

**Acerinox (U.K.) Limited**  
**Annual Report and Financial Statements**  
**Registered number: 03056532**  
**for the year ended 31 December 2018**



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## Directors and Advisors

### Directors

P Cantle  
M Ferrandis Torres  
L Gimeno Valledor

### Independent auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cornwall Court  
19 Cornwall Street  
Birmingham  
B3 2DT

### Secretary

P Cantle

### Solicitors

Shoosmiths  
2 Colmore Square  
38 Colmore Circus Queensway  
Birmingham  
B4 6BJ

### Registered office

Heath Road  
Darlaston  
Wednesbury  
West Midlands  
WS10 8XL

### Bankers

Banco Bilbao Vizcaya Argentaria  
108 Cannon Street  
London  
EC4N 6EU

Barclays Bank plc  
15 Colmore Row  
Birmingham  
B3 2EP

Banca March  
30 Eastcheap  
London  
EC3M 1HD

## Strategic Report

The directors of Acerinox (U.K.) Limited (the "Company") present their annual report and audited financial statements for the year ended 31 December 2018.

### Principal activities

The Company's principal activities are the importing, processing and distribution of stainless steel in its core market of the UK and Ireland.

There have been no significant changes in the Company's principal activities in the year under review. The directors are not aware at the date of this report of any major changes in the Company's activities in the next year.

### Business review

The directors consider Acerinox (U.K.) Limited to have performed satisfactorily in the year under review with turnover increasing to £90 million (2017: £84.1 million) even though operating profit reduced to £743k (2017: £971k) mainly due to a fall in commodity priced (nickel).

The Company has further consolidated into more profitable market sectors and cost reduction targets have been achieved in line with Group objectives.

### Key performance indicators

Management consider the key performance indicators of the Company to be revenues, operating costs and stock rotation. Revenues have increased by 6.94% in 2018 (2017: 12.46%). Operating Costs are down by 1.91% in 2018 (2017 decrease: 14.30%). All KPI targets have been achieved in 2018 and the directors believe the Company is well placed to continue trading profitably in 2019 and beyond.

### Principal risks and uncertainties

The Company's principal risks are the exposure to price volatility, both within the products purchased and resold, which is linked to the overall market and commodity prices: and through the exposure to fluctuations in foreign exchange rates. These risks in turn require a tight control on working capital to minimise the impact of any price variations.

The Company manages the fluctuations in raw material costs effectively through supplier relationships and strategic purchasing within group companies.

Competitive pressure in all of the Company's core markets is a constant risk which could result in the loss of sales to its key competitors from Europe and Asia. The Company manages this risk by having a wide range of products of the highest quality and a service centre which provides a broad distribution base to service its expanding customer base.

Acerinox (U.K.) Limited does not believe that the UK's impending departure from the European Union (Brexit) will have a detrimental impact on its financial statements. In so far as possible changes and challenges can be predicted in the event of a no deal scenario (Hard Brexit), the Company has assessed the potential impact on the following areas: EU Road Traffic Movement, Haulage Availability, Customs, Potential Delays at UK/EU Borders and Tariffs on UK/EU Trade, and, where possible, taken measures to mitigate any possible disruptions to its operations.


### Subsequent events

There were no subsequent events to be notified at the date of signing this Strategic Report.

### Future developments

The directors do not consider that there will be any significant changes to the Company's activities in the foreseeable future.

By order of the board



P Cantle  
Director

Date: 24/09/2019

Heath Road  
Darlaston  
Wednesbury  
West Midlands  
WS10 8XL

## Directors' Report

The directors present their Directors' Report and audited financial statements for the year ended 31 December 2018.

### Results

The results for the year are set out on page 7, and the Company's Balance Sheet at the year end is set out on page 8. The profit for the financial year amounted to £405k (2017: £565k).

### Foreign exchange and treasury policy

The Company has limited operations outside the UK but is still exposed to movements in exchange rates from business within and outside the UK. To protect cash flows against this exposure to exchange rate variations, the Company purchases material in either GBP or Euros depending on the market the Company sells to.

### Proposed dividend

The directors do not recommend the payment of a dividend (2017: £nil).

### Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

M Ferrandis Torres  
P Cantle  
L Gimeno Valledor

The directors of the Company benefit from third party indemnity insurance in place during the financial year.

### Employees

Due to the spread of the Group's constituent businesses, responsibility has been devolved to the local management of the operating subsidiaries who are accountable for employment arrangements and the implementation of the Group's overall policies. Within this framework, the management of each subsidiary is responsible for:

- (a) the development of employee involvement and communication policies which are appropriate to their own particular needs and in line with accepted practices in its country of operation;
- (b) ensuring that no employee or potential employee receives less favourable treatment on the grounds of sex, marital status, colour, race, sexual orientation, nationality, religious beliefs or disability;
- (c) selection and promotion being based on the suitability of an individual's skills, aptitude and experience for the job; and
- (d) fully and fairly considering applications for employment from disabled persons having regard to the aptitudes and abilities of the applicant. In the event of disability, every effort is made to ensure that suitable training for employment with the Company or elsewhere is given.

### Health, safety and the environment

The Company takes seriously its responsibilities to employees, customers and the environment. It requires each operating subsidiary to maintain its own health, safety and environmental policies and to implement good working practices and procedures so as to ensure that its operations and products comply with the appropriate law, regulations and standards.

### Political and charitable contributions

The Company did not make any political contributions or incur any political expenditure during the year (2017: £nil).

## Directors' Report (continued)

### Disclosure of information to auditors

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

### Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

### 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 IFRSs as adopted by the European Union 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 financial statements on pages 7 to 24 were approved by the Board of Directors on 24/09/2019 and signed on its behalf by:

  
P Cantle  
Director

Heath Road  
Darlaston  
Wednesbury  
West Midlands  
WS10 8XL

# **Acerinox (U.K.) Limited**

## **Independent Auditors' Report to the Members**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, Acerinox (U.K.) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018, the Profit and Loss Account, the Statement of Changes in Equity for the year ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

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

#### **Independence**

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

#### **Conclusions relating to going concern**

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

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

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

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

#### **Reporting on other information**

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

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

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

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

# **Acerinox (U.K.) Limited**

## **Independent Auditors' Report to the Members (continued)**

### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### ***Use of this report***

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


### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



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

Date: 24 September 2019



**Profit and Loss Account**  
*for the year ended 31 December 2018*

	<i>Note</i>	<b>2018</b> <b>£000</b>	2017 £000
<b>Turnover</b>	<b>5</b>	<b>89,950</b>	84,115
Cost of sales		<b>(86,367)</b>	(80,182)
<b>Gross profit</b>		<b>3,583</b>	3,933
Distribution costs		<b>(565)</b>	(652)
Administrative expenses		<b>(2,515)</b>	(2,488)
Other operating income		<b>240</b>	178
<b>Operating profit</b>	<b>6</b>	<b>743</b>	971
Interest payable and similar expenses	<b>9</b>	<b>(224)</b>	(260)
<b>Profit before taxation</b>		<b>519</b>	711
Tax on profit	<b>10</b>	<b>(114)</b>	(146)
<b>Profit for the financial year</b>		<b>405</b>	565

All activity in both current and preceding years arises from continuing operations.

There were no recognised gains or losses for the current or preceding year, other than the profit for the financial year as presented above, and therefore no separate Statement of Other Comprehensive Income has been presented.

The notes on pages 10 to 24 form an integral part of the Company's financial statements.

**Balance Sheet**  
*at 31 December 2018*

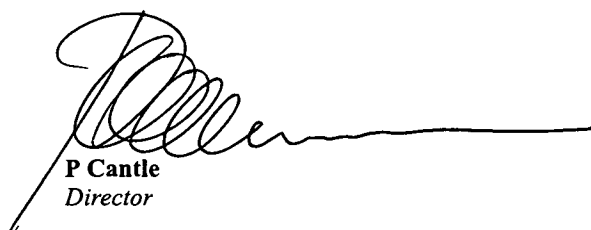
	<i>Note</i>	<b>2018</b>		<b>2017</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	11		<b>3,823</b>		3,984
Investment property	12		<b>2,361</b>		2,398
			<hr/>		<hr/>
			<b>6,184</b>		<b>6,382</b>
<b>Current assets</b>					
Stocks	13	<b>15,678</b>		12,722	
Debtors (including £229,564 (2017: £306,072) due in more than one year)	14	<b>11,910</b>		22,450	
Cash at bank and in hand		<b>1,243</b>		2,265	
		<hr/>		<hr/>	
		<b>28,831</b>		<b>37,437</b>	
<b>Creditors: amounts falling due within one year</b>	15	<b>(11,670)</b>		<b>(20,879)</b>	
		<hr/>		<hr/>	
<b>Net current assets</b>			<b>17,161</b>		<b>16,558</b>
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>23,345</b>		<b>22,940</b>
			<hr/>		<hr/>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(209)</b>		<b>(209)</b>	
		<hr/>		<hr/>	
<b>Net assets</b>			<b>23,136</b>		<b>22,731</b>
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	18	<b>20,000</b>		20,000	
Profit and Loss Account		<b>3,136</b>		2,731	
		<hr/>		<hr/>	
<b>Total shareholders' funds</b>			<b>23,136</b>		<b>22,731</b>
			<hr/>		<hr/>

The notes on pages 10 to 24 form an integral part of the Company's financial statements.

These financial statements were approved by the Board of directors on behalf by:

24/09/

2019 and were signed on its

  
**P Cantle**  
Director

Company number 03056532

**Statement of Changes in Equity**  
*for the year ended 31 December 2018*

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
Balance at 1 January 2017	20,000	2,166	22,166
<b>Total comprehensive income for the year</b>			
Profit for the financial year	-	565	565
Balance at 31 December 2017	<u>20,000</u>	<u>2,731</u>	<u>22,731</u>
Balance at 1 January 2018	20,000	2,731	22,731
<b>Total comprehensive income for the year</b>			
Profit for the financial year	-	405	405
<b>Balance at 31 December 2018</b>	<u><u>20,000</u></u>	<u><u>3,136</u></u>	<u><u>23,136</u></u>

The notes on pages 10 to 24 form an integral part of the Company's financial statements.

## Notes

### *(forming part of the financial statements)*

#### **1 Statutory information**

Acerinox (U.K.) Limited (the "Company") is a private company, incorporated, domiciled and registered in the UK.

The principal activity of the Company in the year under review was that of importing, processing and distribution of stainless steel in its core market of UK and Ireland. The Company's registered number is 03056532 and registered office address is Heath Road, Darlaston, West Midlands, WS10 8XL.

#### **2 Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015.

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

The Company's financial statements are presented in pound sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company's ultimate parent undertaking, Acerinox S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Acerinox S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Calle Santiago de Compostela, 100, 28035 Madrid, Spain as well as from the Group's website: [www.acerinox.com](http://www.acerinox.com).

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

- a Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative year reconciliations for share capital, tangible fixed assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Acerinox S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

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

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

## Notes (continued)

### 3 Accounting policies

#### 3.1 Change in accounting policy

The Company has adopted the following IFRSs in these financial statements:

##### *IFRS 15: Revenue from Contracts with Customers*

IFRS 15: Revenue from Contracts with Customers, was issued in May 2014 and has been implemented by the Company from 1 January 2018. The standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised to show the transfer of promised goods and services to customers in an amount that reflects the consideration which the Company expects to be entitled to in exchange for those goods and services.

Under this standard, revenues are recognised when a customer obtains control of the good or service that has been sold, i.e. when they have the ability to direct the use of and obtain all of the benefits from the good or service. The standard defines a five-step model for recognising revenue under a contract:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the price to the performance obligations
5. Recognise the revenue when (or as) the entity satisfies a performance obligation

The new standard on revenue under contracts with customers defines a contract as an agreement between two or more parties that creates enforceable rights or obligations. A contract does not exist if each party to the contract has the unilateral right to terminate a wholly unperformed contract without compensating the other party. The standard requires a contract with a customer to be recognised when it meets all the following conditions:

- a) The contract has been approved by the parties to the contract, who undertake to perform their respective obligations
- b) Each party's rights can be identified
- c) The payment terms for the goods or services to be transferred can be identified
- d) The contract has commercial substance
- e) It is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected

The process of selling stainless steel is carried out through purchase orders.

The Company has evaluated the time all these conditions are met in order to determine the time at which a contract comes into existence. This analysis has revealed that orders arranged with customers do not give rise to an enforceable right or obligation, since the parties are entitled to unilaterally terminate an unperformed contract without compensating the other party up until the time the goods are delivered. Accordingly, no obligation comes into existence until the goods are delivered.

Depending on the commercial terms of sale, the risk of the goods may be transferred when the materials are shipped from the Company's facilities or when they are delivered to the customer. The Company takes these terms of sale into account when determining the timing of revenue recognition. Revenue from the sale of goods is recognised in the income statement when control of the goods passes to the buyer

Therefore, the Company's policy, when it comes to recognising revenue, is compliant with the revenue recognition criteria set out in the new IFRS 15. It continues to recognise revenue at the time control of the goods passes to the customer, which is effectively on delivery in accordance with its terms of sale.

##### *IFRS 9: Financial Instruments*

IFRS 9: Financial Instruments, was issued in July 2014 and has been implemented by the Company from 1 January 2018. The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

The new standard maintains, but simplifies, the mixed measurement model and establishes three main measurement categories for financial assets. In relation to financial liabilities there have been no changes in classification and measurement. The application of this standard has had no impact on the Company as its financial assets consist mainly on accounts receivables and other current debts, for which the company maintains its classification and measurement and amortised cost.

## Notes (continued)

### 3 Accounting policies

#### 3.1 Change in accounting policy (continued)

IFRS 9 also establishes a new impairment loss model based on expected credit losses and replacing the incurred impairment loss model of IAS 39. Acerinox (U.K.) Limited, following Group's policies, hedges its commercial and political risks for all sales mainly through credit insurance companies. The amount of the impairment loss is calculated as the difference between the carrying amount and the present value of the estimated future cash flows. Risk hedging is considered by the Company to be an integral part of the insured credit, so when calculating expected credit losses, it takes account not only of the cash flows expected from collection of the receivable, but also those under the credit insurance. Additionally it also arranges non-recourse factoring transactions whereby the risks and rewards of those assets are substantially transferred, thus leading to the derecognition of the receivables from the balance sheet, allowing it to reduce insolvency risk. Therefore, the Company's history of losses from bad debt is very low and therefore no significant impact has arisen from this change in policy.

#### 3.2 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Financial instruments:

Financial instruments classified as fair value through the profit or loss or as available-for-sale; and

- Investment property:

Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

#### 3.3 Going concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons. The Company has net current assets, and the Company's ultimate parent company, Acerinox S.A. has confirmed that, for the foreseeable future, it will continue to make available such funds as are needed by the Company to enable it to continue to trade and meet liabilities as they fall due.

#### 3.4 Turnover

##### *Nature of goods and services sold:*

The Company's principal activities are the importing, processing and distribution of stainless steel in its core market of the UK and Ireland;

##### *Nature, timing and satisfaction of performance obligations and significant payment terms; obligations for returns and refunds; warranties:*

Turnover from the sale of goods is recognised in the income statement when the performance obligations are satisfied. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, or the possible return of goods.

##### *Methods used to recognise revenue:*

Turnover is recognised net of taxes, returns and discounts that the Company considers probable at the date the revenue is recognised.

##### *Judgements made in evaluating when a customer obtains control of goods or services:*

Under this standard, revenues are recognised when a customer obtains control of the good or service that has been sold, i.e. when they have the ability to direct the use of and obtain all of the benefits from the good or service.

##### *Information about the methods used to determine transaction price, estimating variable consideration, estimating stand alone selling prices and allocating transaction price to various components; contract costs, etc:*

When determining the price, sale prices in the stainless steel market typically comprise a base price plus a variable component known as an "alloy surcharge". The alloy surcharge is calculated monthly by each of the market's stainless steel producers on the basis of a formula that takes into account the variation in the price of certain raw materials (particularly nickel, chromium and molybdenum) and fluctuations in the EUR-USD exchange rate. The alloy surcharge applied is calculated at the time the goods are delivered and is agreed upon with the customer. In other words, the amount of the consideration is highly sensitive to factors beyond the entity's control.

## Notes (continued)

### 3 Accounting policies (continued)

#### 3.5 Expenses

##### *Operating leases payments*

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

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the Profit and Loss Account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

#### 3.6 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in Equity or Other Comprehensive Income, in which case it is recognised directly in Equity or Other Comprehensive Income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted 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 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. For investment property that is measured at fair value deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the company's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income is used.

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

#### 3.7 Foreign currency

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

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account, except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

## Notes (continued)

### 3 Accounting policies (continued)

#### 3.8 Financial instruments

##### *Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

##### *Classification and subsequent measurement*

Financial assets

##### *(a) Classification*

On initial recognition, a financial asset is classified and measured at:

1. Amortised cost
2. Fair value through other comprehensive income (FVOCI)
3. Fair value through profit and loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

As mentioned under Note 3.1, the application of the new standard has had no significant impact for the company.

##### *(b) Subsequent measurement and gains and losses*

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.



## Notes (continued)

### 3 Accounting policies (continued)

#### 3.8 Financial instruments (continued)

##### *Financial liabilities and equity*

Financial instruments issued by the Company are treated as equity only to the extent that they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### 3.9 Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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

- Buildings 50 years
- Plant and machinery 15 to 20 years
- Fixtures and fittings 4 to 10 years
- Computer equipment 3 years
- Tooling 2 years
- Motor vehicles 3 years

Computer equipment and tooling are classified within fixtures and fittings in note 11.

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

## Notes (continued)

### 3 Accounting policies (continued)

#### 3.10 Investment property

Investment property comprises owned buildings held to earn rentals or for capital appreciation but not occupied by the Company.

Investment property is initially recognised at cost, including transaction costs. Subsequently the Company applies the same criteria as for tangible fixed assets. Rental income from investment property is accounted for on an accruals basis.

#### 3.11 Stocks

Stocks are initially measured at cost of acquisition or production. Valuation allowances are made and recognised as an expense in the income statement when the cost of acquisition or production of inventories exceeds the net realisable value.

Net realisable value is the expected selling price of these goods less costs to sell.

Any write-downs that reduce inventories to their net realisable value are reversed, up to the cost of the inventories, if the circumstances that gave rise to the write-downs cease to exist.

Inventories are measured at the weighted average cost of acquisition or production.

The cost of under utilisation of operating capacity is not included in the value of finished goods and work in progress.

The Company uses the same cost model for all inventories of the same nature and with a similar use. The net realisable value for finished goods is the estimated selling price in the ordinary course of business, less costs to sell. In the case of work in progress the estimated costs of completion are also deducted from this price.

#### 3.12 Impairment excluding stocks, investment properties and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit") or ("CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes (continued)

### 3 Accounting policies (continued)

#### 3.13 Employee benefits

##### *Defined contribution plans and other long term employee benefits*

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

### 4 Accounting estimates and judgements

#### *Investment property*

The value of the properties are assessed by the directors at each reporting date using publicly available market evidence comprising primarily of values of comparable properties in the area and national market statistics. However, it is inherently difficult to assess the true market value of the property without actively marketing the property for sale.

#### *Key sources of estimation uncertainty*

Accounting estimates and judgements are assessed constantly and based on past experience and other factors, including expectations of future events that are considered reasonable.

The Company makes estimates and judgements related to future events. The resulting accounting estimates could differ from actual results. In accordance with IAS 8 on Accounting Policies, Changes in Accounting Estimates and Errors, changes in accounting estimates are recognised prospectively in the Company's financial statements.

#### *Useful lives*

Management determines the estimated useful lives and corresponding depreciation charges for its plant and equipment. These could alter significantly as a result of technical innovations, variations in plant activity levels, etc. Management regularly reviews the depreciation charge and adjusts it when estimated useful lives are different from those previously applied, fully depreciating or derecognising technically obsolete and non-strategic assets which have been abandoned or sold.

#### *Net realisable value*

The Company estimates the net realisable value of its inventories to recognise any impairment required. Expected selling prices of inventories less costs to sell are considered when calculating net realisable value.

#### *Recoverability of available tax loss carry forwards and deductions*

The Company regularly evaluates its available tax credits through projections of profit and loss approved by management, to conclude as to whether they will be recoverable in the future. The Company takes into account the limitations to offsetting tax bases as stipulated in certain legislation.

## Notes (continued)

### 5 Turnover

	2018 £000	2017 £000
By activity:		
Sales of goods	<u>89,950</u>	<u>84,115</u>
	2018 £000	2017 £000
By region:		
United Kingdom	84,368	80,583
Europe	<u>5,582</u>	<u>3,532</u>
	<u>89,950</u>	<u>84,115</u>

### 6 Operating profit

*Profit before taxation is stated after charging:*

	2018 £000	2017 £000
Inventory recognised as an expense	87,489	79,478
Depreciation of tangible fixed assets - owned (see note 11)	177	201
Depreciation of investment property (see note 12)	37	37
Gain on disposal of tangible fixed assets	2	25
Impairment of inventory	<u>121</u>	<u>34</u>
<i>Auditors' remuneration:</i>		
Audit of these financial statements	<u>23</u>	<u>22</u>

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Acerinox S.A.

### 7 Directors' Remuneration

	2018 £000	2017 £000
Directors' Remuneration	147	138
Companies contributions to money purchase pension plan	<u>4</u>	<u>-</u>

### 8 Staff numbers and costs

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

	Number of employees 2018	2017
Administration	7	20
Sales	9	8
Production	<u>17</u>	<u>4</u>
	<u>33</u>	<u>32</u>

## Notes (continued)

### 8 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	1,018	964
Social security costs	109	104
Other pensions costs	58	35
	<u>1,185</u>	<u>1,103</u>

### 9 Interest payable and similar expenses

	2018 £000	2017 £000
Net gain on financial instruments designated as fair value through profit or loss	-	-
Interest payable to group undertakings	8	22
On factored debts	202	133
Net foreign exchange losses	14	105
	<u>224</u>	<u>260</u>

### 10 Tax on profit

#### Recognised in the Profit and Loss Account

	2018 £000	£000	2017 £000	£000
<i>UK corporation tax</i>				
Current tax on profit for the financial year	38		31	
	<u>38</u>		<u>31</u>	
Total current tax		38		31
<i>Deferred tax (see note 17)</i>				
Reversal of timing differences	76		115	
	<u>76</u>		<u>115</u>	
Total deferred tax		76		115
Tax on profit		<u>114</u>		<u>146</u>

## Notes (continued)

### 10 Tax on profit (continued)

#### Reconciliation of effective tax rate

	2018 £000	2017 £000
<i>Current tax reconciliation</i>		
Profit for the financial year	405	565
Total tax expense	<u>114</u>	<u>146</u>
Profit before taxation	519	711
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	99	137
<i>Effects of:</i>		
Expense not deductible for tax purposes	1	25
Adjust opening deferred tax to average rate of 19%	(37)	(56)
Adjust closing deferred tax to average rate of 19%	27	40
Fixed asset timing differences	24	-
Adjustment in respect of prior years	-	-
Total tax expense	<u><u>114</u></u>	<u><u>146</u></u>

#### Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% (effective from 1 April 2017) to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

### 11 Tangible assets

	Freehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
<i>Cost</i>					
At beginning of year	5,172	3,689	21	680	9,562
Additions	-	-	-	16	16
Disposals	-	-	(21)	-	(21)
At end of year	<u>5,172</u>	<u>3,689</u>	<u>-</u>	<u>696</u>	<u>9,557</u>
<i>Accumulated depreciation</i>					
At beginning of year	1,611	3,339	21	607	5,578
Charge for the year	86	47	-	44	177
Disposals	-	-	(21)	-	(21)
At end of year	<u>1,697</u>	<u>3,386</u>	<u>-</u>	<u>651</u>	<u>5,734</u>
<i>Net book value</i>					
At 31 December 2018	<u><u>3,475</u></u>	<u><u>303</u></u>	<u><u>-</u></u>	<u><u>45</u></u>	<u><u>3,823</u></u>
At 31 December 2017	<u><u>3,561</u></u>	<u><u>350</u></u>	<u><u>-</u></u>	<u><u>73</u></u>	<u><u>3,984</u></u>

## Notes (continued)

### 12 Investment property

	<b>2018</b>
	<b>£000</b>
<i>Cost</i>	
At 1 January 2018	2,783
<b>At 31 December 2018</b>	<b>2,783</b>
<i>Accumulated depreciation</i>	
At 1 January 2018	385
Charge for year	37
<b>At 31 December 2018</b>	<b>422</b>
<i>Net book value</i>	
<b>At 31 December 2018</b>	<b>2,361</b>
At 31 December 2017	2,398

Included in the Profit and Loss Account is £197,397 of rental income relating to the investment property (2017: £162,500).

### 13 Stocks

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Finished goods for resale	<b>15,678</b>	<b>12,722</b>

The write-down of stocks to net realisable value amounted to £121,466 (2017: £34,000). The write-down is included in cost of sales.

### 14 Debtors

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>11,071</b>	21,604
Amounts owed by group undertakings	<b>545</b>	435
Deferred tax assets (see note 17)	<b>230</b>	306
Prepayments	<b>64</b>	105
	<b>11,910</b>	<b>22,450</b>
Due in one year	<b>11,680</b>	22,144
Due in more than year	<b>230</b>	306
	<b>11,910</b>	<b>22,450</b>

## Notes (continued)

### 14 Debtors (continued)

£11,643,000 (2017: £69,000) of trade debt was factored by the Company's bank at the year end thereby reducing trade debtors and increasing cash by this amount. On the basis that the Company has transferred the significant risks and rewards to the bank, trade debtors are de-recognised.

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

During the year the Company recognised a bad debt provision of £nil (2017: £nil).

### 15 Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	315	346
Payments on account	22	28
Amounts owed to group undertakings	8,824	19,118
Taxation and social security	797	1,157
Other creditors	1,587	133
Accruals and deferred income	125	97
	<u>11,670</u>	<u>20,879</u>

All creditors are financial liabilities measured at amortised cost.

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

### 16 Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Other creditors	<u>209</u>	<u>209</u>

This is deposit held for the investment property.

### 17 Deferred taxation

	2018 £000
At beginning of year	306
Charge to the Profit and Loss Account for the year	(76)
At end of year	<u>230</u>



## Notes (continued)

### 17 Deferred taxation (continued)

The elements of deferred taxation are as follows:

	2018 £000	2017 £000
Difference between accumulated depreciation and capital allowances	(120)	(125)
Losses carried forward	350	431
Asset	<u>230</u>	<u>306</u>

The deferred tax asset is dependent on future taxable profits and has partly arisen from tax losses in prior years. Deferred tax assets relating to losses have been recognised in full.

### 18 Called up share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i> 20,000,000 (2017: 20,000,000) ordinary shares £1 each	<u>20,000</u>	<u>20,000</u>

### 19 Related party transactions

#### Identity of related parties

The Company has a related party relationship with the following Group companies in which Acerinox S.A. does not have a 100% shareholding:

Related party	Country of incorporation	Percentage owned by Acerinox S.A.
Roldan	Spain	99.77%
Columbus	Spain	76%
Inoxfil	Spain	99.77%
Bahru Stainless	Malaysia	97%

#### Related party transactions

During the year the Company had the following transactions with its related parties.

	Income from related party		Purchases from related party	
	2018 £000	2017 £000	2018 £000	2017 £000
Roldan	69	75	15,510	9,090
Columbus	159	171	8,787	8,685
Inoxfil	-	-	571	2,110
Bahru Stainless	116	39	9,802	12,145
	<u>344</u>	<u>285</u>	<u>34,670</u>	<u>32,030</u>

## Notes (continued)

### 19 Related party transactions (continued)

#### Related party transactions

During the year the Company had the following transactions with its related parties.

	Owed by related party		Owed to related party	
	2018 £000	2017 £000	2018 £000	2017 £000
Roldan	29	29	613	3,105
Columbus	196	205	1,367	2,190
Inoxfil	-	-	224	671
Bahru Sainless	42	28	2,732	1,109
	<u>267</u>	<u>262</u>	<u>4,936</u>	<u>7,075</u>

### 20 Operating leases

Non-cancellable operating lease rentals for plant and machinery and vehicles are payable as follows:

	2018 £000	2017 £000
<b>Amounts falling due in:</b>		
Less than one year	53	50
Between one and five years	134	178
	<u>187</u>	<u>228</u>

During the year, £64,052 was recognised as an expense in the Profit and Loss Account in respect of operating leases (2017: £54,390).

### 21 Ultimate parent company and controlling party

The directors regard Acerinox S.A., a company registered in Spain, as the ultimate and immediate parent company and controlling party. There is no ultimate controlling party of Acerinox S.A. by virtue of the fact that it has no majority shareholder. According to the register kept by the Company, Acerinox S.A. had a 100% interest in the equity share capital of Acerinox (U.K.) Limited at 31 December 2018.

Acerinox S.A. is the largest and smallest group of undertaking for which group financial statements are drawn up and of which the Company is a member.

The address of the ultimate parent company, from which copies of the consolidated financial statements can be obtained, is:

Acerinox S.A.  
Calle Santiago de Compostela, 100  
28035 Madrid  
Spain

The consolidated financial statements can also be sourced directly from the Group's website: [www.acerinox.com](http://www.acerinox.com).