Primetals Technologies Limited

Report & Financial Statements

For the year ending 31 March 2020

Registered number: 09155890

Contents

Directors and Advisors

Directors

Satoru Iijima	
Peter Schraut	(Resigned 30th June 2020)
Etsuro Hirai	
Kengo Kojima	(Appointed 1 April 2019)

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: 9155890

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

Strategic report for the year ended 31 March 2020

Review of the business and likely future developments

The Directors present their strategic report for the year ended 31 March 2020.

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 was initially set up as a joint venture between Siemens AG and Mitsubishi Heavy Industries, Ltd. ("MHI") and Partners. Siemens AG sold all of the shares it held in the Company during the current financial year. The Company is now a wholly owned subsidiary of Mitsubishi-Hitachi Metals Machinery, Inc. incorporated in Japan. The company's ultimate parent company is MHI.

The Group is a pioneer and world leader in metallurgical plant solutions being a full-line 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 Pipe Mills;
- 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 & bar mills worldwide;
- **Upstream - Iron and Steelmaking:** providing the construction and refurbishment of blast furnaces;
- **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 2020 (continued)

Business Environment

The global market in metals technology remains extremely competitive with reduced investment for steel producers and manufacturers across the world.

Overcapacity in key market sectors has reduced demand for new construction of plant across all business segments 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. In the last quarter of the financial year, negative impacts from the COVID-19 pandemic were also first noticed in the market.

Despite this, there are areas in which the market continues to grow as a result of the need to reduce carbon emissions and further innovate in the areas of metallurgy. 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 2020 are set out on page 16. During the year the Company made a profit before tax of £123,286,000 (2019: £32,686,000 loss). The results are significantly impacted by the impairment of investments of £53,645,000 (2019: £32,197,000) during the year, reflecting continuing difficult trading conditions in entities across the Group. 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 total £490,757,000 (2019: £366,917,000 restated).

The impact of the COVID-19 pandemic in the fourth quarter of the financial year, together with fierce competition and challenging market conditions within the metals market have, unsurprisingly, impacted negatively on the Company's UK based operational business. The financial performance of the operational trading business (i.e. excluding HQ activities) of £2,760,000 loss (2019: £1,090,000 profit) is a reflection of these difficult circumstances. Similarly, non-conformance costs have increased from £2,726,000 to £4,414,000. 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.

The Company continues to manage its four GBUs through key performance indicators, e.g. Gross Margin (FY20: 13%, FY19: 14%) , profitability (FY20: £132,021,000, FY19: -£32,821,000) , free cash flow (FY20: £179,621,000, FY19: -£1,879,000) , utilisation (FY20: -£255,000, FY19: -£103,000) , sales and marketing costs and business function costs (FY20: £30,194,000, FY19: £35,140,000).

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

- Lifecycle Partnership;
- Technological Innovation;

Strategic report for the year ended 31 March 2020 (continued)

- Primetals Technologies Transformation Program; 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 – as effectively as possible.

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 of the circumstances outlined above.

Non-financial performance

The Company and directors continue to commit to operating a safe working environment for all members of staff and all those persons working for the Company directly or indirectly.

In the Global EHS (Environmental, Health and Safety) organisation, the focus has been on the accurate collection of near miss events and injury data. This has allowed a greater understanding of risk areas and, as a result, the implementation of a global reporting tool has focused and targeted EHS improvements to be made across the entire organisation.

In the financial year there was one reportable event (RIDDOR - Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) (2019: 0), 2 Lost time accidents (LTA's) (2019: 2) and 289 near misses (2019: 538) reported against a target of 400. The drop in reported near misses was largely due to a reduction in construction site activities. In the year ahead, the awareness of EHS will be a high focus topic for the operational business where its continuous improvement will be critical as the organisation grows.

The Company and directors have also re-affirmed their strong focus on sustaining a compliant organisation, whose legal and compliance functions continue to support strict adherence to all applicable laws and standards of ethical working practices. The Company continues to be vigilant in the area of compliance and corporate governance.

In order to engage with employees, the Company continuously strives to improve engagement, well-being and job satisfaction. The following activities demonstrate this commitment:

- Regular communications and team briefs in each business location;
- "Mood surveys" of employees which have proved very beneficial for feedback and improvement ideas which evidence the long-term commitment of the workforce and high levels of job satisfaction;
- Corporate social responsibility in the workplace with increased emphasis on securing greater engagement from its employees with a number of fundraising events and activities held to support an employee-nominated charity in each business location;

Strategic report for the year ended 31 March 2020 (continued)

- iPrime to ensure a platform of business improvement is in place with appropriate rewards for ideas and implementation; and
- Greenbelt and continuous improvement initiatives to bring an innovative approach to business productivity improvements.

Future outlook

The effects of the COVID-19 pandemic on the global metals technologies market are not yet fully understood nor realised and the Company remains vigilant towards a rapidly changing business environment. As a result, the Company will continue to reduce and manage operating costs by achieving further productivity improvements. Furthermore, the Company will place strong focus on Order Intake growth and continue to target opportunities which present greater profit margins.

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 in the last financial year will continue and these developments are starting to bring positive results to the Company's business.

In addition, the establishment 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 the impact of the finalisation of Brexit on the Company. Presently, as the Company is well placed globally, the impact of the UK leaving the European Union on the Company's operations is 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 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) Over-capacity in the steel market environment leading to fewer projects and aggressive competition for them;

Strategic report for the year ended 31 March 2020 (continued)

(3) Pressure from customers and suppliers to change long established industry standard contractual conditions;
(4) Age demographics (ageing workforce) coupled with engineering, technology and know-how transfer to next generation; and
(5) Liquidity issues in the global financial and steel markets.

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.

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 2020.
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:

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 and 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.

Strategic report for the year ended 31 March 2020 (continued)

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.

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.

During the Covid-19 outbreak the Company donated 2,000 masks and the engineers made 3D facemasks, which were donated to Sheffield NHS.

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 (Mitsubishi-Hitachi Metals Machinery Inc) 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.

Going Concern

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, material sourcing, industry, and workforce.

It is now clear that the risk to demand is by far the greatest challenge we face and we need to prepare for a significant downturn in order intake and execution of capital projects for the duration of the pandemic.

Although the real and immediate threat of coronavirus is important to address, it would be incorrect to place all attention on the pandemic. The metals industry itself is experiencing volatility arising from macro-economic factors such as currency instability, the imposition of import tariffs, and global trade wars, which continue to have a negative impact on our order book and revenue.

We are preparing the business for varying levels of sales declines, with an impact on the order intake already suffered in the last quarter of the financial year ending 31 March 2020. We have already put into place certain measures to mitigate the impact of the pandemic and above market conditions by controlling costs and conserving cash within the business.

Strategic report for the year ended 31 March 2020 (continued)

We are constantly exploring ways to transform all aspects of our business to become more efficient and profitable. Ways-of-working, business ideas, within our market, project execution capabilities, sales and marketing techniques, are all factors that will all contribute in moving our Company forward. By streamlining company processes to reduce wastefulness and emissions and striving for maximum customer satisfaction through innovative and environmentally friendly products, we will be able to achieve greater profitability in the longer-term.

The going concern assessment of the Company, is intrinsically linked to the going concern assessment of a Group of subsidiaries which the Company has ultimate control over. Hence the Company has prepared a cash flow forecast for 12 months from signing these financial statements which has taken into consideration the Company and subsidiary cash flows. Contingency plans for various scenarios have been considered to preserve financial resources.

The Company's and its subsidiaries' engineering and design services are provided from offices. During the lockdown across the world these services have been provided through working from home or offices have been kept open with adequate health and safety measure put in place. Construction sites have been closed but are now reopening and construction activities have resumed.

The Company and its subsidiaries have a large amount of credit lines available to them, primarily through their holding company MHI, but also with external providers. As the parent company of the Group, the Company has ultimate control of the access to these credit lines.

The Company has performed a reverse stress test, which demonstrates that on a consolidated basis with its subsidiaries it could withstand a fall in revenue of up to 70% with its existing financing and credit facilities. The months of April and May 2020 have shown a revenue reduction of 30% compared to the same months in the previous year. Given that these months were the most severe in terms of lockdown restrictions within the UK, the directors do not believe it to be reasonably possible that revenues will drop to an extent which would require the Company to raise additional finance and hence there is no material uncertainty with regards to going concern.

Therefore, given that the directors have considered stress tested assumptions in their review and assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and meet liabilities as they fall due. Thus they continue to adopt the going concern basis in preparing the financial statements.

For the above reasons, we believe that the outlook for the year ahead remains optimistic and the Company will be able to continue as a going concern on a standalone basis.

Strategic report for the year ended 31 March 2020 (continued)

Closing statement

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

By order of the board

Satoru Iijima
Chief Executive Officer
24 September 2020

Directors' report for the year ended 31 March 2020

The Directors present their report for the year ended 31 March 2020.

The Board

For the reporting period, the shareholders nominated four directors to manage the Company (2019: four) three directors from Mitsubishi Heavy Industries, Ltd. (MHI) – including the CEO – (2019: three) and one director from Siemens AG (2019: one). The current directors of the Company are listed on page 1.

None of the directors holding office at 31 March 2020 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 (2019: £nil).

Going concern

For the year ending 31 March 2020, 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 £1,842,000 (2019: £1,575,000) were incurred in the year ending 31 March 2020.

Post balance sheet events

There were no significant events after the reporting year-end requiring adjustment in the financial statements at 31 March 2020.

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 2020 (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 does not take place 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 2020 (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):

- 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
24 September 2020

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. 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
24 September 2020

Independent Auditor's Report to members of Primetals Technologies Limited

Opinion

We have audited the financial statements of Primetals Technologies Limited ("the Company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the 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 Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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.

Independent Auditor's Report to members of Primetals Technologies Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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 Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to members of Primetals Technologies Limited (continued)

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.

A further description of our responsibilities for the audit of the financial statements is located at 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.

BDO LLP

Marc Reinecke (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

Date: 29 September 2020

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 2020

	Note	Year ending 31 March 2020 £'000	Year ending 31 March 2019* £'000
Revenue – continuing operations	3(a)	76,066	85,208
Cost of sales		(65,993)	(73,113)
Gross profit		**10,073**	**12,095**
Other operating income	4	10,626	11,985
Research and development expenses		(1,842)	(1,575)
Selling and general administrative expenses		(30,355)	(35,111)
Impairment of investments	13	(53,645)	(32,197)
Loss from operations	5	**(65,143)**	**(44,803)**
Finance costs	7	(2,058)	(2,588)
Finance income	8	190,487	13,283
Profit/(Loss) on ordinary activities		**123,286**	**(34,108)**
Miscellaneous other income	27(c)	-	1,422
Profit/(Loss) before taxation		**123,286**	**(32,686)**
Income tax expense	9	(265)	(134)
Profit/(Loss) for the financial year		**123,021**	**(32,820)**
Other comprehensive income/(loss): Items that may not be reclassified subsequently to profit or loss			
Cash flow hedges	25(a)	1,000	(594)
Income tax thereon	9	(181)	101
Other comprehensive income/(loss) for the period		**819**	**(493)**
Total comprehensive income/(loss) for the period		**123,840**	**(32,327)**

**2019 restated figures include modifications as described in Note 2.4*

Statement of Financial Position

As at 31 March 2020

	Note	31 March 2020 £'000	1 April 2019* £'000	31 March 2019 £'000
Non-current assets				
Intangible assets	11	1,702	2,465	2,465
Property, plant and equipment	12	493	783	871
Right-of-use assets	19(a)	2,904	2,827	-
Investments accounted for at cost	13	506,787	518,140	518,140
Other non-current assets	14	115	-	-
Total non-current assets		**512,001**	**524,215**	**521,476**
Current assets				
Inventories	15	7,316	7,464	7,464
Contract assets	3b	14,110	19,053	19,053
Trade and other receivables	16	26,713	30,705	30,705
Other current financial assets	17	2,924	4,256	4,256
Other current assets	18	458	3,050	3,050
Cash and cash equivalents	25	-	2	2
Total current assets		**51,521**	**64,530**	**64,530**
Current liabilities				
Contract liabilities	3(b)	(4,868)	(5,731)	(5,731)
Finance lease liabilities	19(b)	(2,153)	(1,931)	(39)
Trade payables	20	(16,602)	(26,751)	(26,751)
Other current financial liabilities	21	(34,149)	(168,301)	(168,301)
Current provisions	22	(6,478)	(8,266)	(8,266)
Other current liabilities	23	(6,860)	(9,022)	(9,218)
Total current liabilities		**(71,110)**	**(220,002)**	**(218,306)**
Net current liabilities		**(19,589)**	**(155,472)**	**(153,776)**
Total assets less current liabilities		**492,412**	**368,743**	**367,700**
Finance lease liabilities	19(b)	(1,166)	(1,386)	(130)
Other non-current liabilities	24	(299)	(264)	(355)
Total non-current liabilities		**(1,465)**	**(1,650)**	**(485)**
Provisions for liabilities	22	(190)	(176)	(176)
Net assets		**490,757**	**366,917**	**367,039**

Statement of Financial Position (continued)
As at 31 March 2020

	Note	31 March 2020 £'000	1 April 2019* £'000	31 March 2019 £'000
Capital and reserves				
Share capital	26	78	78	78
Share premium		605,047	605,047	605,047
Retained earnings		(114,811)	(237,832)	(237,710)
Other components of equity		443	(376)	(376)
Shareholders' funds		**490,757**	**366,917**	**367,039**

**2019 restated figures include modifications as described in Note 2.4*

The notes on pages 20 to 68 are an integral part of these financial statements.

The financial statements on pages 16 to 68 were approved and authorised for issue by the board of directors and were signed on its behalf by

Satoru Iijima
Chief Executive Officer
24 September 2020

Primetals Technologies Limited
Registered no. 09155890

Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital	Capital premium	Cash flow hedging reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
As at 31 March 2018	**78**	**605,047**	**117**	**(204,868)**	**400,374**
Effect of adoption of new accounting standards (Note 2.4)	-	-	-	(22)	(22)
Equity restated as at 1 April 2018	**78**	**605,047**	**117**	**(204,890)**	**400,352**
Loss for the year	-	-	-	(32,820)	(32,820)
Other comprehensive loss for the year	-	-	(493)	-	(493)
As at 31 March 2019	**78**	**605,047**	**(376)**	**(237,710)**	**367,039**
Effect of adoption of new accounting standards (Note 2.4)	-	-	-	(122)	(122)
Equity restated as at 1 April 2019	**78**	**605,047**	**(376)**	**(237,832)**	**366,917**
Profit for the year	-	-	-	123,021	123,021
Other comprehensive income for the year	-	-	819	-	819
As at 31 March 2020	**78**	**605,047**	**443**	**(114,811)**	**490,757**

Notes to the financial statements

For the year ending 31 March 2020

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. ("MHMM") 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 2020 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 2-3, Marunouchi 3-chome Chiyoda-ku, Tokyo, 100,8332 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 2020

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 2020. 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 consolidated 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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

Going Concern

The going concern assessment of the Company, is intrinsically linked to the going concern assessment of a Group of subsidiaries which the Company has ultimate control over. Hence the Company has prepared a cash flow forecast for 12 months from signing these financial statements which has taken into consideration the Company and subsidiary cash flows. Contingency plans for various scenarios have been considered to preserve financial resources.

The Company's and its subsidiaries' engineering and design services are provided from offices. During the lockdown across the world these services have been provided through working from home or offices have been kept open with adequate health and safety measure put in place. Construction sites have been closed but are now reopening and construction activities have resumed.

The Company and its subsidiaries have a large amount of credit lines available to them, primarily through their holding company MHI, but also with external providers. As the parent company of the Group, the Company has ultimate control of the access to these credit lines.

The Company has performed a reverse stress test which demonstrates that on a consolidated basis with its subsidiaries it could withstand a fall in revenue of up to 70% with its existing financing and credit facilities. The months of April and May 2020 have shown a revenue reduction of 30% compared to the same months in the previous year. Given that these months were the most severe in terms of lockdown restrictions within the UK, the directors do not believe it to be reasonably possible that revenues will drop to an extent which would require the Company to raise additional finance and hence there is no material uncertainty with regards to going concern.

Therefore, given that the directors have considered stress tested assumptions in their review and assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and meet liabilities as they fall due. Thus they continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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
- 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).

Notes to the financial statements (continued)

for the year ending 31 March 2020

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.

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

Notes to the financial statements (continued)

for the year ending 31 March 2020

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 of 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**

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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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.

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 Notes 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

Notes to the financial statements (continued)
for the year ending 31 March 2020

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.

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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

- **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 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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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.

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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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:

- 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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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

Policy applicable from 1 April 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – 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

Notes to the financial statements (continued)

for the year ending 31 March 2020

- 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.

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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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.

Policy applicable before 1 April 2019

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 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

Notes to the financial statements (continued)
for the year ending 31 March 2020

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 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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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 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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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 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;
- 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;
- 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.

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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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.

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.

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
- 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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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 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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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.

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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

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.

2.4 Changes in standards, amendments and interpretations

(a) New standards, interpretations and amendments effective from 1 January 2019

The Company adopted IFRS 16 *Leases* for the first time for the financial period ended 31 March 2020. The nature and effect of these changes is disclosed below.

Other new and amended standards and Interpretations issued by the IASB that are effective from 1 January 2019 but have not been applied as they are not expected to impact the Company. These include:

- IFRIC 23 *Uncertainty over Income Tax Treatments*
- IFRS 9 *Financial Instruments* (Amendment - Prepayment Features with Negative Compensation)
- IAS 28 *Investments in Associates and Joint Ventures* (Amendment - Long-term interests in Associates and Joint Ventures)
- Annual Improvements to IFRSs (2015-2017 Cycle)

IFRS 16 Transition effects

The Company applied IFRS 16 'Leases' using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019.

Notes to the financial statements (continued)

for the year ending 31 March 2020

Accordingly, the information presented for 2019 does not generally reflect the requirements of IFRS 16 and, therefore, is not comparable to the information presented for 2020. As a result, the Company has changed its accounting policy for lease contracts as disclosed in Note 2.3. Further information on the transition to IFRS 16 is set out below.

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2.3.

On transition to IFRS 16, the Company elected to apply the practical expedient according to IFRS 16 paragraph C3. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether they contain or are a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered or changed on or after 1 April 2019.

The Company as lessor

Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of sub-lease contracts previously classified as operating leases under IAS 17. The Company concluded that the sub-leases are operating leases under IFRS 16 as well. Therefore, the Company did not recognise any transition effects for sub-leases.

The Company as lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are recognised in the balance sheet.

The Company decided to apply recognition exemptions to short-term leases and leases of low-value assets.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the incremental borrowing rate at the date of initial application;
- an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review;

Notes to the financial statements (continued)

for the year ending 31 March 2020

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- applied the exemption not to recognise right-of-use assets and liabilities for leases of low-value assets;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Leases classified as finance leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact on financial statements

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, the Company discounted lease payments using the incremental borrowing rate at 1 April 2019. The weighted-average rate applied was 4.54%.

	1 April 2019 £'000
Operating lease commitment as at 31 March 2019	1,322
Recognition exemption for short-term leases	(312)
Recognition exemption for leases of low-value assets	(12)
Termination options reasonably certain not to be exercised	2,492
Discounting using the incremental borrowing rate as at 1 April 2019	(340)
Discounted operating lease commitment as at 1 April 2019	**3,150**
Finance lease liabilities recognised as at 31 March 2019	169
Lease liabilities recognised as at 1 April 2019	**3,319**

The following table reconciles the total changes of transition to IFRS 16 on 1 April 2019 in the financial statement of financial position.

Notes to the financial statements (continued)

for the year ending 31 March 2020

	31 March 2019 £'000	IFRS 16 Remeasurement £'000	1 April 2019 £'000
Non-current assets			
Intangible assets	2,465	-	2,465
Property, plant and equipment	871	(88)	783
Right-of-use assets	-	2,827	2,827
Investments accounted for at cost	518,140	-	518,140
Total non-current assets	**521,476**	**2,739**	**524,215**
Current assets			
Inventories	7,464	-	7,464
Contract assets	19,053	-	19,053
Trade and other receivables	30,705	-	30,705
Other current financial assets	4,256	-	4,256
Other current assets	3,050	-	3,050
Cash and cash equivalents	2	-	2
Total current assets	**64,530**	**-**	**64,530**
Current liabilities			
Contract liabilities	(5,731)		(5,731)
Finance lease liabilities	(39)	(1,892)	(1,931)
Trade payables	(26,751)		(26,751)
Other current financial liabilities	(168,301)		(168,301)
Current provisions	(8,266)		(8,266)
Other current liabilities	(9,218)	196	(9,022)
Total current liabilities	**(218,306)**	**(1,696)**	**(220,002)**
Net current liabilities	**(153,776)**	**(1,696)**	**(155,472)**
Total assets less current liabilities	**367,700**	**1,043**	**368,743**
Finance lease liabilities	(130)	(1,256)	(1,386)
Other non-current liabilities	(355)	91	(264)
Total non-current liabilities	**(485)**	**(1,165)**	**(1,650)**
Provisions for liabilities	(176)	-	(176)
Net assets	**367,039**	**(122)**	**366,917**
Capital and reserves			
Share capital	78	-	78
Share premium	605,047	-	605,047
Retained earnings	(237,710)	(122)	(237,832)
Other components of equity	(376)	-	(376)
Shareholders' funds	**367,039**	**(122)**	**366,917**

Notes to the financial statements (continued)

for the year ending 31 March 2020

(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 2020:

- IAS 1 *Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment – Definition of Material)
- IFRS 3 *Business Combinations* (Amendment – Definition of Business)
- IFRS 9, IAS 39 and IFRS 7 (Amendment – Interest Rate Benchmark Reform)
- Revised Conceptual Framework for Financial Reporting

The following standard is effective for the period beginning 1 January 2021:

- IFRS 17 *Insurance Contracts*

The following amendment is effective for the period beginning 1 January 2022:

- 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.

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:

	2020 £'000	2019 £'000
United Kingdom	7,541	30,019
Rest of Europe	12,335	13,549
Asia	20,601	13,035
Africa	1,349	3,531
North America	30,879	19,616
South America	3,361	5,458
Total revenue	**76,066**	**85,208**

Notes to the financial statements (continued)

for the year ending 31 March 2020

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 2020 £'000	1 April 2019 £'000
Contract assets recognised for costs incurred to fulfil a contract	14,246	19,082
Loss allowance	(136)	(29)
Contract assets	**14,110**	**19,053**
Advance payments received	(925)	(1,863)
Contract liabilities recognised for invoices raised	(3,943)	(3,868)
Contract liabilities	**(4,868)**	**(5,731)**

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

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

	Contract Assets 2020 £'000	Contract Assets 2019 £'000
At 1 April	19,053	13,340
Impairment of contract assets	(107)	(2)
Transfers from contract assets to trade receivables	(14,155)	(3,606)
Increase due to change in the measure of progress	9,319	9,321
At 31 March	**14,110**	**19,053**

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

	Contract Liabilities 2020 £'000	Contract Liabilities 2019 £'000
At 1 April	(5,731)	(4,314)
Amounts included in contract liabilities that was recognised as revenue during the period	5,494	4,211
Cash received in advance of performance and not recognised as revenue during the period	(4,631)	(5,628)
At 31 March	**(4,868)**	**(5,731)**

Notes to the financial statements (continued)

for the year ending 31 March 2020

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:

	2020 £'000	2019 £'000
Impairment losses		
- Movement in loss allowance for trade receivables and contract assets	(231)	(1)
Total impairment losses	**(231)**	**(1)**

4. Other operating income

	2020 £'000	2019 £'000
Other income – provision of HQ services	10,190	11,604
Income relating to sub-let of premises	436	381
Total other operating income	**10,626**	**11,985**

5. Operating loss

Operating loss has been arrived at after charging:

	Note	2020 £'000	2019 £'000
Net foreign exchange loss		346	1,218
Research and development expenses		1,842	1,575
Cost of stock recognised as an expense in cost of sales including write down of stocks to net realisable value		7,651	7,261
Depreciation of property, plant and equipment	12	308	344
Depreciation of right-of-use assets	19(a)	794	-
Amortisation of intangible assets	11	763	1,092
Employee benefits expense	6	21,212	22,683
Impairment of investments	13	53,645	32,197
Fees payable to the auditor for:			
• the audit & review of the Company financial statements		72	69
• the audit & review of the Group financial statements		314	283
• audit related services		27	20
• the audit of the subsidiary		3	3

Fees paid to the Company's auditor BDO LLP for services other than the statutory audit of the Company as well as the audit of the Group financial statements are not disclosed in Primetals Technologies Limited's accounts since the consolidated accounts of Mitsubishi Heavy Industries, Ltd. are required to disclose non-audit fees on a consolidated basis.

Notes to the financial statements (continued)

for the year ending 31 March 2020

6. Employees

Staff costs (including directors) comprise:

	2020 £'000	2019 £'000
Wages and salaries	17,948	19,286
Social security costs	1,770	1,821
Pension costs – defined contribution plans	1,494	1,576
Total employee benefit expense	**21,212**	**22,683**

Wages and salaries include restructuring costs and other termination benefits of £9,000 (2019: £4,000)

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 £1,494,000 (2019: £1,576,000)

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

	2020 Number	2019 Number
Production	256	241
Administration	61	63
Sales	32	35
Total average headcount	**349**	**339**

7. Finance costs

	2020 £'000	2019 £'000
Interest paid on loans from subsidiaries	1,542	2,227
Interest paid on cash pooling activities	242	223
Interest cost for post-employment benefits	6	5
Finance charges payable under lease liabilities	147	11
Interest cost upon unwinding of asset retirement obligation	121	121
Other finance charges	-	1
Total finance costs	**2,058**	**2,588**

Notes to the financial statements (continued)

for the year ending 31 March 2020

8. Finance income

	Note	2020 £'000	2019 £'000
Dividend income from subsidiaries	27(e)	190,361	12,967
Interest received on cash pooling activities		47	58
Net foreign exchange gain on receivables and liabilities to subsidiaries		79	197
Other miscellaneous finance income		-	61
Total finance income		**190,487**	**13,283**

9. Income taxes

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax on loss for the year	-	-
Foreign withholding taxes on income	288	33
Credit from subsidiary company in respect tax losses surrendered	158	(3)
Total current tax	446	33
Deferred tax:	(181)	101
Total deferred tax	(181)	101
Income tax expense	**265**	**134**

The income tax expense of £265,000 for the year (2019: £134,000) can be reconciled to the profit before tax per the Statement of Total Comprehensive Income as follows:

	2020 £'000	2019 £'000
Profit/(Loss) before taxation	**123,286**	**(32,686)**
Tax credit at the UK corporation tax rate of 19% (2019: 19%)	23,424	(6,210)
Effects of:		
Impairment of investments	10,193	8,307
Other permanent differences	(36,055)	(2,712)
Short-term timing differences	2,257	716
Tax losses surrendered as group relief	158	-
Foreign withholding taxes	288	33
Income tax expense	**265**	**134**

In addition to the amount charged to profit for the year, a £181,000 charge (2019: £101,000 credit) of deferred tax has been recognised in other comprehensive income in respect of the cash flow hedges.

Notes to the financial statements (continued)

for the year ending 31 March 2020

10. Deferred income taxes

As announced in the 2020 budget, the UK corporation tax rate has remained at 19%. Deferred tax assets and liabilities on all timing differences have been calculated at 19% at the balance sheet date (2019: 17%).

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

	Tax losses £'000	Derivative financial instruments £'000	Fixed Assets £'000	Fair value adjustments on business combination £'000	Fixed Assets £'000	Total £'000
At 1 April 2019	449	(163)	262	(548)	-	-
Recognised in income	19	159	775	(308)	(541)	104
Recognised in other comprehensive income	-	(104)	-	-	-	(104)
At 31 March 2020	**468**	**(108)**	**1,037**	**(856)**	**(541)**	**-**
At 1 April 2018	396	230	190	(816)	-	-
Recognised in income	53	(369)	72	268	-	24
Recognised in other comprehensive income	-	(24)	-	-	-	(24)
At 31 March 2019	**449**	**(163)**	**262**	**(548)**	**-**	**-**

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 profit in the current period, deferred income tax assets at 31 March 2020 have only been recognised to the extent that they offset the deferred income tax liability arising upon the business combination. As a result, the Company did not recognise deferred income tax assets of £8,775,000 (2019: £7,016,000) in respect of losses amounting to £46,186,000 (2019: £41,272,000) that can be carried forward against future taxable income.

Notes to the financial statements (continued)

for the year ending 31 March 2020

11. Intangible assets

	Trademarks £'000	Technology £'000	Other intangibles £'000	Total Intangibles £'000
Cost				
At 1 April 2019	2,019	2,780	2,408	7,207
Disposals	-	-	(1,487)	(1,487)
At 1 April 2020	**2,019**	**2,780**	**921**	**5,720**
Accumulated amortisation				
At 31 March 2019	(1,198)	(1,686)	(1,858)	(4,742)
Disposals	-	-	1,487	1,487
Amortisation expense for year	(282)	(397)	(84)	(763)
At 31 March 2020	**(1,480)**	**(2,083)**	**(455)**	**(4,018)**
Net book value				
At 31 March 2020	**539**	**697**	**466**	**1,702**
At 31 March 2019	**821**	**1,094**	**550**	**2,465**

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 2020

12. Property, plant and equipment

	Land and buildings £'000	Machinery, vehicle and transport equipment £'000	Tools and implements £'000	Total £'000
Cost				
At 1 April 2019	2,258	749	991	3,998
Additions	6	10	-	16
Disposals	-	(6)	(83)	(89)
Reclassification to right-of-use assets	(190)	-	-	(190)
At 31 March 2020	**2,074**	**753**	**908**	**3,735**
Accumulated depreciation				
At 1 April 2019	1,666	551	910	3,127
Depreciation expense for the year	197	34	77	308
Disposal	-	(6)	(83)	(89)
Reclassification to right-of-use assets	(104)	-	0	(104)
At 31 March 2020	**1,759**	**579**	**904**	**3,242**
Net book value				
At 31 March 2020	**315**	**174**	**4**	**493**
At 31 March 2019*	**504**	**198**	**81**	**783**

**2019 restated figures include modifications as described in Note 2.4*

13. Investments accounted for at cost

Shares in group undertakings	**2020 £'000**	**2019 £'000**
Beginning of period	518,140	513,715
Additions	42,292	36,622
Impairment	(53,645)	(32,197)
At 31 March	**506,787**	**518,140**

Notes to the financial statements (continued)

for the year ending 31 March 2020

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

Name	Country of incorporation**	Direct % equity interest 31 March 2020	Direct % equity interest 31 March 2019
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.	France	100.00%	100.00%
Primetals Technologies Germany GmbH	Germany	100.00%	100.00%
Primetals Technologies Italy S.r.l.	Italy	100.00%	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.(ii)	India	<0.01%*	<0.01%*
Primetals Technologies Brazil Ltda.	Brazil	<0.01%*	<0.01%*
Primetals Technologies India Private Ltd.	India	<0.01%*	<0.01%*
Coke Oven Automation Oulu OY(i)	Finland	0.00%	100.00%

*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) Changed name from Primetals Technologies Finland OY in September 2019. Liquidated in November 2019.

(ii) Changed name from Concast (India) Ltd. due to change in legal form.

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

Dividends of £190,361,000 were received during the year ended 31 March 2020 (2019: £12,967,000) from subsidiaries. Refer to Note 27(e) for further detail.
The additions to investments are as follows:

	2020 £'000	2019 £'000
Primetals Technologies Italy S.r.l.	7,690	17,594
Primetals Technologies France S.A.S.	-	10,277
Primetals Technologies Austria GmbH	34,602	8,751
Total additions to investments	**42,292**	**36,622**

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

Notes to the financial statements (continued)

for the year ending 31 March 2020

was less than the current carrying value the investment was impaired to its recoverable amount.

As a result of this exercise, three investments (2019: two) were identified where impairment was necessary:

31 March 2020	Recoverable amount (value-in-use) £'000	Impairment £'000	Discount rate %
Primetals Technologies Italy S.r.l.	24,452	16,797	10.50
Primetals Technologies France S.A.S.	36,630	36,630	7.50
Primetals Teknoloji Sanayi ve Ticaret A.Ş.	474	218	16.00

31 March 2019	Recoverable amount (value-in-use) £'000	Impairment £'000	Discount rate %
Primetals Technologies Italy S.r.l.	31,143	14,292	12.00
Primetals Technologies France S.A.S.	54,535	17,905	8.00

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% (2019: 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 £1,743,000 (2019: £9,795,000). A 1% increase in the discount rate would increase the impairment by £1,441,000 (2019: £7,188,000).

The total impairment loss of £53,645,000 (2019: £32,197,000) 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 2020

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 2020	Indirect % equity interest 31 March 2019
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 (Shanghai), Inc.	China	100.00%	100.00%
Primetals Technologies China Ltd.	China	100.00%	100.00%
Primetals Technologies South Asia Private Ltd.	India	100.00%	100.00%
Primetals Technologies Treasury GmbH	Austria	100.00%	100.00%
Primetals Technologies USA LLC	USA	100.00%	100.00%
Saudi VOEST-ALPINE GmbH(i)	Austria	100.00%	100.00%
MHCG, Inc.	USA	81.00%	81.00%
New GenCoat, Inc.	USA	81.00%	81.00%
Primetals Tangshan Technology Services Ltd.	China	60.00%	60.00%
VOEST-ALPINE Technical Services Ltd.	Nigeria	40.00%	40.00%
HBIS Primetals Technologies Metallurgical Services Co., Ltd.(ii)	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(iii)	Japan	20.44%	20.00%
Pilind, LLC (iv)	USA	20.00%	0.00%
ABP Induction, LLC (iv)	USA	20.00%	0.00%
ABP Induction Systems GmbH(iv)	Germany	20.00%	0.00%
ABP Induction AB(iv)	Sweden	20.00%	0.00%
ABP Induction Systems S. de R.L. de C.V(iv)	Mexico	20.00%	0.00%
ABP Induction Furnace (PTY) Ltd. (iv)	South Africa	20.00%	0.00%
ABP Induction Systems (Shanghai) Co. Ltd. (iv)	China	20.00%	0.00%
ABP Induction Systems Pvt. Ltd. (iv)	India	19.99%	0.00%
ABP Induction Limited(iv)	Thailand	19.99%	0.00%
LanzaTech New Zealand Ltd(v)	New Zealand	0.00%	0.00%

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

(i) Changed name from Saudi VOEST-ALPINE GmbH.

(ii) Bought back treasury shares leading to an increase from 20% to 20.44% in indirect equity interest in March 2019.

(iii) First instalment of registered capital paid by PT China (40%) in Dec 19.

(iv) Acquired 20% of shares of ABP Induction LLC, in August 2019 which holds the interest in the operating companies of the ABP Group.

(v) Interest of 0.98% in preference shares

Notes to the financial statements (continued)

for the year ending 31 March 2020

14. Other non-current assets

	2020 £'000	2019 £'000
Rent deposit	115	-
Other non-current assets	**115**	**-**

15. Inventories

	2020 £'000	2019 £'000*
Raw materials and supplies	3,636	3,393
Work in progress	3,680	4,071
Stocks	**7,316**	**7,464**

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

16. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	24,083	24,268
Less: provision for impairment of trade receivables	(270)	(145)
Trade receivables – net	23,813	24,123
Receivables from related parties - Note 27(a)	2,900	6,582
Trade and other receivables	**26,713**	**30,705**

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 £741,000 (2019: 326,000) fall due after 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 2020

17. Other current financial assets

	2020 £'000	2019 £'000
Derivative financial instruments - Note 25(a)	2,673	2,791
Other related party receivables - Notes 25(a),27(c)	-	1,465
Other financial assets	251	-
Other current financial assets	**2,924**	**4,256**

18. Other current assets

	2020 £'000	2019 £'000
Prepayments	448	1,186
Sales tax receivables	-	1,460
Advances to suppliers	-	399
Other	10	5
Other current assets	**458**	**3,050**

Advances to suppliers are stated after provision for impairment of £Nil (2019: £1,000).

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 44 years. Some leases include an option to renew the lease for additional periods. The Company sub-leases some of its properties under operating leases. 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 £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 2020

a) Right-of-use assets

	Land and buildings £'000	Machinery, vehicle and transport equipment £'000	Total £'000
Reclassification to right-of-use assets upon transition of IFRS 16	190	-	190
Remeasurement IFRS 16	2,604	33	2,637
Net book value at 1 April 2020	**2,794**	**33**	**2,827**
Additions	735	53	788
Revaluation	83	-	83
Depreciation expense for the year	(766)	(28)	(794)
Net book value at 31 March 2020	**2,846**	**58**	**2,904**
Gross carrying amount	3,612	86	3,698
Accumulated depreciation	(766)	(28)	(794)
Net book value at 31 March 2020	**2,846**	**58**	**2,904**

b) Lease liabilities

	2020 £'000	2019* £'000
Lease liabilities less than 3 years	2,153	1,931
Lease liabilities more than 3 years	1,166	1,386
Total lease liabilities	**3,319**	**3,317**

**2019 restated figures include modifications as described in Note 2.4*

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

	2020 £'000
Less than one year	1,061
Between one and five years	2,451
More than five years	612
Total undiscounted lease liabilities	**4,124**

c) Amounts recognised in profit or loss

	2020 £'000
Interest expense on lease liabilities	147
Expenses related to short-term leases	155
Expenses related to leases of low-value assets	1
Amounts related to leases recognised in profit or loss	**303**

Notes to the financial statements (continued)
for the year ending 31 March 2020

d) The Company as lessor

The Company holds surplus office space which is let to a related party. This lease was entered into during the year ended 31 March 2019 and has a remaining life of 3 years. This lease is classified as an operating lease, as the risks and rewards incidental to the ownership of the asset do not transfer substantially. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2020 £'000	2019 £'000
Less than one year	417	379
Between one and five years	284	378
Total undiscounted lease payments	**701**	**757**

20. Trade payables

	2020 £'000	2019 £'000
Trade payables	10,628	16,107
Payables to related parties - Note 27(a)	5,974	10,644
Trade payables	**16,602**	**26,751**

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

	2020 £'000	2019 £'000
Derivative financial instruments - Note 25(a)	2,964	3,256
Payables owed to subsidiaries - Note 27(b)	21,963	154,574
Other related party payables - Note 27(d)	9,222	10,471
Other current financial liabilities	**34,149**	**168,301**

Capital commitments
Capital expenditure contracted for but not yet incurred at 31 March 2020 amounted to £Nil (2019: £Nil).

Notes to the financial statements (continued)
for the year ending 31 March 2020

22. Provisions

	Warranties	Order related losses and risks	Asset Retirement Obligation	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000
At 31 March 2019	**1,282**	**5,412**	**1,640**	**108**	**8,442**
Additions	1,142	2,910	-	66	4,118
Usage	-	(3,193)	-	(63)	(3,256)
Reversals	(1,281)	(1,472)	-	(3)	(2,756)
Discounting	-	-	120	-	120
At 31 March 2020	**1,143**	**3,657**	**1,760**	**108**	**6,668**
Current	1,143	3,657	1,570	108	6,478
Non-current	-	-	190	-	190
At 31 March 2020	**1,143**	**3,657**	**1,760**	**108**	**6,668**

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 on the basis of 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.

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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

23. Other current liabilities

	2020 £'000	2019* £'000
Accruals	6,766	8,920
Social security costs	39	35
Other payables	55	67
Other current liabilities	**6,860**	**9,022**

**2019 restated figures include modifications as described in Note 2.4*

24. Other non-current liabilities

	2020 £'000	2019* £'000
Long-service award	299	264
Other non-current liabilities	**299**	**264**

**2019 restated figures include modifications as described in Note 2.4*

25. Financial instruments

a) Financial assets and liabilities

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

As at 31 March 2020	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Derivatives designated as cash flow hedges £'000	Total £'000
Financial assets:				
Cash and cash equivalents	-	-	-	-
Trade and other receivables - Note 16	26,713	-	-	26,713
Other current financial assets - Note 17	158	251	2,673	3,082
	26,871	**251**	**2,673**	**29,795**

As at 31 March 2019	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Derivatives designated as cash flow hedges £'000	Total £'000
Financial assets:				
Cash and cash equivalents	2	-	-	2
Trade and other receivables - Note 16	30,705	-	-	30,705
Other current financial assets - Note 17	1,465	2,661	130	4,256
	32,172	**2,661**	**130**	**34,963**

Notes to the financial statements (continued)

for the year ending 31 March 2020

As at 31 March 2020	Financial liabilities at amortised cost £'000	Liabilities at fair value through profit and loss £'000	Total £'000
Financial liabilities:			
Debt - Note 19	3,319	-	3,319
Trade payables - Note 20	16,602	-	16,602
Other current financial liabilities - Note 21	31,185	2,964	34,149
	51,106	**2,964**	**54,070**

As at 31 March 2019	Financial liabilities at amortised cost £'000	Liabilities at fair value through profit and loss £'000	Total £'000
Financial liabilities:			
Debt - Note 19*	3,317	-	3,317
Trade payables - Note 20)	26,751	-	26,751
Other current financial liabilities - Note 21	165,045	3,256	168,301
	195,113	**3,256**	**198,369**

**2019 restated figures include modifications as described in Note 2.4*

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.

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

	2020 £'000	2019 £'000
Financial assets measured at fair value:		
Derivatives in connection with fair value hedges	1,361	2,312
Derivatives in connection with cash flow hedges	1,190	130
Embedded derivatives	122	349
	2,673	**2,791**
Financial liabilities measured at fair value:		
Derivatives in connection with fair value hedges	1,929	1,014
Derivatives in connection with cash flow hedges	590	744
Embedded derivatives	445	1,498
	2,964	**3,256**

Notes to the financial statements (continued)

for the year ending 31 March 2020

	2020 £'000	2019 £'000
Reconciliation of derivatives in connection with cash flow hedges:		
Financial assets	1,190	130
Financial liabilities	(590)	(744)
Prolongations	(53)	161
Other comprehensive income balance from cash flow hedge	**547**	**(453)**
Gain/loss generated from cash flow hedges in year	**1,000**	**(594)**

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 28 months (July 2022).

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.

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.

2020	Total £'000	Within 1 year £'000	1-5 years £'000	5 years + £'000
Cash flows resulting from hedging instruments	8,677	(548)	9,225	-
Effect on profit or loss	600	(117)	717	-

2019	Total £'000	Within 1 year £'000	1-5 years £'000	5 years + £'000
Cash flows resulting from hedging instruments	13,350	8,850	4,500	-

Notes to the financial statements (continued)

for the year ending 31 March 2020

Effect on total comprehensive income	(614)	(547)	(67)	-

The amounts of £376,000 retained in other comprehensive income at 31 March 2019 with related tax thereon of £nil matured and affected the Statement of Total Comprehensive Income in 2020.

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 2020 amounted to £122,000 (other financial assets) (2019: £349,000) and £445,000 (other financial liabilities) (2019: £1,498,000). 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 2020 are categorised as Level 2 (2019: Level 2) and there have been no transfers between the levels of the fair value hierarchy during the reporting period.

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

Notes to the financial statements (continued)

for the year ending 31 March 2020

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.

The sensitivity analysis in the following section relates to the position as at 31 March 2020 and 2019. 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 2020.

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 2020 and 2019 including the effect of hedge accounting

Notes to the financial statements (continued)

for the year ending 31 March 2020

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 loss before tax £'000	Effect on equity (OCI) £'000
2020	EUR	+10%	(13,647)	(37)	1,553
		-10%		37	(1,553)
2019	EUR	+10%	22,881	(1,467)	(1,056)
		-10%		1,467	1,056
2020	JPY	+10%	952	(13)	(82)
		-10%		13	82
2019	JPY	+10%	759	11	(87)
		-10%		(11)	87
2020	USD	+10%	(347)	570	(534)
		-10%		(570)	534
2019	USD	+10%	(24,099)	(65)	2,432
		-10%		65	(2,432)
2020	Other	+10%	(467)	46	-
		-10%		(46)	-
2019	Other	+10%	(408)	41	-
		-10%		(41)	-

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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

- **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 2020 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 2020 was £8,255,000 (2019: £29,282,000).

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.

Notes to the financial statements (continued)

for the year ending 31 March 2020

26. Issued capital and reserves

Share capital issued and fully paid

	Number of shares	2020 £'000
At 1 April 2019	100,000	78
Issued during the year	-	-
At 31 March 2020	**100,000**	**78**

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 2020 and 31 March 2019.

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 Mitsubishi-Hitachi Metals Machinery, Inc. ("MHMM") incorporated in Japan. The Company was previously a joint venture between MHMM and Siemens AG, where MHMM owned 51% of the Company's shares. On 31 January 2020, MHMM acquired Siemen's AG 49% stake. 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 2020

Transactions entered into, and trading balances outstanding at 31 March 2020 and 31 March 2019 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	13,530	4,625	2,772	5,939
Other members of the MHI group	1,165	416	128	35
Other members of the Siemens AG group	87	171	-	-
At 31 March 2020	**14,782**	**5,212**	**2,900**	**5,974**

	Sales of goods & services £'000	Purchases of goods & services £'000	Receivables £'000	Payables £'000
Subsidiaries of the Company	12,149	19,370	6,311	10,453
Other members of the MHI group	493	267	261	98
Other members of the Siemens AG group	43	144	10	93
At 31 March 2019	**12,685**	**19,781**	**6,582**	**10,644**

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 2020 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

£21,963,000 (2019: £154,574,000) 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% (2019: 2%).

c) Other related party receivables

Other related party receivables of £Nil (2019: £1,465,000) consisted of group tax relief due from Primetals Technologies Financial Services Limited. In addition, the 2019 balance included tax losses sold to Siemens Holdings PLC of £1,307,000, which were classified within miscellaneous other income in the Statement of Total Comprehensive Income.

As described in Note 19(d), the Company holds surplus office space which is let to a related party. This is classified as an operating lease.

Notes to the financial statements (continued)
for the year ending 31 March 2020

d) Other related party payables
Other related party payables of £9,222,000 (2019: £10,471,000) relate to balances owed to Siemens AG in connection with the creation of the joint venture.

e) Dividend receivable
Dividends of £190,361,000 were received during the year ended 31 March 2020 (2019: £12,967,000) from the following subsidiaries:

	2020 £'000	2019 £'000
Primetals Technologies Korea Limited	552	-
Primetals technologies Russia LLC	211	-
Primetals Technologies Ukraine LLC	734	-
Primetals Technologies Japan	188,864	12,967
	190,361	**12,967**

28. Directors

	2020 £'000	2019 £'000
Directors' emoluments	1,818	2,427

The aggregate emoluments received by the Company's directors were £1,818,000 (2019: £2,427,000). The highest paid director received emoluments of £745,000 (2019: £1,094,000). There was 1 director in the Company's defined contribution plan (2019: 1) during the year. Company pension contributions of £nil (2019: £38,000) 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 2020

Appendix A – Registered addresses of related undertakings

Company Name	Address	Town	Country
ABP Induction AB	Spännarhyttans Industriomrade	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, Manjusar 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	66350 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.	47-48, Jolly Maker Chambers II, Nariman Point	Mumbai 400021	India
HBIS Primetals Technologies Metallurgical Services Co., Ltd.	Laoting Economic Development Zone, Hebei Province	Tangshan City 63000	China
ITR LLC	902 4th 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
Nakata MFG Co., Ltd.	3-7-6 Tagawa, Yodogawa-ku, Osaka-shi	Osaka 532-0027	Japan

Appendix A – Registered addresses of related undertakings (continued)

Company Name	Address	Town	Country

Notes to the financial statements (continued)

for the year ending 31 March 2020

New Gencoat, Inc.	N53 W24900 South Corporate Circle	Sussex, WI 53089	USA
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 Technology Services Ltd.	Gangchang Road South, Lubei District	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 France S.A.S.	41, Route de Feurs	Savigneux 42600	France
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, Salt Lake City	India
Primetals Technologies Italy S.r.l.	Via Luigi Pomini 92	Marnate 21050	Italy
Primetals Technologies Japan Ltd.	6-22, Kannon Shinmachi, 4-Chome, Nishiku	733-8553 Hiroshima	Japan

Notes to the financial statements (continued)

for the year ending 31 March 2020

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 (Shanghai), Inc.	Room 1707, Tower A, 69 Dongfang Road	Shanghai 200120	China
Primetals Technologies South Asia Private Ltd.	402, 4th 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
Primetals Technologies Saudi Arabia GmbH	Turmstraße 44	4031 Linz	Austria
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