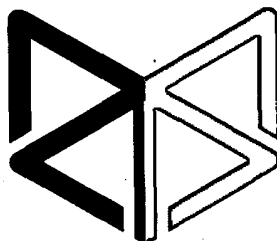


Registered number: 05169749

KME Service Centre UK Limited

**Annual report and financial statements
for the period ended 31 December 2022**



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Strategic report

for the period ended 31 December 2022

The Directors present their strategic report on the company for the period ended 31 December 2022.

Principle activities

KME Service Centre UK Ltd is a precision shearing and copper-based service centre and part of the KME Group S.p.A. of companies. KME is one of the world's largest manufacturers of copper and copper alloy products and has a global distribution network offering innovative product solutions tailored to the respective individual requirements of their customers from the most varied industrial sectors.

KME Service Centre UK Ltd has no overseas branches outside the United Kingdom and is a wholly owned subsidiary of KME SE of Osnabruck, Germany.

Review of the business

On the 29 July 2022 the ownership of the business transferred from Aurubis to KME and the business changed its name from Aurubis UK Ltd. to KME Service Centre UK Limited. At this time the accounting reference period was extended by three calendar months so as at to end on 31 December 2022. Subsequent fiscal years will end on the same day and month in future years to fall in line with the other KME group companies.

With restrictions imposed during the Covid-19 pandemic being lifted and the early difficulties following the United Kingdom's exit from the European Union starting to dissipate demand for our products and services started to increase. However, the increasing demand and the conflict in Ukraine during the period led to shortages in commodities and significant increases in metal prices.

Consequently, the company witnessed a significant increase in turnover to £30,436,013 (2021 £22,470,720) and this reflects the extended reference period, higher commodity prices and improving trading conditions compared to 2021. Due to the "force majeure" supply restrictions following the flooding in July 2021 at Aurubis Stolberg GmbH & Co. KG we were unable to fully compensate for the supply interruptions and take full advantage of the improving trading conditions. However, we continuously seek to improve our overall operating performance, with an emphasis on customer satisfaction, reducing operating costs, effective environmental management and improving health & safety. Following the transfer of ownership, we have a number of strategic initiatives underway that are expected to improve our product portfolio, increase overall growth potential and financial returns.

As shown in the company's income statement on page 12 the result showed a profit for the period of £233,140 (2021 £147,366 profit).

The balance sheet on page 13 shows the company's financial position at the accounting period end and is inline with the prior periods. Senior management review the performance of the business on a monthly basis and this process is supported by the financial results for the year, which is a true measure on our performance.

Key performance indicators

The key performance measures currently being used to determine the effectiveness of business processes are as follows:

Process	Measure(s)
Health and safety	Accident reporting & Lost time injuries (LTI)
Inventory levels	Age and valuation of stock, inventory turns
Profitability	Management accounts, audited financial statement

The health and safety of all our employees, contractors and visitors are a key priority and this is reinforced through KME corporate policy, regular management communication, operational practice and procedures. There were no lost time injuries or reportable accidents in the period and we continue to ensure that we operate the business in a safe and healthy environment.

Strategic report

for the period ended 31 December 2022 (continued)

Inventory value at fiscal year end was £4,967,036 (2021: £3,845,935). Inventory increased over the period due predominantly to London Metal Exchange (LME) commodity price fluctuations and inventory turns in the period were within the target range.

As shown in the company's income statement on page 11 the result showed a profit for the period of £233,140 (2021 £147,366).

These measures are part of the company's management system and form an integral part of the management review process. Management considers these processes to be the main strategic target areas and the trends in the key performance measures are all positive with targets being achieved apart from profitability that was impacted due to the flooding at Aurubis Stolberg.

There have been no significant events since the balance sheet date, which should be considered for a proper understanding of these financial statements.

Principle risks and uncertainties

The physical risks to our business strategy from climate change are not currently considered material and on this basis the Directors have not reviewed the potential impacts of the various climate related scenarios. However, we continue to monitor developments with regard to climate change to ensure they remain a non-material risk and maintain any regulatory compliance.

The company's business may be affected by fluctuations in price and supply of key raw materials. Where practicable the purchasing policies and practices employed seek to mitigate such risks. The movements in direct material prices are reconciled daily by matching sales demand against stock and purchase orders, the difference being corrected by means of hedging through the forward sale or purchase of derivative financial instruments arranged through KME group.

Going concern

Our main avenue of funding is in the form of an intercompany loan and it is the confirmed intention of the new shareholder to continue to provide this level of funding for the foreseeable future or to offer alternative revenues of funding if required.

With the ongoing war in Ukraine causing political and economical unrest the directors have considered the potential risk to the business from the ongoing hostilities. With no customers base or reliance on financial institutions in either Russia, Belarus or Ukraine the directors have taken into consideration the existing and anticipated effects of the current situation and feel the direct risk to the business is currently low.

As a result of considering the above issues, the directors consider the company is a going concern for at least a period of 12 months from the date of signing the financial statements and thus we have adopted the going concern basis in preparing the financial statements

Future developments

The directors view the change in shareholder with positive optimism, for KME group both copper and copper alloy rolled products are considered core business. The directors expect the positive benefits to the business of being integrated within the KME group to be realised in the next financial year and provide ongoing improvements to its operations.

Strategic report

for the period ended 31 December 2022 (continued)



P A Tromans
Director

11 April 2023

Directors' report

For the period ended 31 December 2022

The Directors present their annual report and the audited financial statements of the company for the period ended 31 December 2022.

Future developments

Due to the coronavirus pandemic and the associated economic impact the directors expect the next fiscal year to be challenging.

Financial risk management objectives and policies

Capital management

The capital structure of the company consists of shareholders' equity and retained earnings. At 31 December 2022, ordinary share capital amounted to £2,130,000 remaining unchanged from 2021 (£2,130,000).

The company believes the capital available enables it to perform its principal activity satisfactorily.

Liquidity risk

Liquidity risk is the risk that the company will not have sufficient funds to meet liabilities as they fall due. Budgets are prepared regularly and cash flow monitored to ensure that the company is able to operate within its financial constraints for at least a twelve-month period.

Funding requirement is managed through a group loan facility of £3,000,000 (2021: £1,600,000).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the company's income or the value of its holding of financial instruments. Credit risk is managed by establishing credit limits for all our customers and making arrangements for our outstanding trade debtors to be underwritten by credit insurance.

Interest rate risk

The company considers it is not exposed to a significant level of interest rate risk.

Foreign currency risk

The company is United Kingdom based and undertakes the majority of its transactions in sterling. Consequently, it has no material transactional monetary assets and liabilities denominated in currencies other than its functional currency.

Accounting for derivative financial instruments

The company holds derivative financial instruments to hedge metal market risks arising from its activities. Derivative financial instruments are measured at fair value at each balance sheet date. The directors have reviewed the exposure of the company to the market risks and determined that there are no significant risks.

Environment

KME Service Centre UK Limited is a professional and environmentally conscious organisation, which acknowledges the impact that its operations may potentially have on the environment. The clear objective of KME Service Centre UK Limited and its employees is to minimise and mitigate any adverse impact on the environment by taking practical steps to ensure that potential hazards and risks are identified and suitable and effective preventative and control measures are implemented. Initiatives aimed at minimising the company's impact on the environment include safe disposal of processing waste, recycling of materials and reducing energy consumption.

Directors' report

for the period ended 31 December 2022 (continued)

Employees

Details of the number of employees and related costs can be found in note 3 to the financial statements.

Dividends

The Directors do not recommend the payment of a dividend (2021: £nil).

Directors

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

B Middleton

P Tromans

P Böaler

M Hofer Resigned 13 December 2021

U Nöbel Appointed 15 June 2020. Resigned 29 July 2022

A Bahrenberg Appointed 13 December 2021. Resigned 29 July 2022

K Avaliani Appointed 29 July 2022

S Cultrera Appointed 29 July 2022

M Manfredi Appointed 29 July 2022

No qualifying third party indemnity provision was in force during the year for the benefit of one or more of the Directors above (2021: None).

Political and charitable contributions

The company made no political or charitable contributions during the year (2021: £nil).

Statement of Directors' responsibilities

The directors are responsible for preparing the strategic report, directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The financial statements are required by law to 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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' report

for the period ended 31 December 2022 (continued)

Directors' confirmations

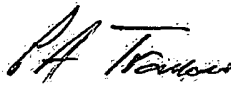
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditor's 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.

Auditors

The auditor RMY Clements Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf:



P. A. Tromans
Director
11 April 2023

Registered Number: 05169749

Registered office:
Unit 6 Rabone Park
Rabone Lane
Smethwick
West Midlands
B66 2NN

Independent auditors' report to the members of KME Service Centre UK Limited

Opinion

In our opinion the financial statements of KME Service Centre UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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 Auditors' 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.

Independent auditors' report to the members of KME Service Centre UK Limited (continued)

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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- considered the nature of the industry and sector, control environment and business performance;
- considered the results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- considered the opportunities and incentives that may exist within the organisation for fraud;
- performed specific procedures to respond to the risk common with all audits under ISA's of management override;
- considered the legal and regulatory frameworks the Company operates in, including UK Companies Act, local tax legislation and health and safety law.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.



Manjinder Singh Sahota ACA FCCA CTA (Senior statutory auditor)
For and on behalf of RMY Clements Limited
Statutory Auditor
Sterling House
71 Francis Road
Edgbaston
Birmingham
B16 8SP

11 April 2023

Income statement

for the period ended 31 December 2022

	Note	Period ended 31 December 2022 £	Year ended 30 September 2021 £
Turnover	2	30,436,013	22,470,720
Changes in stocks of finished goods and work in progress		752,293	119,740
Cost of production	10	(28,526,434)	(20,650,601)
Employee benefit expense	3	(1,284,421)	(999,900)
Depreciation expense	9	(305,895)	(248,014)
Other operating expenses		(771,245)	(512,917)
Government grants received		-	30,323
Exceptional item	7	97,177	-
Operating (loss)/profit		397,488	209,351
Finance costs	6	(107,891)	(4,626)
(Loss)/Profit for the period before taxation		289,597	204,725
Taxation	8	(56,457)	(57,359)
(Loss)/Profit for the financial period	17	233,140	147,366

All activities relate to continuing activities.

There are no recognised gains or losses, other than the profit for each financial period, and therefore no separate statement of comprehensive income has been presented.

Balance sheet

as at 31 December 2022

	Note	31 December 2022 £	30 September 2021 £
ASSETS			
Fixed Assets			
Property, plant and equipment	9	103,025	131,708
Right of use asset	9	440,036	674,924
		<u>543,061</u>	<u>806,632</u>
Current assets			
Inventories	10	4,967,036	3,845,935
Trade and other receivables	11	3,633,923	4,411,113
Cash and cash equivalents	12	376,926	51,122
		<u>8,977,885</u>	<u>8,308,170</u>
Current liabilities			
Creditors – amounts falling due within one year	13	(6,256,463)	(5,830,075)
		<u>2,721,422</u>	<u>2,478,095</u>
Net current assets			
Non-current liabilities			
Creditors – amounts falling due within one year	14	(242,286)	(495,670)
Net assets		<u>3,022,197</u>	<u>2,789,057</u>
EQUITY			
Share capital	16	2,130,000	2,130,000
Profit and loss reserve	17	892,197	659,057
Total shareholders' funds		<u>3,022,197</u>	<u>2,789,057</u>

The notes on pages 15 to 25 are an integral part of these financial statements.

These financial statements on pages 12 to 25 were approved by the board of directors on 11 April 2023 and were signed on its behalf by:



P A Tromans
Director

Registered number: 05169749

Statement of changes in equity
for the year ended 31 December 2022

	Ordinary share capital £	Profit and loss reserve £	Total £
Balance as at 1 October 2020	2,130,000	511,691	2,641,691
Total comprehensive income for the financial year		147,366	147,366
Balance as at 30 September 2021	2,130,000	659,057	2,789,057
Balance as at 1 October 2021	2,130,000	659,057	2,789,057
Total comprehensive income for the financial period		233,140	233,140
Balance at 31 December 2022	2,130,000	892,197	3,022,197

Notes to the financial statements

for the period ended 31 December 2022

1 Accounting policies

KME Service Centre UK Limited ("the company") is a private company, limited by shares, and is registered and domiciled in England and Wales.

The financial statements are prepared on a going concern basis under the historical cost basis except that warrants are stated at their fair value.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company is a qualifying entity for the purposes of FRS 101. Note 18 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The key disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment'; and
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- 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.

In July 2014, the International Accounting Standards Board (IASB) published the final version of IFRS9 Financial Instruments, which replaces the existing regulations contained in IAS 39 concerning the accounting and measurement of Financial instruments. KME Service Centre UK applied IFRS 9 and the resulting changes to the other standards for the first time on 1st October 2018. The transition to IFRS9 takes place retrospectively on a modified basis without a change in prior year figures as it has no impact on the financial statements.

IFRS 15 regulates the point in time and amount at which revenues from customer contracts are to be recognised and includes the extent of the required disclosures in the notes to the financial statements. The new standard does not differentiate between different types of contract and activities performed but establishes uniform criteria for when a performance obligation is to be recognised as revenue. Accordingly, revenue is recognised when the customer obtains

Notes to the financial statements

for the period ended 31 December 2022 (Accounting policies continued)

1 Accounting policies (continued)

control of the agreed goods and services and derive benefit from them. There were no changes in the recognition in revenue due to IFRS 15.

IFRS 16 was adopted on 1 October 2019 and has impacted on property rent and vehicle leases. This has resulted in right-of-use assets of £1 million and rent & lease costs have been replaced by depreciation & interest in the income statement

Foreign currency

Transactions in foreign currencies are translated 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 translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. No key judgements were applied.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

Critical accounting estimates and judgements

There are no critical judgements made in the preparation of the accounts

Inventory provisioning

When calculating the inventory provision, management considers the net realisable value after making due allowances for obsolete and slow moving items and movements in market price.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses. They are recognised on the trade date of the related transactions.

Trade and other payables

Trade payables are stated at their amortised cost. They are recognised on the trade date of the related transactions.

Derivative financial instruments and hedging

The company holds derivative financial instruments to hedge metal price risks arising from its trading activities. Derivative financial instruments are recognised at fair value. The gain or loss on measurement to fair value is recognised immediately in profit or loss. The fair value of warrants is their quoted market price at the balance sheet date, being the present value of the quoted sales price. The fair value of warrants are shown in the balance is shown as receivables £235,441 and payables £123,558.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Notes to the financial statements

for the period ended 31 December 2022 (Accounting policies continued)

1 Accounting policies (continued)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The annual rates /lives used for this purpose are:

Leasehold improvements/Leases	-	over the term of the lease
Plant and machinery	-	6-20%
Office equipment and vehicles	-	10-33 ¹ / ₃ %

Lease assets

ROU asset leases have been capitalised under IFRS16 and included in PPE and depreciated. The ROU assets consist of property, and vehicles and are depreciated on a monthly basis with the IBR being provided by Group each month. IFRS 16 was implemented on 1 October 2019 which resulted in additions to ROU assets of £34,358 in 2022.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the company uses an incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments less any lease incentives receivable; and
- The amount expected to be payable by the lessee under any residual value guarantee.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The company did not make any such adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the statement of financial position.

Impairment

The carrying amounts of the company's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of assets is the greater of their net selling price 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

Notes to the financial statements

for the period ended 31 December 2022 (Accounting policies continued)

1 Accounting policies (continued)

Inventory

Inventory is stated at the lower of cost and net realisable value after making due allowances for obsolete and slow moving items and movements in market price. Cost includes expenditure incurred in acquiring the stock and bringing them to their existing location and condition. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Turnover

Turnover, which excludes value added tax, represents the value of goods and services provided during the year.

Turnover is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the associated costs and possible return of goods can be estimated reliably.

Finance costs

Finance costs comprise interest payable and foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively 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 asset can be utilised.

Related party transactions

The company has taken the exemption within FRS 101 para 8 (k) to not disclose transactions entered into between two or more members of a group provided that the subsidiary which is party to the transaction is wholly owned by such a member.

Notes to the financial statements

for the period ended 31 December 2022 (continued)

2 Turnover

Turnover and profit before tax are wholly attributable to the principal activity of the company. KME Service Centre UK Limited has recognised revenue when the risk and rewards in our goods has passed to the customer. The application of IFRS115 has therefore had no impact on our reporting

Geographical analysis

The analysis of turnover by geographical destination is as follows:

	2022 £	2021 £
United Kingdom	21,914,292	17,920,308
Rest of Europe	6,809,253	3,486,942
Rest of the world	1,712,468	1,063,470
	<u>30,436,013</u>	<u>22,470,720</u>

3 Employee benefit expense

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

	Number of employees	
	Period ended 31 December 2022	Year ended 30 September 2021
Administration	2	2
Production and sales	20	21
Total average headcount	<u>22</u>	<u>23</u>

The aggregate payroll costs of these persons were as follows:

	Period ended 31 December 2022 £	Year ended 30 September 2021 £
Wages and salaries	1,053,554	825,051
Social security costs	92,343	75,893
Other pension costs	138,524	98,956
	<u>1,284,421</u>	<u>999,900</u>

The company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £138,524 (2021: £98,956). The amount of contributions which were not paid as at 31 December 2022 were £76,020 (2021: £15,244).

Notes to the financial statements

for the year ended 31 December 2022 (continued)

4 Remuneration of directors

	Salary	Bonus	Contributions to money purchase plans	Other benefits	Total 2022	Total 2021
	£	£	£	£	£	£
Highest paid director	111,584	75,610	30,264	11,582	229,040	125,621
All directors	313,749	132,697	70,421	35,016	551,883	354,110

Other benefits include contributions to approved pension schemes, car allowances and medical schemes.

	Number of directors	
	Period ended 31 December 2022	Year ended 30 September 2021
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	3

5 Operating profit

	Period ended 31 December 2022 £	Year ended 30 September 2021 £
Included in operating profit are the following charges/(credits):		
Operating lease rentals:		
Plant and machinery	3,500	-
Other	7,333	4,881
Land and buildings	-	-
Depreciation	305,895	248,014
Exchange losses/(gains)	2,384	14,290
(Gain)/loss on disposal of property, plant and equipment	-	(870)
Auditors' remuneration:		
Audit of these financial statements	12,500	7781

6 Finance costs

	Period ended 31 December 2022 £	Year ended 30 September 2021 £
Interest expense/receipt	(2,463)	(1,099)
Group interest expense	106,990	2,155
Interest lease liability	3,364	3,570
	107,891	4,626

Notes to the financial statements
for the year ended 31 December 2022 (continued)

7 Exceptional item

	Period ended 31 December 2022 £	Year ended 30 September 2021 £
Insurance claim	97,177	-
	<u>97,177</u>	<u>-</u>

8 Taxation

Recognised in the income statement

	Period ended 31 December 2022 £	Year ended 30 September 2021 £
<i>Current tax</i>		
UK Corporation tax	69,551	56,366
Total current tax	<u>69,551</u>	<u>56,366</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(13,094)	993
Impact of rate change	-	-
Total deferred tax	<u>(13,094)</u>	<u>993</u>
Tax on profit for the year	<u>56,457</u>	<u>57,359</u>

Reconciliation of effective tax rate

	Period ended 31 December 2022 £	Year ended 30 September 2021 £
(Loss)/Profit before taxation	<u>289,587</u>	<u>204,725</u>
Tax calculated at the standard rate of tax in the UK of 19% (2021 – 19%)	55,022	38,898
Non-deductible expenses	-	-
Depreciation on non-qualifying assets	41,415	43,347
Short term timing differences leading to decrease in taxation	11,548	(19,478)
Unrelieved tax losses carried forward	(50,928)	-
Provisions tax adjustment	(600)	211
Utilisation of tax losses	-	(5,619)
Tax charge	<u>56,457</u>	<u>57,359</u>

Notes to the financial statements

for the year ended 31 December 2022 (continued)

Factors that may affect future tax charges

Increases in the UK corporation main tax rate (effective from 1 April 2023) were substantively enacted on 25 May 2021. The main tax rate will be increased to 25% applying to profits over £250,000. A small profits rate will also be introduced for companies with profits of £50,000 or less, who will continue to pay corporation tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate.

Deferred tax balances must be recognised at the future tax rate applicable when the balance is expected to unwind.

9 Property, plant and equipment

	Leasehold improvements	Plant and machinery	Office equipment and vehicles	ROU	Total
	£	£	£	£	£
Cost					
Balance at 1 October 2021	282,748	1,212,753	298,396	1,039,154	2,833,051
Additions	-	7,965	-	34,358	42,323
Disposals	-	-	-	-	-
Balance at 31 December 2022	282,748	1,220,718	298,396	1,073,512	2,875,374
Accumulated depreciation					
Balance at 1 October 2021	272,841	1,112,013	277,335	364,230	2,026,419
Depreciation	2,467	24,986	9,195	269,246	305,894
Disposals	-	-	-	-	-
Balance at 31 December 2022	275,308	1,136,999	286,530	633,476	2,332,313
Net book amount at 31 December 2022	7,440	83,719	11,866	440,036	543,061
Net book amount at 30 September 2021	9,907	100,740	21,061	674,924	806,632

10 Inventory

	As at 31 December 2022 £	As at 30 September 2021 £
Raw materials	2,396,602	1,819,007
Work in progress	342,042	550,830
Finished goods	2,228,392	1,476,098
	4,967,036	3,845,935

Inventory to the value of £28,526,434 were recognised as expenses in the period (2021: £20,650,601).

Notes to the financial statements

for the year ended 31 December 2022 (continued)

11 Trade and other receivables

	As at 31 December 2022 £	As at 30 September 2021 £
Amounts due within one year:		
Trade receivables	3,336,553	4,280,326
Receivables due from other group undertakings	-	30,946
Other receivables	282,926	96,944
Amounts falling due after more than one year:		
Deferred tax (see note 15)	14,444	2,897
	3,633,923	4,411,113

Receivables due from other group undertakings are unsecured, repayable on demand and have interest linked to LIBOR.

There are no financial assets that have a prepayment option to which compensation would be paid for early termination.

Included in "Other receivables" is £235,441 (2021: £31,183) of warrants held at fair value.

Included with "Trade receivables" is a bad debt reserve of £6,688 (2021: £10,000)

12 Cash and cash equivalents

These comprise cash deposits held by the company.

13 Creditors - Amounts falling due within one year

	As at 31 December 2022 £	As at 30 September 2021 £
Trade payables	1,338,539	1,346,502
Amounts owed to other group undertakings	3,758,763	3,194,746
Amounts owed to parent company	-	-
Lease liability	226,225	219,612
Other payables	570,763	247,987
VAT	275,567	718,218
Taxation	37,794	65,043
Social security	29,451	25,966
Accruals	19,361	12,001
	6,256,463	5,830,075

Trade payables comprise amounts outstanding for non-group trade purchase and ongoing costs. The average credit period taken for such purchases is 60 days (2021: 60 days).

Included within "Other payables" is £123,559 (2021: £67,525) of warrants held at fair value.

Included within "Amounts owed to group undertakings" is £3,000,000 (2021: £1,600,000) in relation to the short term repayable on demand loan facility with KME SE. The effective interest rate during the year was 2.91%. The remainder of the balances comprises predominantly metal purchases where the settlement period is 60 days (2021: 60 days).

Notes to the financial statements

for the year ended 31 December 2022 (continued)

14 Creditors - Amounts falling due after one year

Lease liability	242,286	495,670
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15 Deferred tax

The movement in deferred tax is as follows:

	2022 £	2021 £
Opening net deferred tax liability	(6,887)	(5,894)
Income statement credit	13,094	(993)
Closing net deferred tax liability	6,207	(6,887)

The net deferred tax amounts can be summarised as follows:

	£	£
Deferred tax assets:	14,444	2,897
Deferred tax liabilities:	(8,237)	(9,784)
Net deferred tax liability	6,207	(6,887)

Movement in deferred tax asset during the year

	1 October 2021 £	Recognised in income statement £	31 December 2022 £
Provisions	2,897	11,547	14,444
	2,897	11,547	14,444

Movement in deferred tax liabilities during the year

	1 October 2021 £	Recognised in income statement £	31 December 2022 £
Property, plant and equipment	9,784	(1,547)	8,237
	9,784	(1,547)	8,237

Notes to the financial statements

for the year ended 31 December 2022 (continued)

16 Share capital

	Ordinary shares	
	As at 31 December 2022	As at 30 September 2021
	£	£
<i>Authorised:</i>		
Ordinary shares of £1 each	2,500,000	2,500,000
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	2,130,000	2,130,000

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.

17 Profit and loss reserve

	Period ended 31 December 2022	Year ended 30 September 2021
	£	£
At 1 October	659,057	511,691
Profit/(Loss) for the financial year	233,140	147,366
At 31 December / 30 September	892,197	659,057

18 Ultimate parent company and controlling party

The company is a subsidiary undertaking of KME SE, PO Box 49074, 29 Klosterstrasse, Osnabrück, which is the immediate parent company incorporated in Germany.