,364,190	4,998,961
Distribution costs		(29,578)	(49,807)
Administrative expenses		(2,941,714)	(2,548,179)
Other operating income		113,403	334,975
Operating profit	3	3,506,301	2,735,950
Interest receivable and similar income	6	1,524,073	1,497
Interest payable and similar expenses	7	-	(2,553)
Profit before taxation		5,030,374	2,734,894
Tax on profit	8	(662,556)	(685,454)
Profit for the financial year		4,367,818	2,049,440

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 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10	4,016,203		4,687,308	
Investments	11	1,097,866		1,097,866	
			5,114,069		5,785,174
Current assets					
Stocks	13	15,651,217		15,847,418	
Debtors	14	11,253,132		7,010,238	
Cash at bank and in hand		8,838,606		6,014,163	
			35,742,955		28,871,819
Creditors: amounts falling due within one year	15	(8,468,419)		(5,002,231)	
Net current assets			27,274,536		23,869,588
Total assets less current liabilities			32,388,605		29,654,762
Provisions for liabilities					
Provisions	16	700,697		724,398	
Deferred tax liability	17	525,000		613,000	
			(1,225,697)		(1,337,398)
Net assets			31,162,908		28,317,364
Capital and reserves					
Called up share capital	19	100,000		100,000	
Profit and loss reserves		31,062,908		28,217,364	
Total equity			31,162,908		28,317,364

The financial statements were approved by the board of directors and authorised for issue on 16 January 2023 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 2022

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 June 2020		100,000	26,817,924	26,917,924
Year ended 31 May 2021:				
Profit and total comprehensive income for the year		-	2,049,440	2,049,440
Dividends	9	-	(650,000)	(650,000)
Balance at 31 May 2021		100,000	28,217,364	28,317,364
Year ended 31 May 2022:				
Profit and total comprehensive income for the year		-	4,367,818	4,367,818
Dividends	9	-	(1,522,274)	(1,522,274)
Balance at 31 May 2022		100,000	31,062,908	31,162,908

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2022

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.

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 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: The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A;
- Section 26 'Share based Payment': Share based payment arrangements required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

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 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.

1.3 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.

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

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

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.

1.4 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.

1.5 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).

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.

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.

1.7 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 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.

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

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.

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.

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.

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.

1.10 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 2022

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.

1.11 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.

1.12 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.

1.15 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Grants received in relation to the government's Coronavirus Job Retention Scheme have been recognised within other operating income. The grant is accounted for on the accruals basis once the related payroll return has been submitted.

1.16 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 2022

2 Turnover and other revenue

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

	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	21,291,161	15,918,226
Other markets	7,018,580	14,406,426
	<u>28,309,741</u>	<u>30,324,652</u>

	2022 £	2021 £
Other revenue		
Interest income	1,799	1,497
Dividends received	1,522,274	-
Grants received	113,403	334,975
	<u>1,637,476</u>	<u>336,472</u>

3 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(294,207)	(407,147)
Government grants	(113,403)	(334,975)
Fees payable to the company's auditor for the audit of the company's financial statements	12,410	13,358
Depreciation of owned tangible fixed assets	817,523	826,260
Profit on disposal of tangible fixed assets	(42,435)	(7,000)
Operating lease charges	106,000	106,000
	<u>585,888</u>	<u>196,506</u>

4 Employees

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

	2022 Number	2021 Number
Production	69	82
Admin	18	21
Directors	5	5
	<u>92</u>	<u>108</u>

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

4 Employees (Continued)

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	2,975,046	3,116,831
Social security costs	305,841	301,978
Pension costs	154,599	161,358
	<u>3,435,486</u>	<u>3,580,167</u>

5 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	412,181	342,370
Company pension contributions to defined contribution schemes	44,298	50,318
	<u>456,479</u>	<u>392,688</u>

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

	2022 £	2021 £
Remuneration for qualifying services	<u>106,314</u>	<u>103,665</u>

6 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	1,799	481
Other interest income	-	1,016
Total interest revenue	<u>1,799</u>	<u>1,497</u>
Income from fixed asset investments		
Income from shares in group undertakings	1,522,274	-
Total income	<u>1,524,073</u>	<u>1,497</u>

7 Interest payable and similar expenses

	2022 £	2021 £
Other interest	<u>-</u>	<u>2,553</u>

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

8 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	750,556	570,454
Deferred tax		
Origination and reversal of timing differences	(88,000)	115,000
Total tax charge	662,556	685,454

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:

	2022 £	2021 £
Profit before taxation	5,030,374	2,734,894
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	955,771	519,630
Tax effect of expenses that are not deductible in determining taxable profit	319	-
Effect of change in corporation tax rate	(20,981)	147,099
Fixed asset differences	17,255	18,837
Deferred tax not recognised	(574)	(112)
Group income	(289,234)	-
Taxation charge for the year	662,556	685,454

9 Dividends

	2022 £	2021 £
Final paid	1,522,274	650,000

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

10 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 June 2021	989,915	6,991,389	439,073	338,952	392,313	9,151,642
Additions	-	4,717	11,986	11,906	117,809	146,418
Disposals	-	(17,720)	-	-	(72,619)	(90,339)
At 31 May 2022	989,915	6,978,386	451,059	350,858	437,503	9,207,721
Depreciation and impairment						
At 1 June 2021	697,102	2,884,370	313,016	313,831	256,015	4,464,334
Depreciation charged in the year	98,992	592,480	33,785	13,946	78,320	817,523
Eliminated in respect of disposals	-	(17,720)	-	-	(72,619)	(90,339)
At 31 May 2022	796,094	3,459,130	346,801	327,777	261,716	5,191,518
Carrying amount						
At 31 May 2022	193,821	3,519,256	104,258	23,081	175,787	4,016,203
At 31 May 2021	292,813	4,107,019	126,057	25,121	136,298	4,687,308

11 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	12	1,097,866	1,097,866

12 Subsidiaries

Name of undertaking	Registered office	Class of shares held	% Held Direct
Special Quality Alloys Inc	United States of America	Ordinary	100.00

13 Stocks

	2022 £	2021 £
Finished goods and goods for resale	15,651,217	15,847,418

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

14 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	7,653,377	5,448,450
Corporation tax recoverable	-	38,421
Amounts owed by group undertakings	3,448,415	1,356,878
Other debtors	4,285	-
Prepayments and accrued income	147,055	166,489
	<u>11,253,132</u>	<u>7,010,238</u>

15 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	5,857,722	3,106,597
Amounts due to group undertakings	536,929	838,083
Corporation tax	438,576	150,530
Other taxation and social security	624,080	240,342
Other creditors	-	8,470
Accruals and deferred income	1,011,112	658,209
	<u>8,468,419</u>	<u>5,002,231</u>

16 Provisions for liabilities

	2022	2021
	£	£
Other liabilities	700,697	724,398
Deferred tax liabilities	525,000	613,000
	<u>1,225,697</u>	<u>1,337,398</u>

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

	Other liabilities
	£
At 1 June 2021	724,398
Utilisation of provision	(23,701)
At 31 May 2022	<u>700,697</u>

The other provision relates to customer credit provisions.

SPECIAL QUALITY ALLOYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

17 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 2022 £	Liabilities 2021 £
Balances:		
ACAs	562,000	616,000
Other timing differences	(37,000)	(3,000)
	<u>525,000</u>	<u>613,000</u>

18 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>154,599</u>	<u>161,358</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.

19 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

20 Ultimate controlling party

The immediate and ultimate parent undertaking and controlling party is Special Steel Co Limited, which prepares group financial statements.

The registered office of Special Steel Co Limited is Bacon Lane, Sheffield, South Yorkshire, S9 3NH.

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.