

thyssenkrupp Materials (UK) Limited

Annual report and financial statements

Registered number 645702

Year ended 30 September 2021

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Strategic Report

The directors present their Strategic Report on the company for the year ended 30 September 2021.

Review of the business

The company's principal activities are the stockholding, distribution and first stage processing of aluminium, stainless steel, plastics and carbon steel. During the year this was coordinated through two separate operating divisions being Materials (following the amalgamation of Aerospace and Materials Stockholding from 1 October 2020) and Materials Trading.

Though the COVID-19 pandemic has continued, the company has had a significantly improved performance compared to the prior year. This is despite activity in the aerospace sector being significantly lower than pre-pandemic levels. This performance has been driven by the cost efficiencies as a result of merging the Materials Stockholding and Aerospace divisions along with the increase in global commodity prices with demand for metal exceeding supply. This has resulted in the company posting an operating profit in the year of £3,458,000 (2020: operating loss of £31,428,000). If exceptional costs of £734,000 (2020: £26,645,000) in relation to the restructuring of Materials Stockholding and Aerospace, involving redundancy costs, other site closure costs, various stock write-downs and asset impairments (including goodwill, right of use assets and fixed assets) are added back then the operating profit before exceptional items was £4,192,000 (2020: operating loss of £4,783,000).

As mentioned, COVID-19 has continued to cause disruption to business and economic activity and the financial year has once again been challenging. The directors have continued to follow government advice and maintain the Health and Safety measures implemented in the prior year. During the merger of the Materials Stockholding and Aerospace divisions the company continued to take advantage of the Government's Coronavirus Job Retention Scheme but at significantly reduced rates than in the prior financial year and this ended completely in February 2021.

The statement of financial position shows the company's financial position at the year end.

Key Performance Indicators

The main key performance indicator by which the company manages its business is return on capital employed, which was 3.5% in the year (2020: negative) calculated using internal management statistics and an average of capital employed for the previous five quarters). Other secondary factors are tonnes sold, EBIT Margin, cost per tonne, business cash flow and gross profit per order.

Environment

thyssenkrupp Materials (UK) Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption. The company has attained the environmental standard BS EN ISO 14001:2015 as part of these responsibilities.

Going concern

The company meets its day-to-day working capital requirements through its cash reserves and the intercompany cash pool account. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have also obtained confirmation that financial support will continue for the foreseeable future from ultimate parent company, thyssenkrupp AG. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Strategic Report *(continued)*

Subsequent events

There are no material subsequent events to disclose.

Promoting the success of the company and section 172(1) statement of the Companies Act 2006 (section 172)

The directors' overarching duty is to promote the success of the company for the benefit of its shareholders, with consideration of stakeholders' interests, as set out in section 172. The board regards a well governed business as essential for the successful delivery of its principal activity.

The directors are aware of their duty under section 172 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

The company is a UK subsidiary of thyssenkrupp AG, a company quoted on the Frankfurt Stock Exchange. Thyssenkrupp AG are an internationally positioned group of largely independent and efficient industrial and technology companies, operating in 56 countries with 101,000 employees.

The company forms part of thyssenkrupp AG and is a subsidiary undertaking of thyssenkrupp UK Plc. The board of thyssenkrupp manages the group's operations on a global and divisional basis. From the perspective of the board, as a result of the group governance structure, the matters that it is responsible for considering under section 172 have been considered to an appropriate extent by the group and thyssenkrupp UK Plc board in relation both to the group and to this entity, unless otherwise mentioned below. The board has also considered relevant matters where appropriate.

To the extent necessary for an understanding of the development, performance and position of the entity, the company's directors believe that the requirements of section 172 (1) (a) – (f) are discussed in detail in the thyssenkrupp AG Annual Report on pages 22 to 154 which does not form part of this report.

On behalf of the board



J R Emmet
Director
23 December 2021

Directors' Report

The directors present their report and the audited financial statements of the company for the year ended 30 September 2021.

Future developments

The company is continuing with its investment in plant and equipment and replacing commercial vehicles in accordance with long term investment plans.

Dividends

For the year ended 30 September 2021 no dividends will be paid (2020: none).

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors, or from its customers moving abroad or purchasing from low cost economies. To manage this risk, the company strives to provide added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.

Financial risk management

Price risk

The company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practical, such risk. The company manages some of these risks with hedging in aluminium and nickel (an element of stainless steel), as well as currency, and further mitigates these risks by keeping stock levels low and by ensuring customer special stocks have back to back orders with our customers.

Credit risk

In line with Group policies, the company's main debtor balances are covered by credit insurance with major insurance companies significantly reducing the potential exposure.

Foreign currency risk

The company buys and sells products from and into international markets and it is therefore exposed to currency movements on such transactions. Where appropriate, this risk is managed with forward foreign exchange contracts in line with thyssenkrupp AG's treasury policies. With the fair value revaluation of open currency contracts this can lead to large currency movements with market movements such as those seen following the Brexit referendum vote.

Funding risk

The company is financed by its share capital, a capital contribution and a variable rate loan from its parent company.

Liquidity risk

The business exposure to liquidity risk is managed by the ultimate parent business thyssenkrupp AG, details of which are discussed in the thyssenkrupp AG's Annual Report which does not form part of this report, and which is available on the thyssenkrupp AG's website.

Interest rate cash flow risk

As with liquidity risk, this is managed by the parent company, thyssenkrupp AG.

The Group risks to which thyssenkrupp Materials (UK) Limited are exposed are discussed in thyssenkrupp AG's Annual Report which does not form part of this report, and which is available on the thyssenkrupp AG's website.

Directors' liability insurance and indemnification

During the year under review the company purchased and maintained liability insurance for its directors as permitted by Section 233 of the Companies Act 2006. The company has identified each of its directors to cover any liabilities that may arise to a third party as defined by Section 234 of the Companies Act 2006. This indemnity was in force during the financial year and at the date of approval of these financial statements.

Directors' Report *(continued)*

Directors

The directors who held office during the year and up to the date of signing these financial statements, unless otherwise stated, are as follows:

T R Sargeant
P J Scarr (resigned 31 October 2021)
P Marous (resigned 31 October 2021)
D H Schotten
J R Emmet (appointed 1 November 2021)
P Zarth (appointed 1 November 2021)

Political donations and political expenditure

The company has not made any donations to a registered political party, other political organisation in the EU (including the UK) or any independent election candidate.

Stakeholder engagement

Employees

From the perspective of the board, as a result of the group governance structure, the group board has taken the lead in carrying out the duties of a board in respect of the company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the company during the financial year). The board of the company has also considered relevant matters where appropriate.

An explanation of how the group board has carried out these responsibilities (for the group and for the entity) is set out in the thyssenkrupp AGs Annual Report, which does not form part of this report. The Directors continue to encourage employees participation within the group, thyssenkrupp leadership framework and management development programmes underpin the various methods for encouraging an open participative style. This is supported at both local and group levels.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through quarterly business updates, employee forum and the distribution of the Annual Report.

Other stakeholders

Similarly, from the perspective of the board, as a result of the group governance structure, the group board has taken the lead in carrying out the duties of a board in respect of the company's other stakeholders. The board of the company has also considered relevant matters where appropriate. An explanation of how the directors on the group board have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year, is set out (for the group and for the entity) in the thyssenkrupp AG Annual Report, which does not form part of this report.

The company engages with stakeholder groups (customers, suppliers and partners, shareholders and investors, employees and society) in a variety of formal and informal settings. These range from meetings with local, regional, national and international groups to ongoing dialogues with our customers and consumers. Business relationships with customers, suppliers and other businesses are fundamental to thyssenkrupp. The group maintains business partnerships only with reputable partners who comply with the law. The group protects the interests of its customers through the careful selection of suppliers and other business partners and through the standards set for its own actions.

Directors' Report *(continued)*

Stakeholder engagement *(continued)*

Other stakeholders *(continued)*

The board believes in the importance of conducting business responsibly. That means behaving ethically, respecting people and respecting the environment. The company aims to maintain high standard of business conduct and stakeholder engagement and to ensure a positive impact on the community and environment in which it operates.

Streamlined Energy and Carbon Reporting ("SECR")

The SECR disclosure presents the company's carbon footprint within the United Kingdom across scope 1, 2 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

Streamlined Energy and Carbon Reporting in the UK for the year ended 30 September 2021	Consumption kWh	Emissions tCO ₂ e
Scope 1 direct emissions from combustion of gas – fuel	1,950,969	357
Scope 1 direct emissions from combustion of fuel for transport purposes	7,448,837	1,764
Scope 2 indirect emissions from purchased electricity	4,782,139	1,015
Total energy consumption used to calculate emissions / total gross emissions	14,181,945	3,136
Intensity ratio: tco₂e / sales revenue in £m		11.04

Streamlined Energy and Carbon Reporting in the UK for the year ended 30 September 2020	Consumption kWh	Emissions tCO ₂ e
Scope 1 direct emissions from combustion of gas – fuel	1,920,726	353
Scope 1 direct emissions from combustion of fuel for transport purposes	8,305,604	2,032
Scope 2 indirect emissions from purchased electricity	5,841,042	1,493
Total energy consumption used to calculate emissions / total gross emissions	16,067,372	3,878
Intensity ratio: tco₂e / sales revenue in £m		15.54

Methodology

The SECR disclosure has been prepared in line with the financial year ended 30 September 2021 and reporting on all sources of environmental impact in the UK over which the company has financial and/or operational control. The reporting method used is in line with the HM Government Environmental Reporting Guidelines issued in March 2020 and the company has also used the Greenhouse Gas Reporting Protocol – Corporate Standard. The emissions factor source is the 2021 UK Government's Conversion Factors for Company Reporting.

Directors' Report *(continued)*

Energy efficiency action plan

The principal measures taken for the purpose of increasing the company's energy efficiency in the year ended 30 September 2021 included:

- Second Phase of installing energy efficient LED lighting at our Vetchberry Coil Processing centre;
- Installing energy efficient LED lights at both our Preston and Dunmurry Sites
- Installing new windows at our Cox's Lane site to improve insulation.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Directors' confirmations

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

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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

On behalf of the board



J R Emmet
Director

23 December 2021

Independent auditors' report to the members of thyssenkrupp Materials (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, thyssenkrupp Materials (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 30 September 2021; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

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

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

Independent auditors' report to the members of thyssenkrupp Materials (UK) Limited (continued)

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 September 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the failure to comply with employment legislation, UK taxation legislation, antitrust legislation, health and safety legislation and anti-bribery and corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

Independent auditors' report to the members of thyssenkrupp Materials (UK) Limited (continued)

Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

- enquiries of management;
- review of legal expense accounts and board minutes;
- obtained an understanding of the control environment to prevent and detect irregularities and fraud;
- testing of accounting estimates which could be subject to management bias; and
- auditing the risk of management override of controls, including testing non-standard journal entries and unpredictable procedures around cash payments.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Simon Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
23 December 2021

Income statement

for the year ended 30 September 2021

	Note	2021 £000	2020 £000
Revenue	5	284,079	249,553
Cost of sales	6	(260,940)	(244,438)
Gross profit		23,139	5,115
Distribution costs	6	(16,860)	(26,187)
Administrative expenses	6	(6,579)	(10,153)
Impairment of goodwill	6	-	(2,623)
Other operating income	6	3,758	2,420
Operating profit / (loss)	6	3,458	(31,428)
Add back exceptional items	6	734	26,645
Operating profit / (loss) before exceptional items		4,192	(4,783)
Finance income	8	51	218
Finance costs	8	(2,689)	(2,960)
Finance costs – net	8	(2,638)	(2,742)
Profit / (loss) before taxation		820	(34,170)
Income tax credit	9	4,859	1,607
Profit / (loss) for the financial year		5,679	(32,563)

Statement of comprehensive income
for the year ended 30 September 2021

	2021 £'000	2020 £'000
Profit / (loss) for the financial year	5,679	(32,563)
Other comprehensive income: items that will not be reclassified to profit or loss		
Changes in the fair value of financial assets at fair value through other comprehensive income	174	92
Other comprehensive income for the year, net of tax	174	92
Total comprehensive income / (expense) for the year	5,853	(32,471)

Statement of financial position
at 30 September 2021

	<i>Note</i>	2021 £000	2020 £000
Fixed assets			
Intangible assets	10	59	25
Right of use assets	11	7,163	9,032
Property, plant and equipment	12	18,044	19,507
		<u>25,266</u>	<u>28,564</u>
Current assets			
Inventories	13	109,987	79,859
Debtors: amounts falling due within one year	14	84,271	57,012
Debtors: amounts falling due after one year	14	9,029	5,112
Cash and cash equivalents		1,381	2,126
		<u>204,668</u>	<u>144,109</u>
Assets held for sale	15	612	882
Creditors: amounts falling due within one year	16	<u>(201,147)</u>	<u>(148,091)</u>
Net current assets / (liabilities)		<u>4,133</u>	<u>(3,100)</u>
Total assets less current liabilities		<u>29,399</u>	<u>25,464</u>
Creditors: amounts falling due after more than one year	17	<u>(6,110)</u>	<u>(8,134)</u>
Provisions for liabilities	18	(517)	(411)
Net assets		<u>22,772</u>	<u>16,919</u>
Equity			
Called up share capital	20	12,033	12,033
Capital contribution		46,074	46,074
Accumulated losses		(35,961)	(41,640)
Other reserves		626	452
Total shareholders' funds		<u>22,772</u>	<u>16,919</u>

The notes on pages 14 to 31 are an integral part of these financial statements.

The financial statements on pages 10 to 31 were authorised for issue by the board of directors on 23 December 2021 and were signed on its behalf.



J R Emmet – Director

Registered number: 645702

Statement of changes in equity for the year ended 30 September 2021

	Called up share capital	Capital contribution	(Accumulated losses)	Other reserves	Total Shareholders' funds
	£000	£000	£000	£000	£000
Balance as at 1 October 2019	12,033	46,074	(9,077)	360	49,390
Loss for the financial year	-	-	(32,563)	-	(32,563)
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	-	92	92
Balance as at 30 September 2020 and as at 1 October 2020	12,033	46,074	(41,640)	452	16,919
Profit for the financial year	-	-	5,679	-	5,679
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	-	174	174
Balance as at 30 September 2021	12,033	46,074	(35,961)	626	22,772

Notes to the financial statements

1. General information

The company's principal activities are the warehousing distribution and first stage processing of aluminium, stainless steel, plastics and carbon steels to all areas of the UK, also including the provision of supply chain contracts, balcony systems and sale of products to the aerospace and defence industries.

The company is a private company limited by shares and is incorporated and domiciled in England, the UK. The address of its registered office is Cox's Lane, Cradley Heath, West Midlands, B64 5QU.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of thyssenkrupp Materials (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- 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:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, plant and equipment;
 - 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.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'.
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

2.1.1 New and revised standards applied by the company

There are no amendments to accounting standards or IFRIC interpretations that are effective for the year ended 30 September 2021 that have a material impact on the company.

Notes to the financial statements *(continued)*

Summary of significant accounting policies *(continued)*

2.1.2 Going concern

The company meets its day-to-day working capital requirements through its cash reserves and the intercompany cash pool account. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have also obtained confirmation that financial support will continue for the foreseeable future from ultimate parent company, thyssenkrupp AG. The company therefore continues to adopt the going concern basis in preparing its financial statements.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£'000), which is also the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.3 Property, plant and equipment

Land and buildings comprise mainly warehouses and offices. Land and buildings are shown at historic cost, less subsequent depreciation for buildings.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items..

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Freehold property 25-40 years
- Short leasehold property – over the life of the lease
- Plant and Machinery 10-20 years
- Furniture, fittings and equipment 3-8 years
- Motor Vehicles 3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

2.4 Goodwill.

Historic purchased goodwill is not amortised under FRS 101. Instead goodwill is reviewed for impairment on an annual basis.

Notes to the financial statements *(continued)*

Summary of significant accounting policies *(continued)*

2.5 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

2.6 Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 Financial instruments

Amortised cost assets (including trade and other receivables) are primarily financial assets with fixed or determinable payments that are not traded in an active market and are reported on the balance sheet under "Debtors: amounts falling due within one year." Initial measurement takes place at fair value plus transaction costs. They are subsequently measured at amortised cost, using the effective interest method. Valuation allowances are provided for identifiable individual risks in addition to the expected credit losses calculated when known. Financial assets held at fair value through other comprehensive income (FVOCI) comprise trade receivables that have been factored.

Financial liabilities (including trade and other payables) are measured at amortised cost, using the effective interest method. Initial measurement takes place at fair value net of transaction costs incurred. In subsequent periods, the amortisation and accretion of any premium or discount is included in finance costs/income.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the Company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

2.8 Derivative financial instruments and hedging activities

The company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

Notes to the financial statements *(continued)*

Summary of significant accounting policies *(continued)*

2.9 Inventories

Inventories which consist wholly of goods held for resale, are valued at the lower of cost and net realisable value. In determining the cost of goods held for resale, the weighted average purchase price is used. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

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

Trade receivables that have been factored are held at fair value through other comprehensive income and those trade and other receivables that are not factored are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an expected credit loss provision for impairment.

2.11 Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered through a sale transaction and a sale is considered probable within one year. They are stated at the lower of carrying value and fair value less costs to sell.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the financial statements *(continued)*

Summary of significant accounting policies *(continued)*

2.16 Employee benefits

thyssenkrupp Materials (UK) Limited offer a defined contribution pension scheme to all employees, along with life assurance, private medical insurance, child care vouchers and car salary sacrifice scheme. The defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Past service costs are recognised immediately in the income statement.

2.17 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

The company is a distributor of material providing warehouse, distribution and first stage processing. Revenue from contracts with customers is recognised when the included distinct performance obligations, i.e. the distinct goods or services promised in the contract, are transferred to the customer. Transfer takes place when the customer obtains control of the promised goods or services. This is generally the case when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from the transferred goods or services. Revenue from contracts with customers corresponds to the transaction price. The transaction price includes variable consideration only to the extent it is highly probable that actual occurrence of the variable consideration will not result in a significant revenue reversal. Variable consideration can include for example volume discounts. The transaction price is not adjusted for a financing component, mainly because the period between the transfer of goods and services and the date of payment by the customer is generally less than 12 months.

Where a contract with a customer has multiple distinct performance obligations, the transaction price is allocated to the performance obligations by reference to their relative standalone selling prices. The standalone selling prices are determined on the basis of directly observable market prices or using recognised estimation methods. If distinct performance obligations are satisfied acting as an agent, the revenue recognized is not the gross amount payable by the customer but only the net amount retained as a commission-like fee for the respective performance obligation.

Revenue from the sale of goods and commodities is recognised at the point in time at which control is transferred to the customer. The time of transfer of control is determined partly on the basis of the delivery clauses agreed with the customer. In the case of goods and commodities supplied under consignment arrangements, sales revenue is generally recognised when the corresponding goods are removed from consignment by the customer.

2.19 Government grants

Government grants (including the Coronavirus Job Retention Scheme) are recognised in the income statement, as other operating income, on a systematic basis over the periods in which the company recognises expenses for the related costs for which the grants are intended to compensate.

2.20 Exceptional items

Exceptional items are disclosed separately in the financial statements, where it is necessary to do so to provide further understanding of the financial performance of the company. They are items that are material, either because of their size or their nature, or that are non-recurring, and are presented within the line items to which they best relate.

Notes to the financial statements *(continued)*

Summary of significant accounting policies *(continued)*

2.21 Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether: the contract involves the use of an identified asset; the company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the company has the right to direct the use of the asset. This policy is applied to contracts entered into, or changed, on or after 1 October 2019.

The company leases various buildings and vehicles. Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2020 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Notes to the financial statements *(continued)*

3 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Inventory provisioning

The company's principal activities are the stockholding, distribution and first stage processing of aluminium, stainless steel, plastics and carbon steel. As the stock turn of items held varies it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required.

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated demand, contractual requirements (including assessment of any contract terminations) and scrap value. See note 13 for details of inventory provisions.

(b) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade receivables. See note 14 for the net carrying amount of the receivables and associated expected credit loss provision.

The company applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables, which uses a lifetime expected credit loss allowance. The expected loss rates are based on available external and internal rating information as well as historical default ratios. The estimates and assumptions used to determine the level of expected credit losses are reviewed periodically.

(c) Deferred tax assets

The directors have assessed the recoverability of deferred tax assets based on expected future profits as trading recovers from the impact of COVID-19. The key judgement relating to recognition of the deferred tax asset is that it is recognised only to the extent that it is expected that it can be utilised against profits that the company expects to make in the reasonably foreseeable future and a 5 year period has been selected for this. See notes 9 and 19 for further detail.

4 Derivative financial instruments

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 30 September 2021, the outstanding contracts all mature within 15 months (2020: 13 months) of the year end. The company is committed to purchase US\$ 77,792,913 (2020: US\$ 26,758,706), Euro 61,754,677 (2020: Euro 32,067,000) and INR 92,000,000 (2020: INR 35,000,000) for a fixed sterling amount and sell US\$ 16,793,922 (2020: US\$ nil) Euro 39,957,520 (2020: Euro 13,557,920) and INR 21,910,364 (2020: INR 55,303,000) and receive a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP: USD and GBP: Euro.

Notes to the financial statements *(continued)*

5 Revenue

Analysis of revenue by geography:

	2021 £000	2020 £000
United Kingdom	250,215	207,246
EU countries	26,187	27,411
Rest of the world	7,677	14,896
	<u>284,079</u>	<u>249,553</u>

6 Operating profit / (loss)

Operating profit / (loss) is stated after charging / (crediting):

	2021 £000	2020 £000
Wages and salaries including redundancy costs	16,498	23,813
Social security costs	1,711	2,060
Other pension costs (note 21)	1,449	2,024
	<u>19,658</u>	<u>27,897</u>
Total staff costs	19,658	27,897
Loss / (profit) \ loss on disposal of property, plant and equipment	29	(18)
Reversal of trade receivables provisions	(236)	(146)
Amortisation of intangible assets (included in administrative expenses)	16	14
Impairment of goodwill	-	2,623
Inventory recognised as an expense	238,567	211,289
Impairment of inventory (included in cost of sales and includes £nil (2020: £12,527,000) of exceptional costs)	2,658	13,696
Government grant – Coronavirus Job Retention Scheme (included in other operating income)	(101)	(1,697)
Impairment of financial assets	222	45
Depreciation of property, plant and equipment	2,744	2,926
Depreciation of right of use asset	2,169	2,570
Impairment of property, plant and equipment treated as exceptional (£2,300,000 included in Cost of sales and £174,000 in distribution costs)	-	2,474
Impairment of assets held for sale treated as exceptional	270	-
(Impairment reversal) \ impairment of right of use asset treated as exceptional	(36)	706
Foreign exchange gains	(3,637)	(705)
Audit fees payable to the company's auditors – statutory audit only	120	114
	<u></u>	<u></u>

Exceptional costs

Total exceptional costs amounted to £734,000 (2020: £26,645,000) in relation to the restructuring of Materials Stockholding and Aerospace, involving redundancy costs of £500,000 (2020: £3,959,000), other site closure costs of £nil (2020: £4,356,000), various stock write-downs £nil (2020: £12,527,000) and asset impairments (including assets held for sale and goodwill) £270,000 (2020: £2,623,000), right of use assets (£36,000) (2020: £706,000) and fixed assets £nil (2020: £2,474,000).

Notes to the financial statements *(continued)*

7 Employees and Directors

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

By activity	Number of employees	
	2021	2020
Production	228	259
Selling and distribution	169	259
Administration	84	133
	<hr/>	<hr/>
	481	651
	<hr/>	<hr/>

Directors

The directors' emoluments were as follows:

	2021 £000	2020 £000
Aggregate emoluments	386	468
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	17	7
	<hr/>	<hr/>
	403	475
	<hr/>	<hr/>

Highest paid director

The highest paid directors' emoluments were as follows:

	2021 £000	2020 £000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	281	334
Pension contributions	-	-
	<hr/>	<hr/>
	281	334
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

8 Finance income and costs

Finance income

	2021 £000	2020 £000
Interest received from group undertakings	51	218
Total finance income	51	218

Finance costs

	2021 £000	2020 £000
Interest on lease liabilities	285	332
Interest payable to group undertakings	1,985	1,106
Other loans including factoring	419	1,522
Total finance expense	2,689	2,960

Net finance cost

	2021 £000	2020 £000
Interest income	51	218
Interest expense	(2,689)	(2,960)
	(2,638)	(2,742)

Notes to the financial statements *(continued)*

9 Income tax credit

Tax credit included in the Income statement

	2021 £000	2020 £000
Deferred tax:		
Origination and reversal of timing differences	(4,939)	(1,947)
Adjustment in respect of prior periods	80	340
	<hr/>	<hr/>
Total deferred tax	(4,859)	(1,607)
	<hr/>	<hr/>
Tax credit on profit / (loss)	(4,859)	(1,607)
	<hr/>	<hr/>

Tax expense for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for the year ended 30 September 2021 of 19% (2020:19%). The differences are explained below:

	2021 £000	2020 £000
Profit / (loss) before taxation	820	(34,170)
	<hr/>	<hr/>
Tax on profit / (loss) before taxation at standard rate of tax in the UK of 19% (2020: 19%)	156	(6,492)
Effects of:		
– Fixed asset differences	82	76
– Expenses not deductible for tax purposes and goodwill write down	2	503
– Adjustments to brought forward values	-	(94)
– Adjustments in respect of prior periods	80	340
– Temporary differences not recognised in computation	(187)	(8)
– Remeasurement of deferred tax for changes in tax rates	(2,978)	(385)
– Deferred tax (recognised) / not recognised	(2,014)	4,453
	<hr/>	<hr/>
Tax credit on profit / (loss)	(4,859)	(1,607)
	<hr/>	<hr/>

Factors affecting the tax rate in future years

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This change was covered in the Finance Bill 2021 which was substantively enacted on 24 May 2021 and so deferred tax assets and liabilities have been re-measured accordingly.

Notes to the financial statements *(continued)*

10 Intangible assets

	Goodwill	Software	Total
	£000	£000	£000
<i>Cost</i>			
At beginning of year	6,698	988	7,686
Additions	-	50	50
	<hr/>	<hr/>	<hr/>
At end of year	6,698	1,038	7,736
	<hr/>	<hr/>	<hr/>
<i>Accumulated amortisation</i>			
At beginning of year	6,698	963	7,661
Charge for the year	-	16	16
	<hr/>	<hr/>	<hr/>
At end of year	6,698	979	7,677
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
As at 30 September 2021	-	59	59
	<hr/>	<hr/>	<hr/>
As at 30 September 2020	-	25	25
	<hr/>	<hr/>	<hr/>

The software intangible assets include the company's inventory management system which was created by an external development firm for the company's specific requirements. The asset is amortised. There are no other individually material intangible assets.

Notes to the financial statements *(continued)*

11 Right of use assets

	Property £000	Motor vehicles £000	Total £000
Cost			
At beginning of year	11,719	589	12,308
Additions	203	79	282
Disposals	<u>(586)</u>	<u>(144)</u>	<u>(730)</u>
At end of year	11,336	524	11,860
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment			
At beginning of year	3,070	206	3,276
Charge for the year	2,013	156	2,169
Disposals	(586)	(126)	(712)
Impairment reversal	<u>(36)</u>	<u>-</u>	<u>(36)</u>
At end of year	4,461	236	4,697
	<hr/>	<hr/>	<hr/>
Net book value			
As at 30 September 2021	6,875	288	7,163
	<hr/>	<hr/>	<hr/>
As at 1 October 2020	8,649	383	9,032
	<hr/>	<hr/>	<hr/>

The total cash outflow for leases in 2021 was £2,589,000 (2020: £2,744,000).

Expenses during the year relating to short term leases and leases of low-value assets are not shown above and resulted in a charge of £436,000 (2020: £899,000) for the year.

The impairment reversal for the year reflects an amendment to the impact of the restructuring and site closures in the prior year.

Notes to the financial statements (continued)

12 Property, plant and equipment

	Freehold property	Plant, equipment, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
At beginning of year	7,349	30,546	3,566	41,461
Additions	52	1,044	306	1,402
Disposals	-	(1,346)	(23)	(1,369)
At end of year	7,401	30,244	3,849	41,494
Accumulated depreciation and impairment				
At beginning of year	3,260	17,142	1,552	21,954
Charge for the year	191	1,973	580	2,744
Disposals	-	(1,225)	(23)	(1,248)
At end of year	3,451	17,890	2,109	23,450
Net book value				
As at 30 September 2021	3,950	12,354	1,740	18,044
As at 1 October 2020	4,089	13,404	2,014	19,507

13 Inventories

	2021 £000	2020 £000
Finished goods and goods for resale	109,987	79,859

Inventories are stated after provisions for impairment of £16,231,000 (2020: £17,264,000).

There is no significant difference between the replacement cost of finished goods and goods for resale and their carrying amounts.

Notes to the financial statements (continued)

14 Debtors

	2021 £000	2020 £000
Amounts falling due within one year:		
Trade receivables	52,469	42,021
Amounts owed by group undertakings	26,188	12,509
Deferred tax (note 19)	942	-
Other receivables	2,305	866
Derivative financial instruments	1,893	619
Prepayments and accrued income	474	997
	<u>84,271</u>	<u>57,012</u>

All trade receivables fall due within one year. Trade receivables held at amortised cost are stated after loss allowances of £548,000 (2020: £881,000). Under IFRS 9, trade receivables held at fair value through other comprehensive income (FVOCI) represent factored debtors and include an expected credit loss provision of £773,000 (2020: £558,000), before the impact of a deferred tax balance of £147,000 (2020: £106,000).

Amounts owed by group undertakings include group cash pool facility balances of £25,306,000 (2020: £10,827,000) which are unsecured and are repayable on demand, bearing interest at variable rates. The remaining balance of £882,000 (2020: £1,682,000) is unsecured, interest free, and repayable on demand. Amounts owed by group undertakings are stated after loss allowances of £nil (2020: £nil).

	2021 £000	2020 £000
Amounts falling due after more than one year:		
Deferred tax asset (note 19)	9,029	5,112
	<u>9,029</u>	<u>5,112</u>

15 Assets held for sale

	2021 £000	2020 £000
Opening position Property, plant and equipment	882	-
Additions in the year	-	882
Impairment	(270)	-
	<u>612</u>	<u>882</u>
As at 30 September 2021	612	882

Notes to the financial statements *(continued)*

16 Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Lease liabilities	1,975	1,881
Trade creditors	41,038	36,942
Amounts owed to group undertakings	130,815	83,167
Taxation and social security	12,037	5,105
Other creditors	4,803	6,529
Derivative financial instruments	938	658
Accruals and deferred income	9,541	13,809
	<u>201,147</u>	<u>148,091</u>

Amounts owed to group undertakings include cash pool facility balances of £117,165,000 (2020: £81,786,000). The group cash facility bears interest at a variable rate. The remaining balance of £13,650,000 (2020: £1,381,000) is unsecured, interest free, and repayable on demand.

17 Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Lease liabilities	5,874	7,989
Other creditors	236	145
	<u>6,110</u>	<u>8,134</u>

18 Provision for liabilities

The company had the following provisions during the year:

	Total £000
At 1 October 2020	411
Charged to the income statement	106
At 30 September 2021	<u>517</u>

The provision for liabilities relates to anticipated legal costs to recover customs duty paid to HMRC in April 2017 following a C18 demand in respect of documentation issues from 2014.

Notes to the financial statements *(continued)*

19 Deferred tax

The provision for deferred tax consists of the following deferred tax assets:

The movement in the deferred tax provision is as follows:

	2021 £000	2020 £000
Deferred tax assets due within 12 months	942	-
Deferred tax assets due after more than 12 months	9,029	5,112
Total deferred tax asset	9,971	5,112

Deferred tax assets - recognised

	Fixed asset temporary differences £000	Other taxable temporary differences £000	Tax losses £000	Total £000
At 1 October 2019	866	198	2,441	3,505
Credited to the income statement	113	786	708	1,607
At 30 September 2020	979	984	3,149	5,112
Credited to the income statement	83	178	4,598	4,859
At 30 September 2021	1,062	1,162	7,747	9,971

Deferred tax assets - unrecognised

	Fixed asset temporary differences £000	Other taxable temporary differences £000	Tax losses £000	Total £000
At 30 September 2021	-	-	2,440	2,440
At 30 September 2020	-	-	4,453	4,453

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The company did not recognise deferred income tax assets of £2,440,000 (2020: £4,453,000) that can be carried forward against future taxable income.

Notes to the financial statements *(continued)*

20 Called up Share capital

Ordinary shares of £1 each

	2021 £000	2020 £000
Allotted and fully paid		
As at 30 September 2020 and 30 September 2021	12,033	12,033

21 Pensions

Defined contribution Scheme

The company provides a defined contribution scheme for its employees. The amount recognised as an expense for the defined contribution scheme was:

	2021 £000	2020 £000
Current year contributions	1,449	2,024

22 Capital and operating lease commitments

As at 30 September, the company had the following capital commitments:

	2021 £000	2020 £000
Capital commitments		
Contracts for future capital expenditure not provided in the financial statements	258	349

23 Subsequent events

There are no material subsequent events to disclose.

24 Ultimate parent company and immediate parent undertaking

The company regarded by the directors as being the ultimate controlling company is thyssenkrupp AG which is incorporated in Germany. This is the largest and smallest group within which thyssenkrupp Materials (UK) Limited is consolidated. The consolidated financial statements of thyssenkrupp AG can be obtained from thyssenkrupp, Allee 1, Postfach 45063, 45143 Essen, Germany.

The company is a wholly owned subsidiary of thyssenkrupp UK PLC, registered in England, the financial statements of which can be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF14 3UZ.