

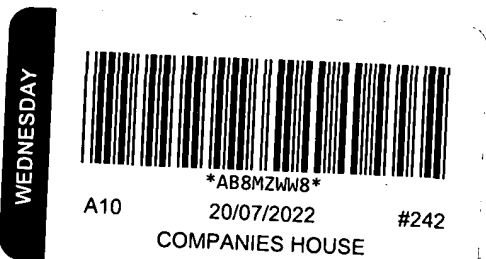
# Primetals Technologies Limited

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## Report & Financial Statements

For the year ending 31 March 2022

*Registered number: 09155890*



## Contents

Directors and Advisors .....	1
Strategic report for the year ended 31 March 2022.....	2
Directors' report for the year ended 31 March 2022.....	10
Statement of directors' responsibilities.....	13
Independent Auditor's Report to members of Primetals Technologies Limited.....	14
Statement of Total Comprehensive Income.....	18
Statement of Financial Position .....	19
Statement of Changes in Equity .....	21
Notes to the financial statements.....	22
Appendix A – Registered addresses of related undertakings.....	69

## **Directors and Advisors**

### **Directors**

Satoru Iijima

Yoshiharu Ikeda

Etsuro Hirai

Kengo Kojima

Kentaro Hosomi

(Resigned 30<sup>th</sup> June 2021)

(Appointed 1<sup>st</sup> July 2021)

### **Secretary**

Paul Wallace

### **Registered office**

Building No. 11

Chiswick Park

566 Chiswick High Road

London

W4 5YA

United Kingdom

Registered in England and Wales number: 09155890

### **Auditor**

BDO LLP

55 Baker Street

London

W1U 7EU

United Kingdom

## Strategic report for the year ended 31 March 2022

### Review of the business and likely future developments

The Directors present their strategic report for the year ended 31 March 2022.

#### Review of the Business

Primetals Technologies Limited ("the Company") is the parent company of the Primetals Technologies Group ("the Group") comprising the Group's global headquarters and a UK based operational business.

The Company is a wholly owned subsidiary of Primetals Technologies Holdings, Ltd. (previously called Mitsubishi-Hitachi Metals Machinery, Inc.) incorporated in Japan. The company's ultimate parent company is Mitsubishi Heavy Industries, Ltd. ("MHI").

The Group is a pioneer and world leader in metallurgical plant solutions being a supplier across the entire value chain, from raw materials to the finished product. We strive to meet the ever-increasing needs and challenges of our customers by providing world class technological solutions, lifecycle services and equipment with superior-quality workmanship.

The Group's global portfolio covers all aspects of metals processing and the business is structured into the following four Global Business Units ("GBUs"):

- Upstream consisting of Iron and Steelmaking and ECO solutions, Casting and Endless Strip Production and Long Rolling;
- Downstream consisting of Hot Mills, Cold Mills and Processing Lines and Furnace Technology;
- Electrics and Automation; and
- Metallurgical Services.

The Company's UK based operational business portfolio primarily consists of:

- **Downstream - Hot Mills, Cold Mills, Processing Lines:** providing process technology, mechanical engineering, and plant installation solutions in the construction of steel and aluminium mills and casters worldwide;
- **Downstream - Cold Mills Special Products:** designing, supplying and manufacturing of quality products for the measurement of flatness or profile required in flat rolling mills, finishing lines and rod and bar mills worldwide;
- **Upstream - Iron and Steelmaking:** providing the construction and refurbishment of blast furnaces; and
- **Metallurgical Services:** providing service, maintenance and spare parts for all UK products and technologies and selected other business segment technologies.

## Strategic report for the year ended 31 March 2022 (continued)

### Business Environment

The global market in metals technology remains extremely competitive with very careful strategic investments being made by steel producers and manufacturers across the world.

Overcapacity in some key market sectors continues to be a factor influencing demand for the construction of new plants in those sectors leading to aggressive pricing strategies being implemented throughout the industry.

The Company continues to review and implement measures to minimize any negative impact on future developments. The financial year ending 31 March 2022 saw some continuing negative impacts from the COVID-19 pandemic in particular logistics and travel issues due to regional lockdowns and restrictions in various parts of the world where the Company operates.

Despite this, the market rebounded noticeably in the year ending 31 March 2022 with a marked increase in activity in comparison to the previous financial year. This was due to there being growing political pressure on steel producers in all regions to reduce carbon emissions as well as a clear need for producers to complete maintenance and upgrade work that had been difficult to carry out in much of the previous two financial years due to the COVID-19 pandemic. The success of the Group is dependent on continued technological innovation, product quality, engineering excellence, process know-how and project execution efficiency. Therefore, innovation and development remains a key focal point within the Group.

### Financial performance

The results for the year to 31 March 2022 are set out on page 18. During the year, the Company made a profit before tax of £21,345,000 (2021: £73,444,000 loss). The results were impacted by a loss on the disposal of Primetals Technologies Italy S.r.l. of £3,198,000 during the year, reflecting the reorganisation efforts to ensure a profitable overall Group going forward. More details on the Company's review of the carrying values of its investments can be found in note 13. The shareholders' funds of the Company at 31 March 2022 total £444,509,000 (2021: £420,806,000).

The gradual re-opening of the market in the financial year as restrictions linked to the COVID-19 pandemic were released positively impacted the order intake of the Company's UK based operational business. The financial performance of the operational trading business (i.e. excluding HQ activities) of £484,000 gain (2021: £6,372,000 loss) reflects these positive trends. Non-conformance costs have slightly decreased from £2,607,733 to £1,518,388. In order to optimize overall business profitability and margins, there is a continued effort to focus on order quality, improve project execution and minimize any cost deviations.

The top priorities continue to be improving gross profit and increasing order intake and striving to achieve revenue and gross profit targets.

## Strategic report for the year ended 31 March 2022 (continued)

The Company continues to manage its four GBUs through key performance indicators, e.g. Gross Margin (FY22: 15.6%, FY21: 4.8%), profitability (FY22: £21,345,000, FY21: £-73,444,000), free cash flow (FY22: £265,000, FY21: £-95,275,000), utilisation of engineering hours and over/under recovery of internal direct production costs (FY22: £165,000, FY21: -£1,708,000), sales and marketing costs and business function costs (FY22: £36,554,000, FY21: £34,134,000).

There are dedicated efforts to improve overall global business profitability through the continued realization of the Primetals Strategy Plan containing the three strategic levers:

- Lifecycle Partnership;
- Technological Innovation; and
- Performance – this lever includes the Ways of Working Group cultural programme - focusing on improving essential business processes by enhancing the working relationships the Company holds and by developing and implementing new ways of strengthening the competitiveness of the Company, ultimately aiming to unlock the true potential of its people and technologies in order to improve the overall business performance.

The Company's constant reinforcement of its values encourages its employees to take ownership, work together and deliver solutions.

The Company has continued to successfully manage and reduce its own exposure to delayed payments and bad debts by regularly reviewing its exposure and level of indebtedness. Provisions have been made which the Company regards as prudent and reasonable with regard to all the circumstances outlined above.

### Non-financial performance

The Company and its directors continue to be committed to operating a safe working environment for all personnel who may be affected by the business, including staff, visitors, contractors and users of its equipment.

Health, Safety and Environmental ("HSE") performance is monitored using a number of tools, both active and reactive.

From an active perspective, HSE meetings are held at all UK locations and actions from these meetings tracked. Site inspections and internal audits are undertaken and the Company is accredited to ISO 45001 for Health and Safety management; and to ISO 14001 for the environment.

Management meetings start with a review of HSE performance.

From a reactive perspective the organisation monitors near miss events and injury data.

During the fiscal year ending 31 March 2022, there was one reportable event (RIDDOR - Reporting of Injuries, Diseases and Dangerous Occurrences Regulations). This incident occurred at a UK steel plant and resulted in two weeks lost from work. The individual has returned to work. Near misses were reported in line with the Company KPI for each location.

## Strategic report for the year ended 31 March 2022 (continued)

Continued support has been provided regarding travel safety and security, particularly COVID-19 control. This included using an online tool to check requirements for COVID-19 within countries to which employees were travelling.

The Company's strategic HSE programme has been refreshed and agreed; it continues to focus on Product Safety as one of the Company's most significant risks.

The Company and its directors believe that legal and compliance functions are necessary to maintain adherence to applicable laws and standards and to be vigilant in financial compliance and corporate governance. This includes the implementation of systems, controls and training in the topics of modern slavery/human rights/GDPR and bribery/anti-corruption.

As a business the Company works hard to improve well-being and job satisfaction. The following activities demonstrate this commitment:

- Use of video briefings in the Company's monthly newsletter;
- Routine briefing of employees at each business location;
- Weekly "mood surveys" to employees in order to obtain feedback on job satisfaction;
- Use of the iPrime business improvement tool to identify opportunities and new ideas;
- The adoption of flexible working arrangements for our employees, where these can be adopted; and
- Continuous improvement initiatives for business productivity.

## Future outlook

The steel market experienced an ongoing recovery in demand, where output bounced back after output reductions during the COVID-19 pandemic. For the fiscal year ending 31 March 2023 the worldwide steel market might be affected negatively by the Russia-Ukraine crisis. In particular, due to short-term difficulties in accessing certain grades of steel and / or raw materials previously obtained by some steel producers from Ukraine and / or Russia. The Company is clear in his approach to align with all international sanctions. On the other hand, there is growing optimism in the steel industry that the worst effects of the COVID-19 pandemic on the production and operations of steel producers have now be passed.

The Company launched a new Green Steel task force as the transition to green steel production will be crucial for companies in the steel industry. Decarbonization is an essential part of green steel. However, there is much more to this field. A reduction in emissions, lower water consumption, greater energy efficiency, and improved circularity and yield – these are all examples of green steel activities. The establishment of this internal task force to coordinate the Groups activities across GBUs, Sales & Marketing and R&D will further strengthen the Company's position as the global frontrunner and leading solutions provider for green steel.

As the industry is rapidly changing and advancing, the Company is investing in increased R&D to remain at the forefront of digitalisation in order to meet increased customer demands such as improved plant productivity and flexibility with the use of smart sensors and robotics. Major initiatives in 3D Printing, laser scanning and additive manufacture which have started previous financial years will continue and these developments are starting to bring positive results to the Company's business.

## Strategic report for the year ended 31 March 2022 (continued)

In addition, the establishment and development of the Group's China Procurement Centre reflects the importance of China in sourcing and manufacturing and is intended to further strengthen project execution performance and ensure continuity of supply chain by bringing in-house critical manufacturing expertise.

The Company maintains sufficient liquidity and has significant bonding and banking lines supporting its business.

The directors continue to assess and monitor the impact of Brexit on the Company. As the Company is well placed globally, further impacts from the UK no longer being part of the European Union on the Company's operations are considered to be low risk.

## Business Risks & Management

The Company considers risk management as a crucial and integral part of daily activities as well as its strategic approach, which ensures a sustainable positive development of profitability, financial and assets position as well as long-term value appreciation. The risk management process comprises all activities for the continuous and systematic management of risk including identification, analysis and evaluation of risks, measurements mitigating risks as well as monitoring of success.

The top major risks identified as a focus for the Company are:

- (1) Specific risks to ongoing projects (including COVID-19 pandemic effects);
- (2) Pressure from customers and suppliers to change long established industry standard contractual conditions;
- (3) Age demographics (ageing workforce) coupled with engineering, technology and know-how transfer to next generation;
- (4) Ongoing war in Ukraine as a risk to the Russian market via suspended projects; and
- (5) Supply Chain risks and costs / delays to shipping and logistics especially from China to Europe.

The Company aims to reduce or to minimize the impact of those aforementioned risks by firstly determining the most appropriate approach on an individual basis and then either; accepting risks as such; avoiding them due to structural changes; reducing them; or transferring or sharing them with a third party.

More information regarding the principal risks and the countermeasures for the Company can be found in note 25.



## **Strategic report for the year ended 31 March 2022 (continued)**

### **Section 172 statement**

The board of directors of the Company consider, both individually and collectively, that they have acted in the way that would most likely promote the success of the Company for the benefit of its members as a whole in the decisions taken during the year ended 31 March 2022.

The Company is not required to adopt an official recognised corporate governance code. Nevertheless, following a review of the duties detailed in section 172(1)(a) to (f) of the UK Companies Act 2006, the directors have determined that the following groups are the Company's key stakeholders and summarize the material developments relevant to each group below in detail.

#### ***Customers***

The quality and pricing of the products and services sold to the Company's customers has a major influence on the reputation of the Company. In order to deliver excellent customer service, the Company strives to build and maintain solid client relationships.

#### ***Suppliers***

The Company promotes strong relationships with its network of suppliers as they are key in enabling the Company to deliver its strategy. Suppliers are audited beforehand to ensure they meet the required ethical standards.

#### ***Employees***

People are at the heart of our business, and for our business to succeed we need to manage people's performance as well as develop and bring through talent while ensuring the Company operates as efficiently as possible. Feedback from the workforce is sought through mood surveys, where staff can provide their view on how the business is performing against its strategic objectives and key values.

The board of directors as well as the leadership team, engage directly with the employees through regular visits, presentations, updates and key business meetings, at which the performance and plans of the Company are presented and discussed.

After the COVID-19 outbreak, the Company implemented a hybrid working model for all employees which enables them to work also from home two days a week.

#### ***Community and environment***

The Company aims to minimise its impact on the environment in order to maintain its reputation, meet environmental regulations and contribute to building a more sustainable future. It is committed to reducing its impact on the environment by actively managing energy, carbon emissions and waste.

## Strategic report for the year ended 31 March 2022 (continued)

The Company disclosed the necessary energy and carbon information in the respective report (SECR report) for the period:

	2022 tCO <sub>2</sub> e used	2022 %	2021 tCO <sub>2</sub> e used	2021 %
Combustion of fuel in stationary sources	147.74	37%	152.15	36%
Purchased electricity consumption	244.91	60%	256.75	62%
Fuel used for business travel that is not controlled by organisation	14.02	3%	8.16	2%
<b>Total GHG Emissions</b>	<b>406.68</b>	<b>100%</b>	<b>417.06</b>	<b>100%</b>

The intensity Ratio tCO<sub>2</sub>e per 1 million £ is therefore 4.56 (2021: 10.28).

The Company understands that it has a positive role to play in corporate social responsibility and actively supports the community we operate in through volunteering and fundraising.

### Regulators

The Company seeks to maintain constructive and cooperative relationships with regulatory bodies in order to maintain a reputation for high standards of business conduct. It is therefore vital that the Company effectively identifies, evaluates, manages and mitigates the risks the business faces, and the Company continues to evolve its approach to its risk management.

### Shareholders

The board of directors regularly and consistently engages with the Company's shareholder as they recognise the importance of continuing an effective dialogue with our parent company (Primetals Technologies Holdings, Ltd.) and, indeed, its shareholders. The shareholder is actively engaged in the Company's affairs and regular meetings are held for the board of directors to share information with the shareholder. This close alignment also ensures that the directors of the Company understand the strategic goals and direction of Mitsubishi Heavy Industries, Ltd (the ultimate parent and controlling party of Primetals Technologies Holdings, Ltd. and, therefore, also the Company), which assists the directors to act in a way that they consider is most likely to promote the success of the company for the benefit of its members. This includes having regard to the interests of all the Company's varied stakeholders when making decisions, for instance the way that the directors have ensured that the approach taken by the Company to ongoing projects in Russia is consistent with that of its members (again, namely, Mitsubishi Heavy Industries, Ltd and its group).

### Going Concern

The going concern assessment of the Company is intrinsically linked to the going concern assessment of a group of subsidiaries over which the Company has ultimate control.

For the fiscal year ending 31 March 2023 the worldwide steel market might be affected negatively by the Russia-Ukraine crisis while the worst effects of the COVID-19 pandemic on the steel industry seem to be mostly overcome. The direct impact of the Russia-Ukraine crisis on the Company and its subsidiaries is the suspension of certain projects in Russia where necessary due to factors affecting delivery of the Company's goods and services (for instance, logistics issues or the withdrawal of crucial sub-suppliers from the Russian market that cannot be substituted) or where suspension is required to comply with applicable international laws, including sanctions and export restrictions. That said, the Company has adequate insurance in

most global projects so whilst the suspensions affect revenue, they do not significantly impact global profitability.

However despite these suspensions, the management of the Company and its subsidiaries is confident that the extraordinary Order Intake in FY2021 will compensate the expected revenues and profits from suspended Russian projects in FY2022. New developments are constantly monitored by the Company's management.

For the year ending 31 March 2022, based on their assessment of the company's and group's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet its liabilities as and when they fall due for at least the next twelve months. The Directors have prepared a cash flow forecast for the next 12 months and have considered the implications of the Russia-Ukraine conflict. The forecast has considered the Group going concern position as well as the UK operational business. Thus, the Company has adopted the going concern basis for accounting.

### **Closing statement**

The directors recognise the major contribution of the employees and executives of the business and would like to thank them and the Company's shareholder for their contribution to the business.

By order of the board



Satoru Iijima

**Chief Executive Officer**

12 July 2022

## **Directors' report for the year ended 31 March 2022**

The directors present their report for the year ended 31 March 2022.

### **The Board**

For the reporting period, the shareholders nominated four directors to manage the Company (2021: four). All four directors were nominated by Mitsubishi Heavy Industries, Ltd. (2021: four). The current directors of the Company are listed on page 1.

None of the directors holding office at 31 March 2022 had notified a beneficial interest in any contract to which the Company or its subsidiary undertakings were a party during the year.

The directors benefited from qualifying third-party indemnity provisions in place during the year and at the date of this report.

### **Dividends**

No dividend was paid during the current year and the directors do not recommend the payment of a final dividend (2021: £nil).

### **Going concern**

For the year ending 31 March 2022, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet its liabilities as and when they fall due for at least the next twelve months. Thus, the Company has adopted the going concern basis of accounting. For more details see strategic report.

### **Financial Instruments**

The Company's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 25.

### **Research and development**

The Company supports the continuous development of the metals industry by providing innovative plant solutions and services to its customers based on technology legacies. This is enhanced by the company-wide spirit of innovation, global collaboration and ownership.

Research and development costs of £1,506,000 (2021: £1,664,000) were incurred in the year ending 31 March 2022.

### **Post balance sheet events**

There were no significant events after the reporting year-end requiring adjustment in the financial statements at 31 March 2022.

### **Existence of branches of the Company outside of the UK**

The Company has no branches outside of the United Kingdom.

## **Directors' report for the year ended 31 March 2022 (continued)**

### **Employees**

An Employee Consultative Committee (ECC) was established in 2014 to improve effective communication with all employees. The ECC allows employees to discuss and raise issues with members of the senior management team as well as representatives from other areas of the business. The forum largely deals with issues that impact more than one area, allowing ideas and knowledge to be shared. Senior managers and employee representatives work together to act as a conduit for change, improve communications throughout the business, resolve business issues and make improvements together.

A formal performance management process has been established for many years. This process is designed to positively impact both employee and business performance and forms a basis for any financial recognition. Employees / managers are encouraged to set targets against the business strategy to ensure everyone is working towards a common goal. A formal review process at the end of the year determines how the employee achieves against their targets.

The Company is committed to equal opportunities for all, free from discrimination and harassment. It values the contribution of all employees. All job applicants and employees, customers, visitors or contractors receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, colour, marital status, trade union membership, nationality, or ethnic or national origins.

Within the Company, applicants and employees will be recruited, selected, trained and promoted on objective grounds, i.e. on the basis of their abilities to contribute most effectively to the success of the Company. Wherever possible, we assist disabled employees to enable them to work for the Company and maximise their contribution and performance.

The Company has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business dealings and to implementing and enforcing effective systems and controls to ensure modern slavery can be detected within its own business or in any of its supply chains. The Company ensures that there is transparency in its approach to tackling modern slavery throughout its supply chains, consistent with the disclosure obligations under the 2015 Modern Slavery Act. The Company expects the same high standards from all of its contractors, suppliers and other business partners, and as part of its contracting processes, includes specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children. The Company expects that its suppliers will hold their own suppliers to the same high standards. The policy applies to all persons working for the Company or on its behalf in any capacity, including employees and contractors at all levels.

## **Directors' report for the year ended 31 March 2022 (continued)**

### **Disclosure of information to auditors**

Each director in office at the date of this Directors' report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### **Reappointment of auditors**

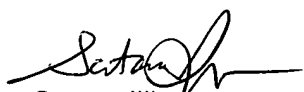
A resolution concerning the re-appointment of the auditors, BDO LLP, will be proposed at the Board Meeting.

### **Information disclosed in the strategic report**

The following information has been disclosed in the strategic report (see page 2 onwards):

- A review of the business for the year; and
- An indication of the likely future developments in the business.

By order of the board



Satoru Iijima  
**Chief Executive Officer**  
 12 July 2022

## Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company web site, [www.primetals.com](http://www.primetals.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board



Satoru Iijima

**Chief Executive Officer**

12 July 2022

## **Independent Auditor's Report to members of Primetals Technologies Limited**

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Primetals Technologies Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of Total Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

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

### **Independence**

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

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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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



## Other information

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

We have nothing to report in this regard.

## Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

## Responsibilities of Directors

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

*Marc Reinecke*

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Marc Reinecke (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London

15 July 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Statement of Total Comprehensive Income

For the year ended 31 March 2022

	Note	Year ending 31 March 2022 £'000	Year ending 31 March 2021 £'000
Revenue – continuing operations	3(a)	60,785	40,579
Cost of sales		(51,295)	(38,618)
<b>Gross profit</b>		<b>9,490</b>	<b>1,961</b>
Other operating income	4	14,315	11,334
Research and development expenses		(1,506)	(1,664)
Selling and general administrative expenses		(36,554)	(34,134)
Impairment of investments	13	-	(17,868)
Loss on disposal of investments	13	(3,198)	(44,476)
Miscellaneous other income	22	934	-
<b>Loss from operations</b>	<b>5</b>	<b>(16,519)</b>	<b>(84,847)</b>
Finance costs	7	(1,836)	(965)
Finance income	8	39,700	12,368
<b>Profit/(Loss) before taxation</b>		<b>21,345</b>	<b>(73,444)</b>
Income tax expense	9	1,975	3,111
<b>Profit/(Loss) for the financial year</b>		<b>23,320</b>	<b>(70,333)</b>
<b>Other comprehensive income/(loss):</b>			
<b>Items that may not be reclassified subsequently to profit or loss</b>			
Cash flow hedges	25(a)	473	472
Income tax thereon	9	(90)	(90)
<b>Other comprehensive income/(loss) for the period</b>		<b>383</b>	<b>382</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>23,703</b>	<b>(69,951)</b>

# Statement of Financial Position

As at 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
<b>Non-current assets</b>			
Intangible assets	11	296	938
Property, plant and equipment	12	301	387
Right-of-use assets	19(a)	3,295	3,225
Investments accounted for at cost	13	554,650	554,650
Other non-current assets	14	143	115
<b>Total non-current assets</b>		<b>558,685</b>	<b>559,315</b>
<b>Current assets</b>			
Inventories	15	6,659	5,729
Contract assets	3b	18,001	7,568
Trade and other receivables	16	13,474	14,153
Other current financial assets	17	3,021	3,529
Tax group relief receivable	9	3,120	2,850
Other current assets	18	1,494	469
Cash and cash equivalents	25	176	27
<b>Total current assets</b>		<b>45,945</b>	<b>34,325</b>
<b>Current liabilities</b>			
Contract liabilities	3(b)	(7,598)	(1,891)
Finance lease liabilities	19(b)	(2,779)	(2,271)
Trade payables	20	(16,682)	(31,819)
Other current financial liabilities	21	(121,681)	(120,664)
Current provisions	22	(3,980)	(4,672)
Other current liabilities	23	(6,152)	(8,985)
<b>Total current liabilities</b>		<b>(158,872)</b>	<b>(170,302)</b>
<b>Net current liabilities</b>		<b>(112,927)</b>	<b>(135,977)</b>
<b>Total assets less current liabilities</b>		<b>445,758</b>	<b>423,338</b>
Finance lease liabilities	19(b)	(833)	(1,289)
Other non-current liabilities	24	(246)	(279)
<b>Total non-current liabilities</b>		<b>(1,079)</b>	<b>(1,568)</b>
<b>Provisions for liabilities</b>	22	<b>(170)</b>	<b>(964)</b>
<b>Net assets</b>		<b>444,509</b>	<b>420,806</b>

## Statement of Financial Position (continued)

As at 31 March 2022

	Note	31 March 2022 £'000	1 April 2021 £'000
<b>Capital and reserves</b>			
Share capital	26	78	78
Share premium		605,047	605,047
Retained earnings		(161,824)	(185,144)
Other components of equity		1,208	825
<b>Shareholders' funds</b>		<b>444,509</b>	<b>420,806</b>

The notes on pages 22 to 69 are an integral part of these financial statements.

The financial statements on pages 18 to 69 were approved and authorised for issue by the board of directors and were signed on its behalf by



Satoru Iijima

**Chief Executive Officer**

12 July 2022

Primetals Technologies Limited  
Registered no. 09155890

## Statement of Changes in Equity

For the year ended 31 March 2022

	Share capital	Capital premium	Cash flow hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
<b>As at 1 April 2020</b>	<b>78</b>	<b>605,047</b>	<b>443</b>	<b>(114,811)</b>	<b>490,757</b>
Loss for the year	-	-	-	(70,333)	(70,333)
Other comprehensive income for the year	-	-	382	-	382
<b>As at 31 March 2021</b>	<b>78</b>	<b>605,047</b>	<b>825</b>	<b>(185,144)</b>	<b>420,806</b>
Profit for the year	-	-	-	23,320	23,320
Other comprehensive income for the year	-	-	383	-	383
<b>As at 31 March 2022</b>	<b>78</b>	<b>605,047</b>	<b>1,208</b>	<b>(161,824)</b>	<b>444,509</b>

## Notes to the financial statements

*For the year ending 31 March 2022*

### 1. Corporate Information

Primetals Technologies Limited ("the Company") was incorporated on 31 July 2014 and subsequently became the head office and parent company of the Primetals Technologies Group ("the Group"), a joint venture between Mitsubishi-Hitachi Metals Machinery, Inc. and Siemens AG. In the period ending 31 March 2015, the Company acquired the trade and assets of the UK Siemens MT business.

On 30 September 2019, Mitsubishi-Hitachi Metals machinery, Inc. and Siemens AG reached an agreement whereby MHMM acquired Siemens' 49% stake in the Company. The finalisation of the transaction took place on 31 January 2020.

The Company is principally engaged in the provision of metallurgical solutions.

The Company is a private company limited by shares, incorporated and resident in the UK. The address of its registered office is given on page 1.

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 2. Significant accounting policies

#### 2.1 Basis of preparation & statement of compliance with FRS 101

The financial statements for the year ended 31 March 2022 have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and in accordance with applicable accounting standards. The financial statements are presented in GBP, which is also the Company's functional currency, and all values are rounded to the nearest thousand (£000), except where otherwise indicated.

The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) measured at fair value.

The financial statements contain information about Primetals Technologies Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Mitsubishi Heavy Industries, Ltd., a company incorporated in Japan. Copies of the statutory accounts can be located at the registered office 3-2-3, Marunouchi, Chi oda-ku, Tokyo, 100-0005 in Japan.

The financial statements provide comparative information in respect of the previous period.



**Notes to the financial statements (continued)***for the year ending 31 March 2022*

The Company has taken advantage of the following disclosure exemptions available under FRS 101 and therefore do not include:

- certain comparative information as otherwise required by EU-adopted IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Mitsubishi Heavy Industries, Ltd.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Mitsubishi Heavy Industries, Ltd. These financial statements therefore do not include certain disclosures in respect of:

- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

The Company applied all standards and interpretations issued by the IASB that were effective as of 31 March 2022. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with IFRS 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 2.3.

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty, particularly over the level of demand for the Company's services. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings. 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 Company therefore continues to adopt the going concern basis in preparing its financial statements.

**Going Concern**

The going concern assessment of the Company is intrinsically linked to the going concern assessment of a group of subsidiaries over which the Company has ultimate control. For the fiscal year ending 31 March 2023 the worldwide steel market might be affected negatively by the Russian-Ukraine crisis while the worst effects of the COVID-19 pandemic on the steel market seem to be mostly overcome. The direct impact of the Russia-Ukraine crisis on the Company and its subsidiaries is the suspension of certain projects in Russia where necessary due to factors affecting delivery of the Company's goods and services (for instance, logistics issues or the withdrawal of crucial sub-suppliers from the Russian market that cannot be substituted) or where suspension is required to comply with applicable international laws,

## Notes to the financial statements (continued)

for the year ending 31 March 2022

including sanctions and export restrictions. That said, the Company has adequate insurance in most global projects so whilst the suspensions affect revenue, they do not significantly impact global profitability.

However despite these suspensions, the management of the Company and its subsidiaries is confident that the extraordinary Order Intake in FY2021 will compensate the expected revenues and profits from suspended Russian projects in FY2022. New developments are constantly monitored by the Company's management.

For the year ending 31 March 2022, based on their assessment of the company's and group's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet its liabilities as and when they fall due for at least the next twelve months. The Directors have prepared a cash flow forecast for the next 12 months and have considered the implications of the Russia-Ukraine conflict. The forecast has considered the Group going concern position as well as the UK operational business. Thus, the Company has adopted the going concern basis for accounting.

## 2.2 Summary of significant accounting policies

### Intangible assets

#### (i) Intangible assets acquired as part of a business combination

Intangible assets recognised separately from goodwill arising on a business combination including customer relationships are recognised at fair value (as determined by a valuation technique) and are subsequently amortised on a straight-line basis over their useful economic lives as follows:

• Software	15 years
• Patents	7 to 8 years
• Trademarks	7 years
• Customer relationship	12 years
• Order backlog	4 years

#### (ii) Externally acquired intangible assets

Externally acquired intangible assets including licences and trademarks are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. Current estimates of useful economic live of intangible assets are as follows:

• Patents, copyrights, know-how and licences	5 years
• Acquired software and software licences	3 to 5 years
• Internally developed software	3 years

#### (iii) Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- use or sale of the intangible asset will probably generate future economic benefits; and

## Notes to the financial statements (continued)

for the year ending 31 March 2022

- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Company expects to benefit from selling the products developed. The amortisation expense is included within the research and development expense in the Statement of Comprehensive Income. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the Statement of Comprehensive Income as incurred.

### (iv) Computer software

Computer software is carried at cost less accumulated amortisation and any provision for impairment. Externally acquired computer software and software licences are capitalised and amortised on a straight-line basis over their useful economic lives of four years. Costs relating to development of computer software for internal use are capitalised once the recognition criteria of IAS 38 'Intangible Assets' are met (see above).

### Property, plant and equipment

Tangible assets are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is calculated on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is calculated as follows:

- |  |                |
|--|----------------|
| • Buildings and structures                   | 20 to 50 years |
| • Machinery, vehicle and transport equipment | 4 to 10 years  |
| • Tools and implements                       | 3 to 5 years   |

The property, plant and equipment acquired through the business combination are depreciated on a straight-line basis over the estimated remaining useful lives of the assets at the date of the business combination, as follows:

- |  |          |
|--|----------|
| • Buildings and structures                   | 35 years |
| • Machinery, vehicle and transport equipment | 11 years |
| • Tools and implements                       | 5 years  |

### Investments in subsidiaries

Investments in subsidiaries are carried at cost less any provision for losses arising on impairment.

### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition as follows:

- Raw materials - purchase cost determined on a weighted average cost (WAVCO) reflecting gains and losses on qualifying cash flow hedges (see policy below).
- Work in Progress and Finished Goods - cost of direct materials and labour plus a measure of attributable overheads which is based on the normal level of activity of the business.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial assets:

##### (i) Initial recognition

Financial assets are classified at initial recognition at amortised cost, at fair value through profit or loss, or at fair value through other comprehensive income (OCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

##### (ii) Subsequent measurement

For the purposes of subsequent measurement, the Company's financial assets are classified in the following categories:

- **Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. The losses arising from impairment are recognised in the profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables and other related party receivables.

- **Financial assets at fair value through profit or loss**

**Notes to the financial statements (continued)***for the year ending 31 March 2022*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

This category includes derivatives in connection with fair value hedges and embedded derivatives.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

**(iii) Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's Statement of Financial Position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. As of the reporting date there are no significant financial assets the Company has a continuing involvement in that are derecognised either in their entirety or partly.

### (iv) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in Note 2.4 and Note 3(d).

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs and recognises a loss allowance based on lifetime ECLs at each reporting date. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## Financial liabilities

### (i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

### (ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

- **Loans and borrowings**

This is the category most relevant to the Company and generally applies to interest-bearing loans and borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Comprehensive Income.

- **Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less the cumulative amortisation.

**(iii) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised through the profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The Company reports all its financial assets and financial liabilities on a gross basis.

### Derivative financial instruments and hedge accounting

#### Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As of the reporting date the Company only makes use of foreign exchange rate derivatives.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk

## Notes to the financial statements (continued)

*for the year ending 31 March 2022*

associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge the quantity of hedged item.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below.

### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the profit or loss as other operating expenses. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward and swap contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Before 1 January 2018, the Company designated all of the forward contracts as hedging instruments. Any gains or losses arising from changes in the fair value of derivatives were taken directly to profit or loss, except for the effective portion of cash flow hedges, which were recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.



## Notes to the financial statements (continued)

*for the year ending 31 March 2022*

Beginning 1 January 2018, the Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

### Fair value measurement

The Company measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

## Notes to the financial statements (continued)

for the year ending 31 March 2022

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Cash and cash equivalents

Cash and cash equivalents include 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 other current financial liabilities.

### Provisions

#### General

The Company has recognised provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations, loss-making contracts and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

#### Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

#### Restructuring provision

Restructuring provisions are recognised only when the Company has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

#### Other

Provisions for dilapidation costs are recognised on a lease-by-lease basis taking into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

### 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:

**Notes to the financial statements (continued)***for the year ending 31 March 2022*

the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- 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. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either the Company has the right to operate the asset or the Company designed the asset in a way that predetermines how and for what purpose it will be used.

The Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**The Company as lessee**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, as well as an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset by the end of the lease term or the right-of-use asset reflects that the lessee will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset irrespective of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property, plant and equipment' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Furthermore, the Company has elected not to apply IFRS 16 to leases of intangible assets.

### The Company as lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. In case the lease contract substantially transfers all of the risks and rewards the lease is classified as a finance lease. Otherwise it is classified as an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease term comprises the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then the Company classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract. The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of revenue.

### Accounting at inception of contract

At inception of an arrangement the Company determines whether it is or contains a lease. A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Subsequent

## Notes to the financial statements (continued)

for the year ending 31 March 2022

to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

### Share capital

The Company's ordinary shares are classified as equity instruments.

### Taxes

#### Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

### Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date the transaction first qualifies for recognition.

Foreign currency monetary assets and liabilities are translated at the functional currency spot rate of exchange at the reporting date. Exchange differences arising on the retranslation of

## Notes to the financial statements (continued)

for the year ending 31 March 2022

unsettled monetary assets and liabilities are recognised immediately in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

### Profit from operations

Profit from operations comprises the results of the Company before interest receivable and other finance income, interest payable and other finance charges, corporation tax and deferred tax.

### Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

### Revenue from contracts with customers

The Company is principally engaged in providing metallurgical services to customers. Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risks. The Company provides normal warranty provisions for general repairs for two years on all its products sold, in line with industry practice.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2.3.

Revenue is recognised as follows:

#### a) Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, usually on delivery of the equipment.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

#### b) Construction contracts

The Company principally operates fixed price contracts. If the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when:

- (i) the total contract revenue can be measured reliably;
- (ii) it is probable that the economic benefits associated with the contract will flow to the entity;
- (iii) the costs to complete the contract and the stage of completion can be measured reliably; and
- (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior

## Notes to the financial statements (continued)

for the year ending 31 March 2022

estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

The Company may recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Company otherwise would have recognised is one year or less.

**Contract revenue** — Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured.

**Contract costs** — Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and are allocated to the contract.

Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Company's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:

- The separate proposals have been submitted for each asset;
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset and
- The costs and revenues of each asset can be identified.

A group of contracts are treated as a single construction contract when:

- The group of contracts is negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and
- The contracts are performed concurrently or in a continuous sequence.

### c) HQ income

Income from the provision of services (e.g. HQ services) is recognised on a straight-line basis over the period to which the service relates.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### d) Warranties

The Company provides normal warranty provisions for on all its products sold, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold – see Note 22 for more information. The Company does not provide any extended warranties or maintenance contracts to its customers.

### Dividend income

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

### Interest income and expense

The Company pays or receives interest on some of its intercompany cash balances as well as loan balances. These are recognised within finance costs or finance income in the profit or loss when incurred or receivable. All costs directly attributable to the cost of a qualifying asset are capitalised.

### Government grants

Government grant are recognised once there is a reasonable assurance that the Company will comply with the conditions attaching to them and that the grant will be received. During the year the Company received a Coronavirus Job Retention Scheme grant which was accounted for under the performance model. Amounts received are disclosed within Cost of Sales in the Statement of Total Comprehensive Income.

### Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

### Employee benefits

#### Long service award arrangements

Long-term employee benefits are benefits that will not be payable in full within a period of twelve months after the date of performance of the relevant work by the employee. These benefits do not include termination or post-employment benefits. This includes long service award arrangements. These are not recognized as part of pension plans and a provision is recognized for the present value of the benefit obligations attributable to past fiscal years.

#### Defined contribution pension plan

The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit or loss represents the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

### Current versus non-current classification

The Company presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.



**Notes to the financial statements (continued)***for the year ending 31 March 2022*

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle, or
- It is held primarily for the purpose of trading, or
- There is no unconditional right to defer the settlement of the liability for at least three years after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The Company's normal operating cycle is three years according to the long-term steel industry environment.

**2.3 Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- Impairment testing of investments Note 13
- Financial risk management and policies Note 25

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Judgements****Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value-in-use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate

## Notes to the financial statements (continued)

for the year ending 31 March 2022

used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Note 13.

### **Provision for expected credit losses of trade receivables and contract assets**

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates involve significant management judgment and review of individual receivables, and are based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The information about the ECLS on the Company's trade receivables and contract assets is disclosed in Note 2.4.

### **Leases**

The Company holds several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain to exercise an option, to renew or to terminate a lease contract. The Company considers all relevant factors that create economic incentive to exercise either the renewal or termination.

## **Estimates**

### **Revenue from contracts with customers**

The Company conducts a significant portion of its business under construction contracts with customers. The Company accounts for construction projects using the percentage-of-completion method, recognising revenue as performance on contract progresses. This method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, such changes in estimates may lead to an increase or decrease of revenues.

The creditworthiness of the Company's customers is taken into account in estimating the probability that economic benefits associated with a contract will flow to the Company. In addition, the Company assesses whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis. For contracts expected to be continued, amounts already included in revenue for which collectability ceases to be probable are recognised as an expense.

For contracts expected to be terminated, including terminations due to expected payment defaults of our customers or terminations due to force majeure events, the estimates on the scope of deliveries and services provided under the contracts are revised accordingly, typically resulting in a decrease of revenue in the respective reporting period. Management of the operating divisions continually review all estimates involved in such construction contracts and adjust them as necessary.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 25 for further disclosures.

### Provisions

Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations, restructuring and legal proceedings. A significant portion of the business is performed pursuant to long-term contracts. The Company records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Such estimates are subject to change based on new information as projects progress toward completion. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards, as well as estimates involving warranty costs.

Significant estimates and assumptions are also involved in the determination of provisions related to major asset retirement obligations. Uncertainties surrounding the amount to be recognised include, for example, the estimated costs of decommissioning because of the long time frame over which future cash outflows are expected to occur including the respective interest accretion. Amongst others, the estimated cash outflows could alter significantly if, and when, political developments affect the government's plans to develop the final storage.

The Company is subject to legal and regulatory proceedings in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties or disgorgements against the Company. If it is more likely than not that an obligation of the Company exists and will result in an outflow of resources, a provision is recorded if the amount of the obligation can be reliably estimated. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is more likely than not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. The Company periodically reviews the status of these proceedings with both inside and outside counsel. These judgments are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly impact future net income. Upon resolution, the Company may incur charges in excess of the recorded provisions for such matters. It cannot be excluded that the financial position or results of operations of the Company will be materially affected by an unfavourable outcome of legal or regulatory proceedings or government investigations.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### 2.4 Changes in standards, amendments and interpretations

#### (a) New standards, interpretations and amendments effective from 1 January 2021

New and amended standards and Interpretations issued by the IASB that are effective from 1 January 2021 but have not been applied as they are not expected to impact the Company. These include:

- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendment – Interest Rate Benchmark Reform – Phase 2)
- IFRS 16 Leases (Amendment - COVID-19-Related rent concessions beyond 30 June 2021

#### (b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2022:

- IFRS 3 Business Combinations (Amendment – Reference to the Conceptual Framework
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous contracts)
- IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)

The following amendments are effective for the period beginning 1 January 2023:

- IFRS 17 *Insurance Contracts*
- IAS 8 Accounting Estimates (Amendments – Definition of Accounting Estimates)
- IAS 1 and IFRS 2 (Amendment – Disclosure of Accounting Policies)
- IAS 12 Tax (Amendments – Deferred Tax related to Assets and Liabilities arising from Single Transaction)
- IAS 1 *Presentation Of Financial Statements* (Amendment – Classification of Liabilities as Current or Non-current)

The application of these amendments and standards is not expected to have a material impact on the financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not effective.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### 3. Revenue from contracts with customers

#### a) Analysis of revenue by geographical split

The revenue and profit before tax are attributable to the one principal activity of the Company. An analysis of revenue by geographical market is given below:

	2022 £'000	2021 £'000
United Kingdom	6,029	4,383
Rest of Europe	26,659	12,715
Asia	15,103	18,204
Africa	2,137	610
North America	6,798	3,466
South America	4,059	1,201
<b>Total revenue</b>	<b>60,785</b>	<b>40,579</b>

#### b) Assets and liabilities related to contracts with customers

The Company has recognised the following assets and liabilities related to contracts with customers:

	31 March 2022 £'000	31 March 2021 £'000
Contract assets recognised for costs incurred to fulfil a contract	18,026	7,581
Loss allowance	(25)	(13)
<b>Contract assets</b>	<b>18,001</b>	<b>7,568</b>
Advance payments received	(1,783)	(1,240)
Contract liabilities recognised for invoices raised	(5,815)	(1,332)
<b>Contract liabilities</b>	<b>(7,598)</b>	<b>(2,572)</b>

The contract asset balance includes a balance for a contract with a Russian customer of £2,123,000 affected by the recently imposed sanctions. Force Majeure has been declared by both parties and options to complete the contract are still negotiated at the date of finalising these statutory accounts.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### c) Movement in assets and liabilities related to contracts with customers

The following movement for contract assets has occurred during the year:

	Contract Assets 2022 £'000	Contract Assets 2021 £'000
<b>At 1 April</b>	7,568	14,110
Impairment of contract assets	(12)	123
Transfers from contract assets to trade receivables	(7,568)	(10,967)
Increase due to change in the measure of progress	18,013	4,302
<b>At 31 March</b>	<b>18,001</b>	<b>7,568</b>

The following movement for contract liabilities has occurred during the year:

	Contract Liabilities 2022 £'000	Contract Liabilities 2021 £'000
<b>At 1 April</b>	(2,572)	(4,868)
Amounts included in contract liabilities that was recognised as revenue during the period	2,215	3,991
Cash received in advance of performance and not recognised as revenue during the period	(7,241)	(1,695)
<b>At 31 March</b>	<b>(7,598)</b>	<b>(2,572)</b>

### d) Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets relating to receivables arising from contracts with customers:

	2022 £'000	2021 £'000
Impairment losses		
- Movement in loss allowance for trade receivables and contract assets	(220)	(314)
<b>Total impairment losses</b>	<b>(220)</b>	<b>(314)</b>

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### 4. Other operating income

	2022 £'000	2021 £'000
Other income – provision of HQ services	13,776	9,655
Income relating to sub-let of premises	478	399
Coronavirus Job Retention Scheme grant	61	1,280
<b>Total other operating income</b>	<b>14,315</b>	<b>11,334</b>

### 5. Operating loss

Operating loss has been arrived at after charging:

	Note	2022 £'000	2021 £'000
Net foreign exchange (gain)/loss		227	(211)
Research and development expenses		1,506	1,664
Cost of stock recognised as an expense in cost of sales including write down of stocks to net realisable value		3,391	5,603
Depreciation of property, plant and equipment	12	88	167
Depreciation of right-of-use assets	19(a)	927	983
Amortisation of intangible assets	11	642	764
Employee benefits expense	6	21,545	21,622
Impairment of investments	13	-	17,868
Loss on disposal of investment	13	3,198	44,476
Fees payable to the auditor for:			
• the audit of the Company financial statements		48	48
• the review of the Company quarterly financial statements		24	24
• the audit of the Group financial statements		245	201
• the review of the Group quarterly financial statements		118	113
• audit related services			
• the audit of the subsidiary		15	3

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### 6. Employees

Staff costs (including directors) comprise:

	2022 £'000	2021 £'000
Wages and salaries	18,493	18,580
Social security costs	1,657	1,628
Pension costs – defined contribution plans	1,395	1,414
<b>Total employee benefit expense</b>	<b>21,545</b>	<b>21,622</b>

Wages and salaries include restructuring costs and other termination benefits of £284,000 (2021: £616,000)

A defined contribution pension scheme is operated by the Company on behalf of the employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge for the year represents contributions payable by the Company to the fund and amounted to £1,395,000 (2021: £1,414,000).

The average monthly number of employees (including directors) during the year was:

	2022 Number	2021 Number
Production	195	221
Administration	56	53
Sales	34	30
<b>Total average headcount</b>	<b>285</b>	<b>304</b>

### 7. Finance costs

	2022 £'000	2021 £'000
Interest paid on loans from subsidiaries	24	150
Interest paid on cash pooling activities	1,635	569
Interest cost for post-employment benefits	4	4
Finance charges payable under lease liabilities	157	167
Interest cost upon unwinding of asset retirement obligation	16	75
Other finance charges	-	-
<b>Total finance costs</b>	<b>1,836</b>	<b>965</b>



## Notes to the financial statements (continued)

for the year ending 31 March 2022

### 8. Finance income

	Note	2022 £'000	2021 £'000
Dividend income from subsidiaries	27(e)	39,688	12,011
Interest received on cash pooling activities		6	40
Net foreign exchange gain on receivables and liabilities to subsidiaries		-	316
<b>Total finance income</b>		<b>39,694</b>	<b>12,367</b>

### 9. Income taxes

	2022 £'000	2021 £'000
Current tax:		
Tax group relief relating to current year	(2,000)	(305)
Foreign withholding taxes on income	115	134
<b>Total current tax</b>	<b>(1,885)</b>	<b>(171)</b>
Deferred tax:		
Tax group relief relating to current year	(90)	(90)
	-	(2,850)
<b>Total deferred tax</b>	<b>(90)</b>	<b>(2,940)</b>
<b>Income tax expense</b>	<b>(1,975)</b>	<b>(3,111)</b>

The income from income tax includes a group relief tax claim with Mitsubishi Heavy Industries Air-Conditioning Europe Ltd. for prior year of £Nil (FY21: £305,000 for Mitsubishi Heavy Industries EMEA, Ltd. and Mitsubishi Heavy Industries Air-Conditioning Europe Ltd.) and for the current year a tax asset was recognised for the tax group relief with these entities of £2,000,000 (FY21: £2,850,000). The total asset at the year end is £3,120,000 (2021: £2,850,000)

The income from income tax of £1,975,000 for the year (2021: £3,111,000) can be reconciled to the profit before tax per the Statement of Total Comprehensive Income as follows:

	2022 £'000	2021 £'000
<b>Profit/(Loss) before taxation</b>	<b>21,345</b>	<b>(73,444)</b>
Tax (credit)/charge at the UK corporation tax rate of 19% (2021: 19%)	4,056	(13,954)
Effects of:		
Impairment of investments	-	3,395
Loss on disposal of investments	608	8,450
Other permanent differences	528	1,335
Short-term timing differences	2,261	2,966
Tax losses surrendered as group relief	(2,000)	(2,850)
Tax group relief relating to prior year	-	(305)
Foreign withholding taxes	115	134
Non taxable income	(7,541)	(2,282)
<b>Income tax (credit)/expense</b>	<b>(1,975)</b>	<b>(3,111)</b>

## Notes to the financial statements (continued)

for the year ending 31 March 2022

In addition to the amount charged to profit for the year, a £90,000 charge (2021: £90,000) of deferred tax has been recognised in other comprehensive income in respect of the cash flow hedges.

### 10. Deferred income taxes

As announced in the 2022 budget, the UK corporation tax rate has remained at 19% for the tax year 2022/23 but there will then be an increase to 25% from April 2023 applying to profits over £250,000. Deferred tax assets and liabilities on all timing differences have been calculated at 19% at the balance sheet date (2021: 19%).

The analysis of deferred tax assets and liabilities is as follows:

	Deferred tax assets			Deferred tax liability		Total £'000
	Tax losses £'000	Derivative financial instruments £'000	Fixed Assets £'000	Fair value adjustments on business combination £'000	Fixed Assets £'000	
<b>At 1 April 2021</b>	830	(345)	1,713	(1,055)	(1,143)	-
Recognised in income	140	120	721	(76)	(622)	283
Recognised in other comprehensive income		(283)				(283)
<b>At 31 March 2022</b>	<b>970</b>	<b>(508)</b>	<b>2,434</b>	<b>(1,131)</b>	<b>(1,765)</b>	<b>-</b>
<b>At 1 April 2020</b>	468	(108)	1,037	(856)	(541)	-
Recognised in income	362	(45)	676	(199)	(602)	194
Recognised in other comprehensive income		(194)				(194)
<b>At 31 March 2021</b>	<b>830</b>	<b>(345)</b>	<b>1,713</b>	<b>(1,055)</b>	<b>(1,143)</b>	<b>-</b>

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. As the Company made a loss in the current period, deferred income tax assets at 31 March 2022 have only been recognised to the extent that they offset the deferred income tax liability arising upon the business combination (acquisition of trade and assets in 2015). As a result, the Company did not recognise deferred income tax assets of £11,531,121 (2021: £11,368,327) in respect of losses amounting to £60,690,108 (2021: £59,833,298) that can be carried forward against future taxable income.

Although the effective tax rate from April 2023 will rise to 25%, the tax rate for small profits will be 19%. It is expected that the deferred tax rate of 19% is still appropriate for the deferred tax balances recorded at 31 March 2022. As no deferred tax asset has been recognised, as detailed above, the change in rate would have no effect on the balances. Restating the unrecognised deferred tax balances at 31 March 2022 at the 25% rate would have the effect of increasing the unrecognised net deferred tax asset by £2,882,780 (2021: £2,839,998).

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### 11. Intangible assets

	Trademarks £'000	Technology £'000	Other intangibles £'000	Total Intangibles £'000
<b>Cost</b>				
At 1 April 2021	2,019	2,780	921	5,720
Disposals	(2,019)	(2,780)	-	(4,799)
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>921</b>	<b>921</b>
<b>Accumulated amortisation</b>				
At 1 April 2021	(1,762)	(2,480)	(540)	(4,782)
Disposals	2,019	2,780	-	4,799
Amortisation expense for year	(257)	(300)	(85)	(642)
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>(625)</b>	<b>(625)</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>296</b>	<b>296</b>
<b>At 31 March 2021</b>	<b>257</b>	<b>300</b>	<b>381</b>	<b>938</b>

The main categories of recognised intangible assets are as follows: trademarks, patented technology, in process research & development, software customer relationships and order backlog.

Amortisation of intangible assets is included in the Statement of Total Comprehensive Income as follows:

- Patents: Cost of sales
- Technology: Research and development expenses
- Other intangibles: Selling and general administrative expenses

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### 12. Property, plant and equipment

	Land and buildings	Machinery, vehicle and transport equipment	Tools and implements	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2021	2,074	801	869	3,744
Additions	13	15	-	28
Disposals	(31)	(7)	(43)	(81)
<b>At 31 March 2022</b>	<b>2,056</b>	<b>809</b>	<b>826</b>	<b>3,691</b>
<b>Accumulated depreciation</b>				
At 1 April 2021	1,883*	677*	797*	3,357*
Depreciation expense for the year	25	40	23	88
Disposal	(3)	(7)	(43)	(53)
<b>At 31 March 2022</b>	<b>1,905</b>	<b>710</b>	<b>777</b>	<b>3,392</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>151</b>	<b>100</b>	<b>49</b>	<b>301</b>
<b>At 31 March 2021*</b>	<b>191</b>	<b>124</b>	<b>72</b>	<b>387</b>

\*2021 restated figures include a correction of a split between the categories

### 13. Investments accounted for at cost

Shares in group undertakings	2022 £'000	2021 £'000
<b>Beginning of period</b>	554,650	506,787
Additions	-	107,820
Impairment	-	(17,868)
Disposal	-	(42,089)
<b>At 31 March</b>	<b>554,650</b>	<b>554,650</b>

In October 2021 Primetals Technologies Italy S.r.l. was sold resulting in a loss on disposal of £3,198,000 being recognised in the Statement of Total Comprehensive Income in 2022 with the investment having been fully impaired in the previous year. In March 2021 Primetals France S.A.S was sold. The disposal of those shares resulted in a loss of £44,476,000 and is presented as a separate line item Statement of Total Comprehensive Income in 2021.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

Investments comprise equity shares in the following entities, none of which are publicly traded:

Name	Country of incorporation**	Direct % equity interest 31 March 2022	Direct % equity interest 31 March 2021
Primetals Technologies Czech Republic s.r.o.	Czech Republic	100.00%	100.00%
Primetals Technologies Financial Services Limited	UK	100.00%	100.00%
Primetals Technologies France S.A.S. <sup>(i)</sup>	France	0.00%	0.00%
Primetals Technologies Germany GmbH	Germany	100.00%	100.00%
Primetals Technologies Italy S.r.l. <sup>(ii)</sup>	Italy	0.00%	100.00%
Primetals Technologies Japan Ltd.	Japan	100.00%	100.00%
Primetals Technologies Korea Limited	Korea	100.00%	100.00%
Primetals Technologies Poland Sp.z.o.o.	Poland	100.00%	100.00%
Primetals Technologies Russia LLC	Russia	100.00%	100.00%
Primetals Technologies Ukraine LLC	Ukraine	100.00%	100.00%
Primetals Teknoloji Sanayi ve Ticaret A.Ş.	Turkey	100.00%	100.00%
Primetals Technologies Austria GmbH	Austria	>99.99%*	>99.99%*
Primetals Technologies Belgium S.A./N.V.	Belgium	>99.99%*	>99.99%*
Primetals Technologies Mexico S.R.L. de C.V.	Mexico	99.97%*	99.97%*
Concast (India) Private Limited	India	<0.01%*	<0.01%*
Primetals Technologies Brazil Ltda.	Brazil	<0.01%*	<0.01%*
Primetals Technologies India Private Ltd.	India	<0.01%*	<0.01%*

\*Note that for those entities listed above for which the Company directly owns <100% of the equity, the indirect holding is 100.00%.

\*\* Note that the principal place of business is the same as country of incorporation

(i) Primetals Technologies France S.A.S. was sold in March 2021.

(ii) Primetals Technologies Italy S.r.l. was sold in October 2021.

Please see Appendix A for the registered addresses of related undertakings.

Dividends of £39,688,000 were received during the year ended 31 March 2022

(2021: £12,367,000) from subsidiaries. Refer to Note 27(e) for further detail.

The additions to investments are as follows:

	2022 £'000	2021 £'000
Primetals Technologies Italy S.r.l.	-	10,123
Primetals Technologies France S.A.S.	-	42,089
Primetals Technologies Austria GmbH	-	55,608
<b>Total additions to investments</b>	<b>-</b>	<b>107,820</b>

The carrying value of each individual investment listed above was compared to its recoverable amount which has been determined to be the value-in-use. Where the recoverable amount was less than the current carrying value the investment was impaired to its recoverable amount.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

As a result of this exercise, no investment (2021: one) was identified where impairment was necessary:

	Recoverable amount (value-in-use) £'000	Impairment £'000	Discount rate %
<b>31 March 2022</b>			
-	-	-	-
	Recoverable amount (value-in-use) £'000	Impairment £'000	Discount rate %
<b>31 March 2021</b>			
Primetals Technologies Italy S.r.l.	17,868	17,868	10.50

Cash flow projections used in the value-in-use calculation were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using a weighted estimated growth rate of 2.0% (2021: 2.0%), which is based on past experience and management's expectations of market development and consistent with forecasts of industry reports.

The discount rate used for assessing the value-in-use of each investment is country-specific. Where the entity being assessed has investments within other territories the expected future income for these investments is discounted using the discount rate for that particular territory. The discount rates quoted above are therefore blended rates which reflect the discount rates applicable within each of the territories from which cash flows are anticipated to originate.

A 1% decrease in the discount rate would reduce the impairment by £nil (2021: £ nil). A 1% increase in the discount rate would increase the impairment by £1,056,000 (2021: £20,484,000).

The total impairment loss of £Nil (2021: £17,868,000) is presented as a separate line item in the Statement of Total Comprehensive Income.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

Other subsidiaries in which the Company holds an indirect controlling interest are listed below. None of these are publicly traded. Please see Appendix A for the registered addresses of related undertakings.

Name	Country of incorporation *	Indirect % equity interest 31 March 2022	Indirect % equity interest 31 March 2021
MHI Haseg Co., Ltd.	Japan	100.00%	100.00%
MHI Plant Corporation	Japan	100.00%	100.00%
Primetals Asset Management U.K. Ltd.	UK	100.00%	100.00%
Primetals International Trading Shanghai Ltd.	China	100.00%	100.00%
Primetals Technologies China Ltd.	China	100.00%	100.00%
Primetals Technologies South Asia Private Ltd. <sup>(i)</sup>	India	0.00%	100.00%
Primetals Technologies Treasury GmbH	Austria	100.00%	100.00%
Primetals Technologies USA LLC	USA	100.00%	100.00%
Primetals Technologies Saudi Arabia GmbH <sup>(ii)</sup>	Austria	100.00%	100.00%
MHCG, Inc.	USA	81.00%	81.00%
New GenCoat, Inc.	USA	81.00%	81.00%
Primetals (Tangshan) Metallurgy Technology Services Co., Ltd. <sup>(iii)</sup>	China	60.00%	60.00%
VOEST-ALPINE Technical Services Ltd.	Nigeria	40.00%	40.00%
HBIS Primetals Technologies Metallurgical Services Co., Ltd.	China	40.00%	0.00%
Changzhou Baoling Heavy & Industrial Machinery Co. Ltd.	China	35.15%	35.15%
Shanghai Baoling Metallurgical Equipment Engineering Co. Ltd.	China	35.15%	35.15%
ITR LLC	USA	25.00%	25.00%
K1-MET GmbH	Austria	20.00%	20.00%
Nakata MFG Co., Ltd.	Japan	20.44%	20.44%
Pilind, LLC	USA	20.00%	20.00%
ABP Induction, LLC	USA	20.00%	20.00%
ABP Induction Systems GmbH	Germany	20.00%	20.00%
ABP Induction AB	Sweden	20.00%	20.00%
ABP Induction Systems S. de R.L. de C.V	Mexico	20.00%	20.00%
ABP Induction Furnace (PTY) Ltd.	South Africa	20.00%	20.00%
ABP Induction Systems (Shanghai) Co. Ltd.	China	20.00%	20.00%
ABP Induction Systems Pvt. Ltd.	India	19.99%	19.99%
ABP Induction Limited	Thailand	19.99%	19.99%
LanzaTech New Zealand Ltd	USA	0.68%	0.78%
Tianjin Bo Steel No. 26 Limited Liability Partnership	China	0.13%	0.00%

\* Note that the principal place of business is the same as country of incorporation

(i) Primetals Technologies South Asia Private Ltd. was liquidated during the reporting period..

(ii) Saudi VOEST-ALPINE GmbH was renamed to Primetals Technologies Saudi Arabia GmbH

(iii) Primetals Tangshan Technology Services Ltd. was renamed to Primetals (Tangshan) Metallurgy Technology Services Co., Ltd.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### 14. Other non-current assets

	2022 £'000	2021 £'000
Deposit	143	115
<b>Other non-current assets</b>	<b>143</b>	<b>115</b>

### 15. Inventories

	2022 £'000	2021 £'000
Raw materials and supplies	3,313	3,333
Work in progress	3,346	2,396
<b>Stocks</b>	<b>6,659</b>	<b>5,729</b>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

### 16. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	9,975	12,540
Less: provision for impairment of trade receivables	(903)	(699)
Trade receivables – net	9,072	11,841
Receivables from related parties - Note 27(a)	4,403	2,312
<b>Trade and other receivables</b>	<b>13,475</b>	<b>14,153</b>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security.

Trade receivables of £961,000 (2021: £1,202,000) are due more than one year.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayments and are repayable on demand.



## Notes to the financial statements (continued)

for the year ending 31 March 2022

### 17. Other current financial assets

	2022 £'000	2021 £'000
Derivative financial instruments - Note 25(a)	3,021	3,224
Other related party receivables - Notes 25(a),27(c)	-	305
Other financial assets	-	-
<b>Other current financial assets</b>	<b>3,021</b>	<b>3,529</b>

### 18. Other current assets

	2022 £'000	2021 £'000
Prepayments	1,267	226
Sales tax receivables	210	243
Other	17	-
<b>Other current assets</b>	<b>1,494</b>	<b>469</b>

Advances to suppliers are stated after provision for impairment of £Nil (2021: £ Nil).

### 19. Leases

The Company leases various assets including building and structures for its office space and workshops, land and company cars. Information about leases for which the Company is a lessee is presented below.

The leases of buildings and structures, containing the most significant lease contracts, have a remaining lease term up to 42 years. Some leases include an option to renew the lease for additional periods. The Company shares occupation of one of its properties under a license to occupy. For further information, refer to Note 19(d).

Some leases contain extension or termination options exercisable by the Company. The Company assesses at lease commencement whether it is reasonably certain to exercise these options. Additionally, the Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. Potential future lease payments not included in lease liabilities amount to £1,600,000 (2021: £Nil).

The Company also has contracts containing short-term leases or low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### a) Right-of-use assets

	Land and buildings	Machinery, vehicle and transport equipment	Total
	£'000	£'000	£'000
<b>Net book value at 31 March 2021</b>	<b>3,167</b>	<b>58</b>	<b>3,225</b>
Additions	960	38	998
Revaluation	-	-	-
Depreciation expense for the year	(903)	(24)	(927)
<b>Net book value at 31 March 2022</b>	<b>3,224</b>	<b>72</b>	<b>3,296</b>
Gross carrying amount	5,217	123	5,340
Accumulated depreciation	(1,993)	(51)	(2,044)
<b>Net book value at 31 March 2022</b>	<b>3,224</b>	<b>72</b>	<b>3,296</b>

### b) Lease liabilities

	2022 £'000	2021 £'000
Lease liabilities less than 3 years	2,779	2,271
Lease liabilities more than 3 years	833	1,289
<b>Total lease liabilities</b>	<b>3,612</b>	<b>3,560</b>

The following maturity analysis provides information about the contractual undiscounted cash flows of the lease liabilities:

	2022 £'000	2021 £'000
Less than one year	1,245	892
Between one and five years	2,132	2,371
More than five years	987	1,153
<b>Total undiscounted lease liabilities</b>	<b>4,364</b>	<b>4,416</b>

The following table provides information about the cash flows of the leases:

	2022 £'000	2021 £'000
Short-term leases	144	70
Between one and five years	142	83
More than five years	1,222	1,201
<b>Total cash outflow for leases</b>	<b>1,508</b>	<b>1,354</b>

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### c) Amounts recognised in profit or loss

	2022 £'000	2021 £'000
Interest expense on lease liabilities	157	167
Expenses related to short-term leases	144	70
Expenses related to leases of low-value assets	142	83
<b>Amounts related to leases recognised in profit or loss</b>	<b>443</b>	<b>320</b>

### d) The Company as licensor

The Company holds surplus office space which is let to two related parties. An earlier lease (entered into during the year ended 31 March 2019) was surrendered by the related party tenant. In its place, the Company entered into two licences to occupy. The counterpart in both licences is a related party, but the counterparts are separate entities from one another. Both licences have a specified end date of 3 January 2025, although under certain circumstances the parties can give notice to end the relevant licence on a date earlier than this. These are licenses to occupy and the risks and rewards incidental to the ownership of the asset do not transfer. The following table sets out a maturity analysis of license payments, showing the undiscounted license payments to be received after the reporting date:

	2022 £'000	2021 £'000
Less than one year	561	284
Between one and five years	989	-
<b>Total undiscounted license payments</b>	<b>1,550</b>	<b>284</b>

## 20. Trade payables

	2022 £'000	2021 £'000
Trade payables	10,020	6,721
Payables to related parties - Note 27(a)	6,662	6,340
Payables to subsidiaries – Note 27(c)	-	18,758
<b>Trade payables</b>	<b>16,682</b>	<b>31,819</b>

Trade payables are non-interest bearing and are settled on terms varying within 14 to 120 days. For terms and conditions with related parties, refer to Note 27(a).

## 21. Other current financial liabilities

	2022 £'000	2021 £'000
Derivative financial instruments - Note 25(a)	2,163	1,971
Payables owed to subsidiaries - Note 27(b)	119,518	118,693
Other related party payables - Note 27(d)	-	-
<b>Other current financial liabilities</b>	<b>121,681</b>	<b>120,664</b>

### Capital commitments

## Notes to the financial statements (continued)

for the year ending 31 March 2022

Capital expenditure contracted for but not yet incurred at 31 March 2022 amounted to £Nil (2021: £Nil).

### 22. Provisions

	Restructuring	Warranties	Order related losses and risks	Asset Retirement Obligation	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 March 2021</b>	<b>284</b>	<b>1,026</b>	<b>2,326</b>	<b>1,834</b>	<b>167</b>	<b>5,637</b>
Additions	-	811	473	-	1,331	2,615
Usage	(284)	-	(314)	-	(137)	(735)
Reversals	-	(798)	(1,534)	(1,021)	(30)	(3,383)
Discounting	-	-	-	16	-	16
<b>At 31 March 2022</b>	<b>-</b>	<b>1,039</b>	<b>951</b>	<b>829</b>	<b>1,331</b>	<b>4,150</b>
Current	-	1,039	951	659	1,331	3,980
Non-current	-	-	-	170	-	170
<b>At 31 March 2022</b>	<b>-</b>	<b>1,039</b>	<b>951</b>	<b>829</b>	<b>1,331</b>	<b>4,150</b>

#### Restructuring

The restructuring plan was announced to the employees of Primetals Technologies Ltd on 10 September 2020. The restructuring has been completed within the current financial year.

#### Warranties

A provision is recognised for expected warranty claims on products sold during the last two years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the two-year warranty period for all products sold.

#### Order related losses and risks

Include provisions for onerous contracts and provisions for penalties. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In such cases, a provision for onerous contracts covering the portion of the contract not yet performed should be recognised in the reporting period in which it is identified that the loss will probably occur. Provisions for penalties are recognised for any penalties for default or delay on contracts probable at the balance sheet date. The critical factor is the probability of occurrence. The amount of the provision is measured based on the damages/penalties incurred or imminent at the balance sheet date. Recognition of the provision is not dependent on whether or not a customer has already asserted a claim.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### Asset retirement obligation

Provisions for asset retirement obligations are the aggregate of the estimated discounted cash flows of obligations associated with the retirement of tangible long-lived assets. During the reporting period the asset retirement obligations for all 5 sites have been re-assessed which led to a reversal of £1,021,000 of which £934,000 were recorded as other miscellaneous income and £87,000 as disposal of the related asset.

### 23. Other current liabilities

	2022 £'000	2021 £'000
Accruals	5,936	8,947
Social security costs	26	36
Other payables	190	2
<b>Other current liabilities</b>	<b>6,152</b>	<b>8,985</b>

### 24. Other non-current liabilities

	2022 £'000	2021 £'000
Withholding Tax	4	2
Long-service award	242	277
<b>Other non-current liabilities</b>	<b>246</b>	<b>279</b>

### 25. Financial instruments

#### a) Financial assets and liabilities

The following table presents the carrying amounts of each category of financial assets and liabilities:

	Loans and receivables	Assets at fair value through profit and loss	Derivatives designated as cash flow hedges	Total
As at 31 March 2022	£'000	£'000	£'000	£'000
<b>Financial assets:</b>				
Cash and cash equivalents	176	-	-	176
Trade and other receivables - Note 16	13,475	-	-	13,475
Other current financial assets - Note 17	-	656	2,365	3,021
	<b>13,651</b>	<b>656</b>	<b>2,365</b>	<b>16,672</b>

## Notes to the financial statements (continued)

for the year ending 31 March 2022

	Loans and receivables	Assets at fair value through profit and loss	Derivatives designated as cash flow hedges	Total
	£'000	£'000	£'000	£'000
<b>As at 31 March 2021</b>				
<b>Financial assets:</b>				
Cash and cash equivalents	27	-	-	27
Trade and other receivables - Note 16	14,153	-	-	14,153
Other current financial assets - Note 17	305	849	2,375	3,529
	<b>14,485</b>	<b>849</b>	<b>2,375</b>	<b>17,709</b>

	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Derivatives designated as cash flow hedges	Total
	£'000	£'000	£'000	£'000
<b>As at 31 March 2022</b>				
<b>Financial liabilities:</b>				
Debt - Note 19b	3,612	-	-	3,612
Trade payables - Note 20	16,682	-	-	16,682
Other current fin. liabilities - Note 21	119,518	1,129	1,034	121,681
	<b>139,812</b>	<b>1,129</b>	<b>1,034</b>	<b>141,975</b>

	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Derivatives designated as cash flow hedges	Total
	£'000	£'000	£'000	£'000
<b>As at 31 March 2021</b>				
<b>Financial liabilities:</b>				
Debt - Note 19b	3,560	-	-	3,560
Trade payables - Note 20	31,819	-	-	31,819
Other current fin. liabilities - Note 21	118,693	703	1,268	120,664
	<b>154,072</b>	<b>703</b>	<b>1,268</b>	<b>156,043</b>

The directors consider that the carrying amounts of "loans and receivables" and of "financial liabilities at amortised cost" approximate to their fair values. This is largely due to the short-term maturities of these instruments.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

Financial assets and liabilities measured at fair value are presented in the following table:

	2022 £'000	2021 £'000
<b>Financial assets measured at fair value:</b>		
Derivatives in connection with fair value hedges	508	833
Derivatives in connection with cash flow hedges	2,365	2,375
Embedded derivatives	148	16
	<b>3,021</b>	<b>3,224</b>
<b>Financial liabilities measured at fair value:</b>		
Derivatives in connection with fair value hedges	853	224
Derivatives in connection with cash flow hedges	1,034	1,268
Embedded derivatives	276	479
	<b>2,163</b>	<b>1,971</b>
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of derivatives in connection with cash flow hedges:</b>		
Financial assets	2,365	2,375
Financial liabilities	(1,034)	(1,268)
Prolongations	160	(89)
<b>Other comprehensive income balance from cash flow hedge</b>	<b>1,491</b>	<b>1,018</b>
<b>Gain/(loss) generated from cash flow hedges in year</b>	<b>473</b>	<b>472</b>

Prolongations are included within cost of sales.

### b) Hedging activities and derivatives

#### Derivatives not designated as hedging instruments

The Company uses foreign exchange contracts to manage some of its transaction exposures. The foreign exchange contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions. Current hedging activities cover a risk horizon up to 35 months (February 2025).

#### Cash flow hedges

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecasted sales or purchases in US dollar and in Euro. These forecasted transactions are highly probable.

While the Company also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecasted transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

The following table indicates the periods in which cash flows from cash flow hedges are expected to occur. These cash flows are expected to affect profit and loss in the same period. Any existing timely differences are not significant.

	Total	Within 1	1-5 years	5 years
	£'000	year	£'000	+ £'000
2022	£'000	£'000	£'000	£'000
Cash flows resulting from hedging instruments	30,419	16,522	13,897	-
Effect on profit or loss	1,331	1,483	(152)	-
	Total	Within 1	1-5 years	5 years
	£'000	year	£'000	+ £'000
2021	£'000	£'000	£'000	£'000
Cash flows resulting from hedging instruments	14,331	2,963	11,368	-
Effect on total comprehensive income	1,107	199	908	-

The amounts of £472,000 retained in other comprehensive income at 31 March 2021 with related tax thereon of £nil matured and affected the Statement of Total Comprehensive Income in 2022.

As of the reporting date there are no net investment hedge relationships designated.

### Embedded derivatives

The Company enters into long-term sale and purchase contracts with customers or suppliers. These contracts include embedded foreign exchange derivatives that require separate measurement.

These embedded foreign currency derivatives have been separated and are carried at fair value through profit or loss. The effects on profit or loss are reflected in interest income and interest costs, respectively. The carrying values of the embedded derivatives at 31 March 2022 amounted to £148,000 (other financial assets) (2021: £16,000) and £276,000 (other financial liabilities) (2021: £479,000). The effects on profit or loss are reflected in operating income and operating costs respectively.

### c) Fair value

The Company analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted price in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for assets and liabilities, not based on observable market data.

All of the Company's derivative financial instruments as at 31 March 2022 are categorised as Level 2 (2021: Level 2) and there have been no transfers between the levels of the fair value hierarchy during the reporting period.



**Notes to the financial statements (continued)***for the year ending 31 March 2022*

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors consider that the carrying amounts of cash, and cash equivalents, trade and other receivables, other current financial assets, debt, trade payables and other current financial liabilities approximate to their fair values. This is largely due to the short-term maturities of these instruments.

The fair value of foreign exchange derivative contracts, whether designated as a cash flow hedge or not, is estimated using forward pricing models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity, where applicable.

**d) Financial risk management objectives and policies**

The Company is exposed to market risk, credit risk and liquidity risk. The Group Treasury oversees the management of these risks. The Group Treasury is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Primetals Group. The financial risk committee provides assurance that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

**i. Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity price risk. Financial instruments affected by market risk include trade receivables / payables, deposits and derivative financial instruments.

**• Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's debt obligations are short-term and therefore this risk is considered to be minimal.

**• Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the functional currency of the entity.)

The Company manages its foreign currency risk by hedging any balance sheet positions and transactions that are expected to occur based on actual planning from contracted projects. When possible under economic reasonable conditions, the Company hedges 100% of its foreign exchange exposures.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

The sensitivity analysis in the following section relates to the position as at 31 March 2022 and 2021. It has been prepared on the basis that the amount of derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2022.

The analysis excludes the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analysis:

- The Statement of Financial Position sensitivity relates to derivatives.
- The sensitivity of the relevant Statement of Total Comprehensive Income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2022 and 2021 including the effect of hedge accounting.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Company's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Company's exposure to foreign currency changes for all other currencies is not material.

	Currency	Change in GBP against the following currencies £'000	Notional exposure £'000	Effect on profit/loss before tax £'000	Effect on equity (OCI) £'000
2021	EUR	+10%		(170)	303
		-10%	(1,358)	170	(303)
2020	EUR	+10%		(1,483)	1,849
		-10%	(3,876)	1,483	(1,849)
2021	JPY	+10%		(120)	(132)
		-10%	2,525	120	132
2020	JPY	+10%		(17)	(630)
		-10%	6,497	17	630
2021	USD	+10%		91	3,075
		-10%	(32,978)	(91)	(3,075)
2020	USD	+10%		(17)	(72)
		-10%	1,818	17	72
2021	Other	+10%		(27)	(406)
		-10%	4,398	27	406
2020	Other	+10%		(21)	(12)
		-10%	327	21	12

**Notes to the financial statements (continued)***for the year ending 31 March 2022*

The effect on profit and loss is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated foreign currencies compared to the functional currency of the entity. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

**ii. Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

**• Trade receivables**

Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The provision matrix is initially based on the Group's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in this note. The Company does not hold collateral as security.

**• Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Primetals Group treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on an annual basis and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

The Company's maximum exposure to credit risk for the components of the Statement of Financial Position at 31 March 2022 is the carrying amounts as illustrated in this note.

The maximum credit risk exposure relating to financial guarantee contracts at the maximum amount payable if the guarantee is called on at 31 March 2022 was £21,268,000 (2021: £3,078,000).

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### iii. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

## 26. Issued capital and reserves

### Share capital issued and fully paid

	Number of authorised and issued shares	2022 £'000
At 31 March 2021	100,000	78
Issued during the year	-	-
<b>At 31 March 2022</b>	<b>100,000</b>	<b>78</b>

The opening share capital of the Company on incorporation was 100 ordinary shares of £1. In 2015, the share capital was redenominated to Euros and the authorised share capital was increased and fully paid by the issuance of 99,900 ordinary shares of €1. There have been no changes in either years ending 31 March 2022 and 31 March 2021.

### Cash flow hedging reserve

The Cash flow hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging transactions related to hedged transactions that have not yet occurred.

### Retained earnings

Retained earnings includes all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

## 27. Related parties

The Company is controlled by Primetals Technologies Holdings, Ltd. (previously called Mitsubishi-Hitachi Metals Machinery, Inc. ("MHMM")), incorporated in Japan. The Company's ultimate parent and ultimate controlling party is Mitsubishi Heavy Industries, Ltd., incorporated in Japan.

During the course of the year, the Company entered into transactions in the ordinary course of business with other related parties.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

Transactions entered into, and trading balances outstanding at 31 March 2022 and 31 March 2021 are as follows:

### a) Trading balances and transactions

	Sales of goods & services £'000	Purchases of goods & services £'000	Receivables £'000	Payables £'000
Subsidiaries of the Company	19,227	25,670	4,358	5,431
Other members of the MHI group	637	5,134	45	1,231
<b>At 31 March 2022</b>	<b>19,864</b>	<b>30,804</b>	<b>4,403</b>	<b>6,662</b>

	Sales of goods & services £'000	Purchases of goods & services £'000	Receivables £'000	Payables £'000
Subsidiaries of the Company	10,842	22,304	2,006	5,929
Other members of the MHI group	881	3,071	306	411
<b>At 31 March 2021</b>	<b>11,723</b>	<b>25,375</b>	<b>2,312</b>	<b>6,340</b>

These trading transactions relate to activities such as carrying out contracts, service-level agreements as well as corporate recharges. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Outstanding balances at 31 March 2022 are unsecured and interest free and settlement occurs in cash. No provisions are held against receivables from related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

### b) Other payables to subsidiaries

£119,506,000 (2021: £118,693,000) relates to balances owed to subsidiaries as a result of cash-pooling activities and an intercompany loan. The loan is due within 12 months and carries interest at approximately 2% (2021: 2%).

### c) Other related party receivables

Other related party receivables of £Nil (2021: £305,000) consisted of group tax relief due from Mitsubishi Heavy Industries Air-Conditioning Europe Ltd. for prior year (FY 2021: Mitsubishi Heavy Industries EMEA ,Ltd. and Mitsubishi Heavy Industries Air-Conditioning Europe Ltd.). For the current year a tax receivable from tax group relief was recognised of £2,000,000 (2021: £2,850,000). The total asset at the year end is £3,120,000 (2021: £2,850,000).

As described in Note 19(d), the Company holds surplus office space which is shared with two related parties. Each is classified as a license to occupy.

**Notes to the financial statements (continued)***for the year ending 31 March 2022***d) Dividend receivable**

Dividends of £39,688,000 were received during the year ended 31 March 2022

(2021: £12,011,000) from the following subsidiaries:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Primetals Technologies Korea Limited	164	149
Primetals technologies Russia LLC	-	-
Primetals Technologies Ukraine LLC	574	488
Primetals Technologies Japan	38,950	11,374
	<b>39,688</b>	<b>12,011</b>

**28. Directors**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Directors' emoluments	1,331	1,939

The aggregate emoluments received by the Company's directors were £1,331,000 (2021: £1,939,000). The highest paid director received emoluments of £706,000 (2021: £717,000). There was 1 director in the Company's defined contribution plan (2021: 1) during the year. Company pension contributions of £85,000 (2021: 40,000) were paid to a money purchase scheme on their behalf. Directors' remuneration does not include share incentive schemes.

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### Appendix A – Registered addresses of related undertakings

Company Name	Address	Town	Country
ABP Induction AB	Spännarhyttans Industriområde	73892 Norberg	Sweden
ABP Induction Furnaces (PTY) Ltd.	77 Heidelberg Rd	Johannesburg	South Africa
ABP Induction Limited	80/1 Moo, Phaholyotin Rd., Tambol Klong Nueng, Amphur Klong Luang	12120 Pathumthanee	Thailand
ABP induction LLC	1460 Livingston Ave.	NJ 08902 North Brunswick	USA
ABP Induction Systems GmbH	Kanalstrasse 25	44147 Dortmund	Germany
ABP Induction Systems Pvt. Ltd.	E-120/Unit-2, Manjusr GIDC Industrial Area	391775 Savli, Vadodara	India
ABP Induction Systems, S. de R.L. de C.V.	Priv. La Puerta 2882-4, Parque Ind. La Puerta	66367 Santa Catarina, N.L.	Mexico
Changzhou Baoling Heavy & Industrial Machinery Co. Ltd.	41 Xinye Road, Jiangsu Province	Changzhou 213019	China
Coke Oven Automation Oulu OY	Asianajotoimisto Ferenda Norde, Hallituskatu 11 A 7	Oulu 90100	Finland
Concast (India) Private Limited.	1/5 Concast House, Moral Co-op Industrial Estate Ltd.	Mumbai 400059	India
HBIS Primetals Technologies Metallurgical Services Co., Ltd.	Laoting Economic Development Zone, Hebei Province	Tangshan City 63000	China
ITR LLC	902 4 <sup>th</sup> Ave. Bethlehem	Bethlehem PA 18018	USA
K1-MET GmbH	Stahlstraße 14	4020 Linz	Austria
LanzaTech New Zealand Ltd.	TMF Group, Level 12, 55 Shortland Street	Auckland 1010	New Zealand
MHCG, Inc.	5895 Windward Parkway	Alpharetta GA	USA
MHI Haseg Co., Ltd.	261 Yamanobe, Katori-shi	Chiba 287-0042	Japan
MHI Plant Corporation	6-22, Kannon Shinmachi, 4-Chome, Nishiku	Hiroshima 733-8553	Japan

## Notes to the financial statements (continued)

for the year ending 31 March 2022

### Appendix A – Registered addresses of related undertakings (continued)

Company Name	Address	Town	Country
New Gencoat, Inc.	N53 W24900 South Corporate Circle	Sussex, WI 53089	USA
Nakata MFG Co., Ltd.	3-7-6 Tagawa, Yodogawa-ku, Osaka-shi	Osaka 532-0027	Japan
Pilind LLC	Corporation Trust Center, 1209 Orange Street	DE, 19801 Wilmington	USA
Primetals Asset Management U.K. Ltd.	566 Chiswick High Road, Chiswick Park, Building 11	London, W4 5YA	UK
Primetals International Trading Shanghai Ltd.	A32, 3rd Floor, No.473 Fu Te Xi Yi Road, Free Trade Zone	Shanghai 200131	China
Primetals (Tangshan) Metallurgy Technology Services Co., Ltd.	Hebei Laoting Economic Development Zone	Tangshan City 063000	China
Primetals Technologies Austria GmbH	Turmstraße 44	4031 Linz	Austria
Primetals Technologies Belgium S.A./N.V.	W.A. Mozartlaan 4, Building Amadeus 4	1620 Drogenbos	Belgium
Primetals Technologies Brazil Ltda.	Rua Nossa Senhora da Conceição, No 20	Bairro Conforto, Volta Redonda 27262-012	Brazil
Primetals Technologies China Ltd.	369 Shenfu Rd, Xinzhuang Industrial Park, Minhang District	Shanghai 201108	China
Primetals Technologies Czech Republic s.r.o.	28. Rijna 2663/150	Ostrava 702 00	Czech Republic
Primetals Technologies Financial Services Limited	566 Chiswick High Road, Chiswick Park, Building 11	London, W4 5YA	UK
Primetals Technologies Germany GmbH	Bunsenstraße 43	Eriangen 91058	Germany
Primetals Technologies India Private Ltd.	Unit No. 706/707, Tower II, Godre Waterside, Plot 5, CP, Sector-V	Kolkata 700091, West Bengal	India
Primetals Technologies Japan Ltd.	6-22, Kannon Shinmachi, 4-Chome, Nishiku	733-0036 Hiroshima	Japan



## Notes to the financial statements (continued)

for the year ending 31 March 2022

### Appendix A – Registered addresses of related undertakings (continued)

Company Name	Address	Town	Country
Primetals Technologies Korea Limited	Jaehwa Square 16th Floor, 311, Dongmak-ro, Mapo-gu	Seoul 04156	Korea
Primetals Technologies Mexico S. de R.L. de C.V.	Carretera Miguel Aleman Km 26	Apodaca 66637	Mexico
Primetals Technologies Poland Sp. z o.o.	ul. Stefana Korbońskiego 14	Krakow 30-443	Poland
Primetals Technologies Russia LLC	Gilyarovskogo Str., 10, bld.1, floor 4	Moscow 129090	Russia
Primetals Technologies Saudi Arabia GmbH	Turmstraße 44	4031 Linz	Austria
Primetals Technologies South Asia Private Ltd.	402, 4 <sup>th</sup> Floor, Wolfmark-2, Asset Area 8, Aerocity	New Delhi 110 037	India
Primetals Technologies Treasury GmbH	Turmstraße 44	4031 Linz	Austria
Primetals Technologies Ukraine LLC	4-B Mykoly Hrinchenka Street	Kyiv 3038	Ukraine
Primetals Technologies USA LLC	5895 Windward Parkway	Alpharetta GA 30005	USA
Primetals Teknoloji Sanayi ve Ticaret A.Ş.	Yakacik Cad. No. 111, Kartal	Istanbul 34870	Turkey
Shanghai Baoling Metallurgical Equipment Engineering Co. Ltd.	Room 1402, Building 8, 500 Lane, KeShan Road, Boashan District	Shanghai 2000190	China
VOEST-ALPINE Technical Services Ltd.	Plot 121, Wuse 2	Abuja	Nigeria