

Registered number: 00793416

WELDING ALLOYS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022



WELDING ALLOYS LIMITED

COMPANY INFORMATION

Directors

D C Stekly
F Tosh
R W Baker

Registered number

00793416

Registered office

The Way
Fowlmere
Royston
Hertfordshire
SG8 7QS

Independent auditors

Haysmacintyre LLP
10 Queen Street Place
London
EC4R 1AG

WELDING ALLOYS LIMITED

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WELDING ALLOYS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Business review

The Fowlmere facility continues to function as a sales office, Integra works op and an office base for certain Group personnel. As a result of the Coronavirus pandemic being downgraded to an epidemic, sales are back to normal and turnover increased by 16.5% from £1,664k to £1,939k.

Overall profitability increased from a closing profit before tax of £4,760k in 2021 to a closing profit before tax of £7,146k in 2022. This result has been driven by the sale of the building with plant and equipment being an increase of £1,634k over prior years disposals. As well as this there was an increase in dividends received of £971k. Difference in variance is increased costs with higher inflation.

Profit before tax included profit on disposal of Assets is £4,947k. This was predominantly for Sale of building with Plant and Equipment.

WA Limited achieved growth in the consumables market as well as Integra repair market.

GP remained constant at 30% in 2022 as it was in 2021.

Principal risks and uncertainties

Market Risk

Although we have key target markets, the Company mitigates these risks by not being overly dependent on either one key customer or single market or industry sector. Global competitors are becoming more prevalent and are driving down prices. There are additional risks with very cheap competitive products manufactured in low-cost countries such as the Asia; the Company seeks to mitigate these risks with greater differentiation and focus on innovation. We will also be targeting new market such as Waste to Energy and Recycling using new products developed this year with R&D in the thermal spray market.

Operational Risk

The Company's main operational risks arise from:

1. The increase in raw material prices where the costs cannot be passed on to the customer due to market conditions. The Company seeks to mitigate the increase in costs by a combination of continuous manufacturing improvement initiatives and sourcing raw materials from around the world. Since the completion of Brexit, the Company has experienced a few supply issues that resolved as the situation stabilised.
2. The requirement to co-ordinate effectively with overseas manufacturing plants to ensure the products arrive in the UK with a cost base that allows the Company to compete effectively in the domestic market. The Company seeks to mitigate these risks with greater communication about market conditions and occasionally profit-sharing arrangements with the manufacturer.

Product Risk

The products we supply are used in critical environments and there is a significant risk of welding fume related litigation. We mitigate these risks through rigorous quality control processes, including proper fume extraction where appropriate, as well as developing new products, using different processes, which reduce harmful welding fumes. We also supply air fed masks for welders who are closest to the fumes.

WELDING ALLOYS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Financial key performance indicators

The following key performance indicators are measured and reviewed on a regular basis and enable the business to set and communicate its performance targets and monitor its performance against these targets.

Revenue: Increased by 16.5% from £1,664k in 2021 to £1,939k in 2022.

Gross Profit Margin: Remained at 30% in 2022, the same as it was in 2021.

Net Trading Profit: Increased from a profit of £4,760k in 2021 to a profit of £7,146k in 2022.

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

This report was approved by the board on 19 May 2023 and signed on its behalf.

R Baker

R W Baker
Director

WELDING ALLOYS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £7,099,327 (2021 - £4,707,546).

Dividends of £1,880,205 were paid during the year (2021: £386,295).

Directors

The directors who served during the year were:

D C Stekly
F Tosh
R W Baker

Future developments

The Fowlmere facility has ceased manufacturing and all production activity (except for service work) is now carried out in the overseas locations. Welding Alloys Limited will continue to serve as an intermediary holding company and its employees will remain involved in group functions.

Disclosure of information to auditors**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 19 May 2023 and signed on its behalf.

R Baker

R W Baker
Director

WELDING ALLOYS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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;
- 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 to 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WELDING ALLOYS LIMITED

Opinion

We have audited the financial statements of Welding Alloys Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

WELDING ALLOYS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WELDING ALLOYS LIMITED (CONTINUED)

Other information

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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 or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 AUDITORS' REPORT TO THE MEMBERS OF WELDING ALLOYS LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for the business and trade regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, corporation tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inspecting correspondence with tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing journals, in particular journal entries posted with key risk characteristics;
- Challenging assumptions and judgements made by management in their critical accounting estimates, particularly stock provision and impairment of investments.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

WELDING ALLOYS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WELDING ALLOYS LIMITED (CONTINUED)

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 Auditors' 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.



Jon Dawson (Senior Statutory Auditor)

for and on behalf of
Haysmacintyre LLP

Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

19 May 2023

WELDING ALLOYS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Note | 2022 £ | 2021 £ |
|---|------|------------------|------------------|
| Turnover | 4 | 1,939,262 | 1,663,880 |
| Cost of sales | | (1,394,193) | (1,162,567) |
| Gross profit | | 545,069 | 501,313 |
| Administrative expenses | | (1,907,155) | (1,829,810) |
| Other operating income | 5 | 1,391,208 | 1,297,128 |
| Profit on disposal of fixed asset investments | | 4,946,619 | 3,312,552 |
| Other operating charges | | (294,705) | (35,448) |
| Operating profit | 6 | 4,681,036 | 3,245,735 |
| Income from shares in group undertakings | | 2,451,007 | 1,480,032 |
| Interest receivable and similar income | 9 | 38,273 | 92,137 |
| Interest payable and similar expenses | 10 | (24,569) | (57,408) |
| Profit before tax | | 7,145,747 | 4,760,496 |
| Tax on profit | 11 | (46,420) | (52,950) |
| Profit for the financial year | | 7,099,327 | 4,707,546 |

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 12 to 28 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

| | Note | 2022 £ | 2021 £ |
|--|------|--------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 13 | 171,383 | 1,859,093 |
| Investments | 14 | 3,076,048 | 3,076,048 |
| | | <u>3,247,431</u> | <u>4,935,141</u> |
| Current assets | | | |
| Stocks | 15 | 269,348 | 361,402 |
| Debtors: amounts falling due within one year | 16 | 4,907,666 | 3,252,740 |
| Cash at bank and in hand | 17 | 5,391,498 | 729,018 |
| | | <u>10,568,512</u> | <u>4,343,160</u> |
| Creditors: amounts falling due within one year | 18 | (1,422,873) | (2,089,428) |
| Net current assets | | <u>9,145,639</u> | <u>2,253,732</u> |
| Provisions for liabilities | | | |
| Deferred tax | 19 | (38,025) | (52,950) |
| | | <u>(38,025)</u> | <u>(52,950)</u> |
| Net assets | | <u><u>12,355,045</u></u> | <u><u>7,135,923</u></u> |
| Capital and reserves | | | |
| Called up share capital | 20 | 1,250 | 1,250 |
| Share premium account | 21 | 782,500 | 782,500 |
| Profit and loss account | 21 | 11,571,295 | 6,352,173 |
| | | <u><u>12,355,045</u></u> | <u><u>7,135,923</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 May 2023.

R Baker

R W Baker
Director

The notes on pages 12 to 28 form part of these financial statements.

WELDING ALLOYS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Called up share capital £ | Share premium account £ | Profit and loss account £ | Total equity £ |
|----------------------------|---------------------------------|----------------------------------|---------------------------------|-------------------|
| At 1 January 2021 | 1,250 | 782,500 | 2,030,922 | 2,814,672 |
| Profit for the year | - | - | 4,707,546 | 4,707,546 |
| Dividends: Equity capital | - | - | (386,295) | (386,295) |
| At 1 January 2022 | 1,250 | 782,500 | 6,352,173 | 7,135,923 |
| Profit for the year | - | - | 7,099,327 | 7,099,327 |
| Dividends: Equity capital | - | - | (1,880,205) | (1,880,205) |
| At 31 December 2022 | 1,250 | 782,500 | 11,571,295 | 12,355,045 |

The notes on pages 12 to 28 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

Welding Alloys Limited is a private company (registered number: 00793416) limited by shares and incorporated in England and Wales. The registered office can be found on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The company was, at the end of the year, a fully owned subsidiary of Ultra Alloys Holdings Pte Ltd and in accordance with Section 401 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. The financial statements only refer to the Company.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Ultra Alloys Holdings Pte Limited as at 31 December 2022 and these financial statements may be obtained from the registered office which is detailed on the Company Information page.

2.3 Going concern

The directors believe that the company is a going concern given the role that the company has in the group's future objectives. The company made a profit before tax of £4,681k and has net assets of £14,145k. The directors have reviewed sensitised cashflow forecasts and the Company expects to have sufficient working capital to meet its liabilities and ongoing operations for a period of at least 12 months from the date of signing of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Other Income

Other operating income is recognised in respect of amounts recovered from group entities for management charges and is recognised upon the raising of an invoice.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided on the following basis:

| | | |
|-----------------------|---|----------------------|
| Freehold property | - | 2% straight line |
| Plant and machinery | - | 15% reducing balance |
| Motor vehicles | - | 25% reducing balance |
| Fixtures and fittings | - | 15% reducing balance |

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.9 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.17 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The directors consider the following items to be areas subject to estimation and judgement:

Depreciation:

The useful economic lives of tangible fixed assets are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted retrospectively. Historically no changes have been required.

Stock valuation:

At the reporting date, the company evaluates the need for a stock provision. The company has a policy of providing against specific stocklines at the year-end based on the ageing profile of the stock. This starts after stock is 1 year old and the amount provided ranges between 25% and 50% depending on the item. Any stock that remains unsold after 2 years is 100% provided for.

Impairment of investments:

Management review investments for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A review for indicators of impairment is performed annually.

Bad debt provision:

Management judgements are required in ascertaining the collectability of debts, both from other group companies and external customers. Provisions are included based on the age of the debt and management's assessment of the ability of the customer to repay. This is performed on a specific basis.

4. Turnover

An analysis of turnover by class of business is as follows:

| | 2022 £ | 2021 £ |
|---------------|------------------|------------------|
| Sale of goods | 1,939,262 | 1,663,880 |
| | <u>1,939,262</u> | <u>1,663,880</u> |

Analysis of turnover by country of destination:

| | 2022 £ | 2021 £ |
|----------------|------------------|------------------|
| United Kingdom | 1,939,262 | 1,663,880 |
| | <u>1,939,262</u> | <u>1,663,880</u> |

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Other operating income

| | 2022 £ | 2021 £ |
|--------------------------|------------------|------------------|
| Group management charges | 1,340,675 | 1,274,008 |
| Rental income | 8,400 | 8,400 |
| Other income | 42,133 | 14,720 |
| | <u>1,391,208</u> | <u>1,297,128</u> |

6. Operating profit

The operating profit is stated after charging/(crediting):

| | 2022 £ | 2021 £ |
|-------------------------------|-----------|---------------|
| Depreciation | 38,689 | 34,523 |
| Exchange differences | (60,990) | (183,763) |
| Other operating lease rentals | - | 33,247 |
| | <u>-</u> | <u>33,247</u> |

7. Auditors' remuneration

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Fees payable to the Company's auditors for the audit of the Company's annual financial statements | 15,500 | 12,500 |

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Employees

Staff costs were as follows:

| | 2022 £ | 2021 £ |
|-------------------------------------|------------------|----------------|
| Wages and salaries | 1,042,530 | 710,710 |
| Social security costs | 74,637 | 71,919 |
| Cost of defined contribution scheme | 56,339 | 37,421 |
| | <u>1,173,506</u> | <u>820,050</u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2022 No. | 2021 No. |
|--------------------------------------|-------------|-------------|
| Sales, administration and production | <u>27</u> | <u>19</u> |

No directors received any remuneration in the year (2021: £Nil).

9. Interest receivable

| | 2022 £ | 2021 £ |
|--|---------------|---------------|
| Interest receivable from group companies | 38,273 | 92,137 |
| | <u>38,273</u> | <u>92,137</u> |

10. Interest payable and similar expenses

| | 2022 £ | 2021 £ |
|-------------------------------|---------------|---------------|
| Bank interest payable | 16,212 | 16,758 |
| Loans from group undertakings | 8,357 | 40,650 |
| | <u>24,569</u> | <u>57,408</u> |

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Taxation

| | 2022 £ | 2021 £ |
|--|-----------------|---------------|
| Corporation tax | | |
| Current tax on profits for the year | 61,345 | - |
| | <u>61,345</u> | <u>-</u> |
| Total current tax | <u>61,345</u> | <u>-</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (14,925) | 52,950 |
| Total deferred tax | <u>(14,925)</u> | <u>52,950</u> |
| Taxation on profit on ordinary activities | <u>46,420</u> | <u>52,950</u> |

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

| | 2022 £ | 2021 £ |
|--|------------------|------------------|
| Profit on ordinary activities before tax | <u>7,145,746</u> | <u>4,760,496</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%) | 1,357,692 | 904,494 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 10,609 | 24,051 |
| Capital allowances for year in excess of depreciation | (953,689) | - |
| Adjustments to tax charge in respect of prior periods | (52,950) | - |
| Non-taxable income | (465,691) | (281,206) |
| Deferred tax not recognised | - | (328,330) |
| Chargeable gains | 302,699 | - |
| Other differences leading to an increase (decrease) in the tax charge | (152,250) | (266,059) |
| Total tax charge for the year | <u>46,420</u> | <u>52,950</u> |

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Taxation (continued)**Factors that may affect future tax charges**

In the March 2021 Budget, a change to the future UK corporation tax rate was announced, indicating that the rate will increase to 25% from April 2023. Deferred tax balances at the reporting date are therefore measured at 25% (2021 - 25%).

12. Dividends

| | 2022 £ | 2021 £ |
|----------------------------------|------------------|----------------|
| Dividends paid to parent company | 1,880,205 | 386,295 |
| | <u>1,880,205</u> | <u>386,295</u> |

13. Tangible fixed assets

| | Freehold property £ | Plant and machinery £ | Fixtures and fittings £ | Total £ |
|-------------------------------------|---------------------------|-----------------------------|-------------------------------|------------------|
| Cost or valuation | | | | |
| At 1 January 2022 | 2,300,154 | 707,434 | 36,478 | 3,044,066 |
| Disposals | (2,300,154) | (310,417) | - | (2,610,571) |
| At 31 December 2022 | <u>-</u> | <u>397,017</u> | <u>36,478</u> | <u>433,495</u> |
| Depreciation | | | | |
| At 1 January 2022 | 611,020 | 539,221 | 34,732 | 1,184,973 |
| Charge for the year on owned assets | 21,405 | 16,232 | 1,052 | 38,689 |
| Disposals | (632,425) | (329,125) | - | (961,550) |
| At 31 December 2022 | <u>-</u> | <u>226,328</u> | <u>35,784</u> | <u>262,112</u> |
| Net book value | | | | |
| At 31 December 2022 | <u>-</u> | <u>170,689</u> | <u>694</u> | <u>171,383</u> |
| At 31 December 2021 | <u>1,689,134</u> | <u>168,213</u> | <u>1,746</u> | <u>1,859,093</u> |

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Tangible fixed assets (continued)

Included within freehold property is land of £nil (2021: £980,000) which is not being depreciated. There was a sale of property for consideration of £6,624,339 giving rise to a profit on disposal of £4,946,619.

14. Fixed asset investments

| | Investments in subsidiary companies £ |
|--------------------------|--|
| Cost or valuation | |
| At 1 January 2022 | 3,076,048 |
| At 31 December 2022 | <u>3,076,048</u> |
| Net book value | |
| At 31 December 2022 | <u>3,076,048</u> |
| At 31 December 2021 | <u>3,076,048</u> |

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

| Name | Registered office | Holding |
|--|--|----------------|
| W A Deutschland GmbH | Werk Wachtendon, Ostring 52D-47669 Wachtendonk, Germany | 100% |
| Alunox Scheweistechnik GmbH | Giesslerallee 37a 47877 Willich, Germany | 100% |
| Corodur Fulldraht GmbH | 47877 Willich, Germany | 100% |
| Welding Alloys (Far East) SDN. BHD | No 28 Jalan Riang 21, Taman Gembira, 81200 Johor Bahru, Johor, Malaysia | 75% |
| Welding Alloys Japan Ltd | 24-1 Showanuma, Shobu-tyo, Kukishi, Saitama-prefecture, Japan | 90% |
| Welding Alloys Taiwan | No 121, Beiping Road, Fengshan District Kaohsiung City 830, Taiwan | 84.38% |
| Welding Alloys Thailand Co. Ltd | 18 Moo 4 T.Bueloy, A. Nongkae Saraburi 18140 Thailand | 89.9% |
| Welding Alloys Tubular Product | Plot No. 35/D, Phase V, Industrial Devlpmt Park, Cherlapally, Hyderabad 500 051, India | 99.5% |
| Welding Alloys Vietnam | Lot 39-5, Quang Minh Townlet, Me Linh District, Ha Noi City, Vietnam | 99.5% |
| Welding Alloys Hellas Limited | 7, I. Dragoumi Str. Piraeus 185 42 Greece | 90% |
| Welding Alloys Kaynak Ve Tel Metal San Tic Limited Sti | Istanbul Tuzla Organize Sanayi Bolgesi, 10 Cad No 2 Tepeoren 34959 Tuzla- Istanbul | 100% |
| Speedmet Alüminyum San. Ve Tic. Ltd Sti | Istanbul Tuzla Organize Sanayi Bolgesi, 10 Cad No 2 Tepeoren 34959 Tuzla- Istanbul | 96% |

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

| Name | Registered office | Holding |
|---|--|----------------|
| Welding Alloys Russia Limited | Chernyahovskogo Street. 9 Bldg 2 Apt 135, Moscow 125319 Russia | 100% |
| Welding Alloys Polska Sp. zo.o | 44-100 Gliwice, ul. A Gaudiego 2 Polska | 100% |
| Welding Alloys Argentina S.A. | Av. Central Acero Argentino Este No 825, Parque Comirsa, San Nicolas, CP 29000 Argentina | 99.99% |
| Welding Alloys Brazil Limited | Av. Ods Bandeirantes, nr 8.500, Taubate, Sao Paulo 12031-020 Brazil | 100% |
| Welding Alloys Panamerica S.A. de C.V. | Libramiento Norte Km 4.6, Centro Industrial Apolo, Iraputo, Gto, CP36547 Mexico | 99.99% |
| Beijing Welding Alloys China Co. Ltd | 8A, Bldg C, Majestic Garden, 6 Meisihaun Zhong Lu, Haidian, Beijing 100029 | 92% |
| Welding Alloys Peru SAC | Calle Martin de Murua, 150 Of. 509, San Miguel Lima, Peru | 99.99% |
| Welding Alloys South Asia Private Limited | Plot No. 35 / D, Industrial Development Park Phase V, Cherlapally Hyderabad, 500 051 India | 74.98% |
| Welding Alloys IthalatIhr Ve Paz Ltd Sti | Istanbul Tuzla Organize Sanayi Bolgesi, 10 Cad No 2 Tepeoren, 34959 Tuzla-Istanbul | 100% |
| Kram Properties (Zambia) Ltd. | 32 Burnland Crescent, Elrick, Westhill, Aberdeenshire | 74% |
| Produr SAS | 257 Che Des Moulins, 73000 Chanbery | 50% |
| Kramwear (Zambia) Limited | Plot Sub D, F30077, Baluba, Zambia | 74% |
| Kram Engineering (Pty) Ltd - S. Africa | 6 Wolverhampton Street, Apex, Benoni, 1541 Gauteng, South Africa | 74% |

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Fixed asset investments (continued)**Subsidiary undertakings (continued)**

| Name | Registered office | Holding |
|-------------------------|--|----------------|
| WASA (Pty) Ltd S Africa | 6 Wolverhampton Street, Apex, Benoni, 1541 Gauteng, South Africa | 74% |
| Welding Alloys Espana | Pol.Ind.Moli d'en Fonolleda, nave 17, 08186 Llica d'Amunt, Barcelona, Spain | 50% |
| Welding Alloys S L | Pol.Ind.Moli d'en Fonolleda, nave 17, 08186 Llica d'Amunt, Barcelona, Spain | 50% |
| SCL L'Arietaz | 257 Che Des Moulins, 73000 Chanbery | 50% |
| Sarl USI-Site | 22 Rue des Americains, 68320 Holtzwihr, France | 50% |

15. Stocks

| | 2022 | 2021 |
|-------------------------------------|----------------|----------------|
| | £ | £ |
| Raw materials and consumables | 33,879 | 46,743 |
| Finished goods and goods for resale | 235,469 | 314,659 |
| | <u>269,348</u> | <u>361,402</u> |

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Debtors

| | 2022 £ | 2021 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 275,889 | 349,453 |
| Amounts owed by group undertakings | 4,581,775 | 2,840,514 |
| Other debtors | 424 | 10,503 |
| Prepayments and accrued income | 49,578 | 52,270 |
| | <u>4,907,666</u> | <u>3,252,740</u> |

17. Cash and cash equivalents

| | 2022 £ | 2021 £ |
|--------------------------|------------------|----------------|
| Cash at bank and in hand | 5,391,498 | 729,018 |
| Less: bank overdrafts | - | (289,907) |
| | <u>5,391,498</u> | <u>439,111</u> |

18. Creditors: Amounts falling due within one year

| | 2022 £ | 2021 £ |
|------------------------------------|------------------|------------------|
| Bank overdrafts | - | 289,907 |
| Trade creditors | 123,930 | 106,399 |
| Amounts owed to group undertakings | 1,107,853 | 1,536,843 |
| Corporation tax | 61,345 | - |
| Other taxation and social security | 39,421 | 79,301 |
| Other creditors | 35,624 | 15,140 |
| Accruals and deferred income | 54,700 | 61,838 |
| | <u>1,422,873</u> | <u>2,089,428</u> |

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. Deferred taxation

| | 2022 £ |
|---------------------------|------------------------|
| At beginning of year | (52,950) |
| Charged to profit or loss | 14,925 |
| At end of year | <u>(38,025)</u> |

The provision for deferred taxation is made up as follows:

| | 2022 £ | 2021 £ |
|--------------------------------|------------------------|------------------------|
| Fixed asset timing differences | (38,025) | (55,226) |
| Short term timing differences | - | 2,276 |
| | <u>(38,025)</u> | <u>(52,950)</u> |

20. Share capital

| | 2022 £ | 2021 £ |
|--|---------------------|---------------------|
| Allotted, called up and fully paid | | |
| 1,250 (2021 - 1,250) Ordinary shares of £1.00 each | <u>1,250</u> | <u>1,250</u> |

21. Reserves**Share premium account**

The share premium account includes equity raised via the issue of shares in excess of their nominal value.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

WELDING ALLOYS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

22. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | 2022 £ | 2021 £ |
|--|--------------|---------------|
| Not later than 1 year | 5,934 | 35,014 |
| Later than 1 year and not later than 5 years | 3,409 | 9,343 |
| | <u>9,343</u> | <u>44,357</u> |

23. Controlling party

Ultra Alloys Holdings Pte Ltd, a company incorporated in Singapore, is the immediate parent company. Ultra Alloys Holdings Pte Ltd produce consolidated accounts which include Welding Alloys Limited. These accounts are publicly available at 8 Wilkie Road, #06-03, Wilkie Edge, Singapore (228095).

Management do not consider there to be one single ultimate controlling party.