

**Steel & Alloy Processing Limited**

**Annual report and financial statements**

**Registered number 00944053**

**For the year ended 31 December 2019**



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Steel & Alloy Processing Limited  
Annual report and financial statements  
Registered number: 00944053  
For the year ended 31 December 2019

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**DIRECTORS:**

M T Cooper  
M R Coleman  
P J Whitehouse  
R D L F Riberas  
J C Moreira  
J M R Mera  
M R Escribano  
O R J Marshall  
R C Martinez

**SECRETARY:**

M R Escribano

**REGISTERED OFFICE:**

Trafalgar Works  
Union Street  
West Bromwich  
West Midlands  
B70 6BZ

**REGISTERED NUMBER:**

00944053 (England and Wales)

**INDEPENDENT AUDITORS:**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
One Chamberlain Square  
Birmingham  
B3 2AX

**BANKERS:**

Barclays Bank  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GN

## Strategic report

The directors present their report with the audited financial statements of the company for the year ended 31 December 2019.

### Principle Activities

The principal activity of the company in the year under review was the processing and distribution of steel & aluminium products through a network of service centres for supply to the Automotive and General Industry markets in the United Kingdom and Europe.

### Review of the Business

The intention of this review is to portray a balanced and comprehensive summary of the development and performance of Steel & Alloy Processing Limited ("the Company"), consistent with the size and relatively uncomplicated nature of the business against the background of any risks and uncertainties that may exist. In doing so, the Directors have taken into account only such facts and circumstances of which we are aware at the date of this report.

There has been no fundamental change in the principal activity of the Company and no significant shifts in the customer base and sources of supply of the Company. The Company continues to operate out of four main metal processing sites, three in the West Midlands and one in the North East of England.

The business capability also lies in supply chain management, enabling the delivery of product to customers on a just in time basis.

The Directors give the highest priority to the safety and welfare of our colleagues and the public. We continue to strive to achieve a reduction in accidents and the severity of those accidents through the promotion of safe working practices and awareness.

The Company continues to hold relevant quality and environmental standards and during the year successfully transitioned to IATF TS16949 and ISO 14001:2015. Efforts continue across the Company to reduce its environmental impact, including regular review in areas such as waste sent to landfill, recycling and scrap generation.

### Performance

The business made a profit before tax of £1,207k (2018: £2,909k) for the year and has net assets of £50,347k (2018: £49,501k).

The Directors have reviewed the results, resultant cash flows and forward forecasts for the Company and are confident that the company has sufficient cash and other resources to meet its ongoing needs and longer-term strategic development plans.

### Key Performance Indicators

The company monitors progress by reference to several key performance indicators.

- Safety - to achieve zero LTA's and zero NLTA's.  
Steel and Alloy achieved 1 LTA in 2019 and 12 NLTA (2018: 1 LTA and 11 NLTA)
- EBITDA has reduced from £5,797k to £3,531k
- Customer satisfaction – objective to achieve 93% CSAT
- Debtor days reduced from 80 at the end of 2018 to 67 at the end of 2019.
- Creditor days increased from 35 at the end of 2018 to 36 at the end of 2019.

### Risks and Uncertainties

The level of demand for motor vehicles is predicted to remain stable in the UK based on industry supplied car build forecasts. Electrification of motor vehicles and the development of autonomous vehicles means that the materials used to manufacture these vehicles will change to low weight high strength solutions, such as Aluminium. The company is constantly developing its manufacturing facilities to meet the ever-changing customer requirements. The predicted levels of demand for steel and for the constituent raw materials in the global market make it seem likely that steel prices may continue to fluctuate for the foreseeable future. The strong Balance Sheet and lean operating base will enable the Company to take advantage of continuing automotive market growth and to seek further opportunities to grow the business in the UK.

The global steel producing sector has been hit by the Covid-19 pandemic, with the sale of automotive and general market steel products being heavily affected. The Directors in response to the crisis immediately took actions to safeguard the future of the company. Cash management was key, matching receipts from customers with payments to suppliers. Ensuring that bank facilities were adequate for current and future forecast requirements. As far as possible we reduced the costs of the company firstly by taking advantage of the Government CJRS scheme and also cutting discretionary costs to a minimum.

## **Strategic report (continued)**

### **Risks and Uncertainties (continued)**

At the same time, we ensured that our manufacturing and logistics facilities remained operational and we supplied all of our customer requirements. Albeit at much reduced volume levels.

The worldwide general economic situation is still unclear and the Covid-19 pandemic still exists, the recent start of a vaccination program hopefully will bring the pandemic under control. The Directors and Senior Management aim to keep informed of the pandemic development, market conditions and trends, adapting business strategies to reflect changes in circumstances.

Consolidation within the steel industry has changed the dynamics of the marketplace with the main producers able to exert greater influence on supply and demand than was once the case. Availability of material to meet the requirements of our business is continually reviewed to ensure sufficient supply is obtained.

UK automotive customers will continue to be a further significant factor in the future performance of the Company, given the competing demands from other sectors (e.g. building products) and regions (e.g. China, Russia and India). This situation is also influenced by the pressure exerted by suppliers of the constituent raw materials and services involved in steel making.

The Company undertakes regular reviews of the principal risks facing the business in the form of management meetings and wherever possible processes are in place to monitor and mitigate such risks. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully given the current economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue successful operations for the foreseeable future. Accordingly, as in previous years they have adopted the going concern basis in preparing the annual report and financial statements.

### **Company's Policy on Payment of Creditors**

The company agrees payment terms with its suppliers at the time it enters into binding purchasing contracts for the supply of goods and services. Its suppliers are, in that way, made aware of these terms. The company seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

### **Dividends**

No dividends have been proposed for the year ended 31st December 2019.

The total distribution of dividends for the year ended 31 December 2019 will be £nil. (Year ended 31 December 2018: £nil).

### **Future Developments**

Market conditions in the UK are currently uncertain, with the Covid-19 pandemic and the UK's imminent departure from the European "free market" after Brexit. The Directors have positioned the company to be flexible, in order to take advantage of our existing customers changing material and volume requirements within the Automotive and wider General Industry sectors.

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

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

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

*a) the likely consequences of any decision in the long term;*

The strategic direction and business decisions are constantly evaluated and considered by the UK Senior Leadership Team (SLT). The team is made up of senior managers from the various areas of the business in order to gain a balanced and more complete understanding of the business as a whole. The SLT meets on a regular basis to discuss immediate issues affecting the company but to also consider and plan the long-term direction and goals of the company.

## Strategic report (continued)

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

*b) the interests of the company's employees;*

The company is committed to ensuring we act responsibly towards our employees. Health and safety of all employees is a key factor within the overall business strategy to ensure that the company provides a high level of service in a safe and secure manner. The company has many schemes to ensure that both the employees' physical and mental wellbeing are considered and supported at all times. Training is provided to all employees so that they are compliant with industry regulation, can excel in their roles and develop personally. Employee surveys are conducted annually, and it is mandatory for the HR Managers to hold "Close the loop" meetings in order to produce agreed upon actions based on the results of the employee survey.

*c) the need to foster the company's business relationships with suppliers, customers and others;*

We depend on a skills and capabilities of a wide range of suppliers, from small, local companies to large multinationals. Our robust procurement process selects the most appropriate suppliers for us to partner with effectively, to our mutual benefit. Our customer base covers a wide variety of sectors and our sales and support teams are structured to ensure that customer needs are listened to and fulfilled.

*d) the impact of the company's operations on the community and the environment;*

The company supports the communities it operates in both the safety of its sites and the conduct of its employees. The company and its employees enjoy supporting numerous charities and local initiatives which ensure that it is seen as a valued member of the community. The company is committed limiting its own and its customers' environmental footprint.

*e) the desirability of the company maintaining a reputation for high standards of business conduct;*

High ethical and safety standards are at the heart of the Gonvarri Industries, and the UK is no different. Employees are trained annually on anti-corruption, anti-competition and the company's code of conduct.

and

*f) the need to act fairly as between members of the company.*

The company's code of conduct promotes equality and respect in the workplace. Annual mandatory training is used to reinforce this to all employees. Cross functional working and knowledge sharing between teams is encouraged in order to develop a culture of understanding and support.

## Conclusion

Although there continues to be some degree of uncertainty surrounding the strength of the worldwide economic outlook due to the Covid-19 pandemic and the UK's position post Brexit and its exit from the EU on the 31<sup>st</sup> December 2020. The UK markets have been resilient, and the Directors are optimistic about the prospects for the future and are confident that the Company is in good shape to take advantage of any opportunities as they arise.

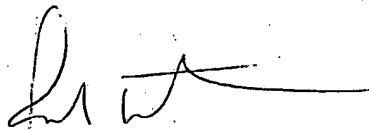
In summary, the Directors believe that the Company is capable of coping with present market conditions, especially as part of the Gonvarri Industries and it is well placed in terms of its trading partnerships with both customers and suppliers and has a sound financial and operational structure to achieve future success.

On behalf of the board

P J Whitehouse

Director

Date: 22<sup>nd</sup> December 2020



## Directors' report

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were as follows:

Mark T Cooper  
Maxwell R Coleman  
Paul J Whitehouse  
Owen R J Marshall  
Mario Ruiz Escribano  
Rafael De La Flor Riberas  
Josu Calvo Moreira  
Juan Maria Riberas Mera  
Ramon Candela Martinez (*appointed 3 July 2019*)  
Francisco Bazaga Gonzalez (*resigned 3 June 2019*)

None of the directors have any beneficial interests in the shares of the company.

The results and dividends of the company are disclosed in the strategic report.

### Political and charitable contributions

The Company made nil political contributions during the year (2018: £ nil). Donations to UK charities amounted to £650 (2018: £860).

### Financial instruments

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk. The company's principal financial instruments comprise cash and bank deposits, bank loans and overdrafts and obligations under finance leases together with trade receivables and trade payables that arise directly from its operations. The company has not entered into derivative transactions with the exception of foreign exchange contracts in the normal course of trade, nor does it trade in financial instruments as a matter of policy. The company has not unsettled transactions at year end.

### Disclosure of information to auditors

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

Details of future developments can be found within the strategic report.

### Post Balance Sheet Events

Since December 2019, COVID-19, a new strain of Coronavirus, has spread from China to other countries, including the United Kingdom. This event significantly affects the economic activity at a global and national level and, as a result, the operations and financial results of the Company. The extent to which Coronavirus will impact our results will depend on future developments that cannot be reliably predicted, including the actions to contain the disease or treat it and mitigate its impact on the economies of affected countries, among others. Although the introduction of a vaccine should reduce the future impacts of the virus.

In any case contingency plans have been activated, allowing the continuity of the business, trying to continue our business as close to usual as is possible. To this end, organizational measures have been implemented to manage the crisis, all our sites operate Covid secure protocols. Sites have been established as "Bubbles" with no inter site movements. Within sites we operate A&B teams on a rota basis, with as many workers as possible working from home. These measures are to control the spread of any infections and minimise the effect on the company. And most importantly, safeguards our ability to meet our customer's demands. We also continue to manage our cash on a day to day basis and continue to minimise our costs. Where possible, we have put in place an increased level of stock both raw materials and RFD as safety stock. We have assessed critical services and materials suppliers to the business and reviewed their contingency plans. We have also agreed alternate suppliers where appropriate.

## Directors' report (continued)

### *Statement of directors' responsibilities*

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

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

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

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

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

### *Directors' confirmations*

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

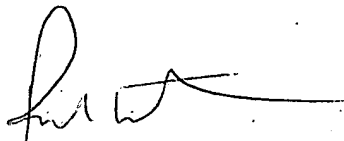
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's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

### **Independent Auditors**

The auditors PricewaterhouseCoopers LLP will be proposed for re-appointment at the forthcoming Annual General Meeting.

The financial statements on pages 9 to 26 were approved by the Board of Directors on 9<sup>th</sup> December 2020 and signed on its behalf by

**P J Whitehouse**



*Director*

**Date: 22<sup>nd</sup> December 2020**

Union Street  
West Bromwich  
B70 6BZ



## ***Independent auditors' report to the members of Steel & Alloy Processing Limited***

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

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#### **Opinion**

In our opinion, Steel & Alloy Processing Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2019; the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

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

#### **Independence**

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

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

We have nothing to report in respect of the following matters in relation to which 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.

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

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

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

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

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

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

## ***Independent auditors' report to the members of Steel & Alloy Processing Limited (continued)***

### *Strategic Report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

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

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

#### *Use of this report*

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

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## **Other required reporting**

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

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

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

We have no exceptions to report arising from this responsibility.

*Matt Palmer*

Matt Palmer (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham

22 December 2020

## Statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Revenue	3	203,327	201,573
Cost of sales		(187,572)	(183,528)
<b>Gross profit</b>		<b>15,755</b>	<b>18,045</b>
Administrative Expenses		(13,551)	(14,526)
Other operating income		43	219
Other operating costs		(641)	(534)
<b>Operating profit</b>	4	<b>1,606</b>	<b>3,204</b>
Financial expenses	6	(399)	(295)
<b>Profit on ordinary activities before taxation</b>		<b>1,207</b>	<b>2,909</b>
Tax on profit on ordinary activities	7	(361)	(529)
<b>Profit for the financial year</b>		<b>846</b>	<b>2,380</b>
<b>Total comprehensive income for the year</b>		<b>846</b>	<b>2,380</b>

All results are derived from continuing operations.

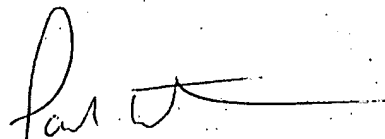
The notes on pages 12 to 26 form part of these financial statements.

**Statement of financial position**  
*As at 31 December 2019*

	<i>Note</i>	<b>2019 £000</b>	<b>2018 £000</b>
<b>Fixed Assets</b>			
Property, plant and equipment	8	27,941	29,155
Right of use assets	8	1,082	-
		<u>29,023</u>	<u>29,155</u>
<b>Current assets</b>			
Inventories	9	20,864	25,847
Trade and other receivables	10	36,441	30,320
Cash and cash equivalents		160	6,328
		<u>57,465</u>	<u>62,495</u>
<b>Creditors – amounts falling due within one year</b>	11	<u>(29,359)</u>	<u>(34,057)</u>
<b>Net Current Assets</b>		28,106	28,438
<b>Total assets less current liabilities</b>		57,129	57,593
<b>Creditors – amounts falling due after more than one year</b>	12	<u>(6,442)</u>	<u>(7,930)</u>
<b>Provisions for liabilities</b>		<u>(340)</u>	<u>(162)</u>
<b>Net assets</b>		<u>50,347</u>	<u>49,501</u>
<b>Equity</b>			
Called up share capital	14	2,523	2,523
Revaluation reserve		761	761
Retained earnings		47,063	46,217
<b>Total shareholders' funds</b>		<u>50,347</u>	<u>49,501</u>

The notes on pages 12 to 26 form part of these financial statements.

These financial statements were approved by the board of directors on 9<sup>th</sup> December 2020 and were signed on its behalf by:



**P J Whitehouse**  
*Director*

## Statement of changes in equity

For the year ended 31 December 2019

	Called up Share capital £000	Revaluation Reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	2,523	761	46,217	49,501
Profit for the financial year and total comprehensive income	-	-	846	846
<b>Balance at 31 December 2019</b>	<b>2,523</b>	<b>761</b>	<b>47,063</b>	<b>50,347</b>
<b>Balance at 1 January 2018</b>	<b>2,523</b>	<b>761</b>	<b>43,837</b>	<b>47,121</b>
Profit for the financial year and total comprehensive income	-	-	2,380	2,380
<b>Balance at 31 December 2018</b>	<b>2,523</b>	<b>761</b>	<b>46,217</b>	<b>49,501</b>

## Notes

*(forming part of the financial statements)*

### 1 General Information

Steel & Alloy Processing Limited is a company incorporated and domiciled in the United Kingdom. It is a subsidiary undertaking of Steel & Alloy Holdings Limited, the ultimate parent company being the Gonvarri Group, incorporated in Spain.

The financial statements have been prepared in sterling which is the functional currency of the company.

### 2 Accounting policies

#### Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- (i) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (ii) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value, such as the available for sale investments and derivative financial instruments;
- (iii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;
- (iv) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)); the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 38(118)(e)).
- (v) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (vi) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;
- (vii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and
- (viii) The requirements of IAS 24 'Related Party Disclosures' relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group.
- (ix) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- (x) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
  - a. the requirements of paragraph 58 of IFRS 16;

#### Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

## Notes (continued)

### 2 Accounting policies (continued)

#### Going Concern

The company's financial statements have been prepared on a going concern basis. The company's operations started to be affected by COVID-19 in the first quarter of 2020, and the company expects impact on its financial statements in 2020. The company has implemented contingency plans to adapt to the situation. As of the date of the board of directors approving the company's 2019 financial statements, the company's management has determined that there were no material uncertainties that cast a doubt on the company's ability to continue as a going concern for the next 12 months. This has involved producing detailed profit forecasts and cash flows based on current vehicle schedules from OEM's as a best-case scenario and also a model of another COVID 19 impact similar to the first outbreak as a worst-case scenario. These models have been assessed against the companies cash and bank overdraft facilities.

The directors have, at the time of approving the financial statements, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they have continued to adopt the going concern basis of accounting in preparing the financial statements. The company confirms access to the group pooling funding arrangement currently in place.

#### New standards, amendments and IFRIC interpretations

IFRS16 Leases is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company (see note 19). There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 have had a material impact on the company.

#### Property, plant and equipment

Depreciation is provided to write off the cost less the estimated residual value of plant, property and equipment by equal instalments over their estimated useful economic lives at the following rates:

Freehold land	-	No depreciation is provided
Freehold buildings	-	4% straight line basis per annum
Leasehold land and buildings	-	Over the term of the lease
Plant and machinery	-	10% - 33% straight line basis per annum
Motor vehicles	-	20% straight line per annum
Fixtures and fittings	-	15% - 20% straight line per annum

Plant and machinery include tooling which has been depreciated at 33% straight line.

#### Impairment of property, plant and equipment.

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the plant, property and equipment may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income unless it arises on a previously revalued asset. An impairment loss on a revalued asset is recognised in the statement of comprehensive income if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of comprehensive income until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

## **Notes (continued)**

### **2 Accounting policies (continued)**

#### **Calculation of recoverable amount**

The recoverable amount of plant, property and equipment is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

#### **Reversals of impairment**

In respect of property, plant and equipment and other intangible assets excluding goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is only reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. An impairment loss relating to goodwill is never reversed.

#### **Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

#### **Leasing agreements**

There are no finance leases recognised in the financial statements.

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### **Defined contribution plans**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumable and goods for resale, the weighted average purchase price is used.



## Notes (continued)

### 2 Accounting policies (continued)

#### Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and is recognised when ownership transfers to the customer when the goods are despatched.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash.

#### Leases

The company leases various equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- *Fixed payments (including in-substance fixed payments), less any lease incentives receivable;*
- *Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;*
- *Amounts expected to be payable by the company under residual value guarantees;*
- *The exercise price of a purchase option if the company is reasonably certain to exercise that option; and*
- *payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease.

If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

Right-of-use assets are measured at cost comprising the following:

- *The amount of the initial measurement of lease liability;*
- *any lease payments made at or before the commencement date less any lease incentives received;*
- *Any initial direct costs; and*
- *Restoration costs*

## **Notes (continued)**

### **2 Accounting policies (continued)**

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

#### **Leases (continued)**

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

As explained earlier in this note the company has changed its accounting policy for leases where the company is the lessee. The impact of the change is explained in note 19. Prior to this change, leases of property, plant and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in creditors: amounts falling due within 12 months and the long-term component was included in creditors: amounts falling due after more than one year. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the company would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

#### **Financial Instruments**

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement.

#### **Share capital**

Share capital is treated as an equity instrument where there is evidence of a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the company exchanging a fixed amount of cash or other assets for a fixed number of the company's own equity instruments.

## **Notes (continued)**

### **2 Accounting policies (continued)**

#### **Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

#### *Useful economic lives of property, plant and equipment*

The annual depreciation charge for property, plant and equipment is sensitive to changes in estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets.

Further details are given in note 8.

#### *Impairment of trade receivables*

The company makes an estimate of the recoverable amount of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. Further details are given in note 10.

#### *Inventory Provision*

There is provision in place for slow moving and obsolete stock. This provision is based on the historic levels of stock usage and reduces the stock balance to account for stock which may be expected to be sold at less than the standard cost. Further details are given in note 9.

## Notes (continued)

### 3 Revenue

The revenue and profit before taxation is derived mainly from the Company's principal activity.

An analysis of revenue by geographical market is as follows:

	2019 £000	2018 £000
United Kingdom	201,083	200,585
Continental Europe	2,244	988
	<u>203,327</u>	<u>201,573</u>

Revenue is also derived from the sale of goods and income from scrap sales.

### 4 Operating profit

	2019 £000	2018 £000
<i>Operating profit is after charging</i>		
Depreciation – owned assets	1,950	1,391
Depreciation – right of use assets	270	-
Hire of plant and machinery – rentals payable under operating leases	152	78
Cost of inventories recognised as an expense	178,720	173,813
<i>Auditors' remuneration</i>		
Audit of these financial statements	53	47
Auditors' remuneration – Taxation compliance services	13	13
Auditors' remuneration – All other taxation advisory services	<u>56</u>	<u>23</u>

## Notes (continued)

### 5 Information regarding directors and employees

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

	Number of employees	
	2019	2018
Production	142	136
Admin Staff and Directors	64	65
	<u>206</u>	<u>201</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	6,942	6,979
Social security costs	726	731
Other pension costs	544	536
	<u>8,212</u>	<u>8,246</u>

Directors' emoluments are as follows:

	2019 £000	2018 £000
Directors' remuneration	508	629
Directors' pension contributions to money purchase scheme	39	80
	<u>547</u>	<u>709</u>

The remuneration of the highest paid director in 2019 was £173,088 (2018: £172,159). During the year the director paid £nil (2018: £nil) into the pension scheme.

### 6 Financial expenses

	2019 £000	2018 £000
On bank and other interest	296	269
Interest payable to group undertakings	79	26
Lease Interest	24	-
	<u>399</u>	<u>295</u>

## Notes (continued)

### 7 Tax on profit

#### Analysis of tax expense

	2019 £000	2018 £000
Current Tax:		
Current tax on profits for the year	172	411
Adjustment in respect of prior years	11	(80)
Total current tax	183	331
Deferred tax:		
Current year	170	142
Adjustment in respect of prior years	26	71
Effect of changes in tax rates	(18)	(15)
Total deferred tax	178	198
Tax on profit	361	529

#### Factors affecting the tax charge for the current year

The tax charge for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

	2019 £000	2018 £000
Tax reconciliation:		
Profit before taxation	1,216	2,909
Tax at the standard rate of UK corporation tax at 19% (2018: 19%)	231	553
Effects of:		
Adjustments in respect of prior years	37	(9)
Expenses not deductible	110	(13)
Tax rate changes	(18)	(15)
Rolled over gains		12
Other		1
Total Tax Charge	361	529

#### Factors that may affect future current and total tax charges

In the Spring Budget 2020 the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change would be significant effect.

**Notes (continued)**

**8 Property, plant and equipment**

	Land and Buildings £000	Fixtures and Fittings £000	Motor Vehicles £000	Plant and machinery £000	Total £000
<b>Cost</b>					
At 1 January 2019	23,942	1,787	5	23,905	49,639
Additions	9	15	-	740	764
Disposals	(17)	(31)	-	(223)	(271)
At 31 December 2019	23,934	1,771	5	24,422	50,132
<b>Accumulated Depreciation</b>					
At 1 January 2019	4,115	1,445	5	14,919	20,484
Charge in year	735	98	-	1,117	1,950
Disposals	(17)	(29)	-	(197)	(243)
At 31 December 2019	4,833	1,514	5	15,839	22,191
<b>Net book value</b>					
At 31 December 2019	19,101	257	-	8,583	27,941
At 31 December 2018	19,827	342	-	8,986	29,155

Included in the cost of land and buildings is freehold land of £6,040,370 (2018: £6,040,370) which has not been depreciated.

**Right of use assets**

	<b>2019 £000</b>
<b>Cost</b>	
As at 1 January 2019	1,231
Additions	121
As at 31 December 2019	1,352
<b>Depreciation</b>	
As at 1 January 2019	-
Charge for the period	270
Accumulated depreciation	270
<b>Net book value as at 31 December 2019</b>	<b>1,082</b>

**Notes (continued)**

**9 Inventories**

	<b>2019 £000</b>	<b>2018 £000</b>
Raw materials and consumables	14,954	17,567
Work in progress	612	664
Finished goods and goods for resale	5,298	7,616
	<u>20,864</u>	<u>25,847</u>

There is no material difference between the carrying value of inventories and replacement costs. Inventory is stated after provisions of £675,000 (2018: £347,000).

**10 Trade and other receivables**

	<b>2019 £000</b>	<b>2018 £000</b>
Trade and other receivables	17,606	17,952
Amounts owed by group undertakings	3,473	3,748
Amounts owed by related parties	13,982	6,372
Corporation tax	400	276
Other debtors	106	1,112
Prepayments and accrued income	874	860
	<u>36,441</u>	<u>30,320</u>

Trade and other receivables are stated after an allowance of £401,000 (2018: £529,000) for bad debt provision. Amounts owed by group undertakings and owed by related parties are interest free and repayable on demand.



**Notes (continued)**

**11 Creditors – amounts falling due within one year**

	2019 £000	2018 £000
Trade payables	17,498	20,224
Amounts owed to group undertakings	7,323	8,187
Other taxation and social security	1,912	1,110
Accruals and deferred income	2,351	4,536
Lease Liabilities	275	-
	<u>29,359</u>	<u>34,057</u>

The amounts owed to group undertakings are interest free and repayable on demand.

**12 Creditors – amounts falling due for more than one year**

	2019 £000	2018 £000
Bank Loan	5,626	7,930
Lease Liabilities	816	-
	<u>6,442</u>	<u>7,930</u>

The bank loan is unsecured and was to be repaid over a five-year period commencing in 30<sup>th</sup> May 2017 in equal quarterly instalments at an interest rate of 1.0% above Libor.

**13 Taxation, including deferred taxation**

	2019 £000	2018 £000
At 1 January	162	(36)
Adjustment in respect of prior years	26	71
Deferred tax charged to the Income Statement for the year	152	127
	<u>340</u>	<u>162</u>
<b>At 31 December</b>	<b>340</b>	<b>162</b>

The elements of deferred taxation are as follows:

	2019 £000	2018 £000
Property, plant and equipment	340	162
	<u>340</u>	<u>162</u>

## Notes (continued)

### 14 Called up share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
Equity: 2,522,801 (2018: 2,522,801) ordinary shares of £1 each	<u>2,523</u>	<u>2,523</u>

### 15 Leases

#### Right of use assets

	2019 £000
<b>Cost</b>	
As at 1 January 2019	1,231
Additions	121
As at 31 December 2019	<u>1,352</u>
<b>Depreciation</b>	
As at 1 January 2019	-
Charge for the period	270
Accumulated depreciation	<u>270</u>
<b>Net book value as at 31 December 2019</b>	<u><u>1,082</u></u>

In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the company's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 19.

#### Lease Liabilities

	2019 £000
Not later than 1 year	275
Later than 1 year and not later than 5 years	816
Later than 5 years	<u>-</u>

### 16 Financial Instruments

An explanation of the company's financial instrument risk management objectives, policies and strategies are set out in the strategic report on page 2-4.

The Company's financial risks such as liquidity risk, interest rate risk and foreign currency rate risk are all managed centrally by the Steel and Alloy finance team.

The company has no financial instruments measured at fair value through profit and loss.

### 17 Related parties

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

## Notes (continued)

### 18 Ultimate parent company and parent undertaking of a larger group of which the company is a member

The company's immediate parent is Steel & Alloy Holdings Limited. The ultimate controlling party is Gonvarri Steel Services SA, by virtue of them controlling the voting rights of the issued share capital of the parent company. The consolidated financial statements can be obtained from San Vicente nº 8. 3rd floor. Albia Building, Bilbao, Vizcaya, B-95220992

### 19 Effect of the adoption of IFRS 16

As indicated in note 2, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.03%. For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in no changes to the reserves. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

#### i. Practical expedients applied

- *In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;*
- *Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review (there were no onerous contracts as at 1 January 2019);*
- *Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;*
- *Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and*
- *using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.*

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

#### ii. Measurement of lease liabilities

	£000
Operating lease commitments disclosed as at 31 December 2018	326
Discounted using the lessee's incremental borrowing rate at the date of initial application	905
Add: finance lease liabilities recognised as at 31 December 2018	-
Less: short-term leases not recognised as a liability	-
Less: Low value leases not recognised as a liability	-
	1,231
<b>Lease liabilities as at 1 January 2019</b>	
Of which are;	
Current lease liabilities	275
Non-current lease liabilities	816
	<u>1,231</u>

## Notes (continued)

### 19 Effect of the adoption of IFRS 16 (continued)

#### iii. Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

#### iv. Adjustments recognised in the statement of financial position of 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Right-of-use assets - increase by £1,231k
- Lease liabilities - increase by £1,231k

### 20 Events after the end of the reporting period

Since December 2019, COVID-19, a new strain of Coronavirus, has spread from China to other countries, including the United Kingdom. This event significantly affects the economic activity at a global and national level and, as a result, the operations and financial results of the Company. The extent to which Coronavirus will impact our results will depend on future developments that cannot be reliably predicted, including the actions to contain the disease or treat it and mitigate its impact on the economies of affected countries, among others.

The contingency plans contemplated in these circumstances have been activated, allowing the continuity of the business, trying to continue our business as close to usual as is possible. To this end, organizational measures have been implemented to manage the crisis, both individually (contagion or isolation management) and collectively. These measures have proved to be perfectly compatible with the continuity of activity and business, and we are in a position to extend them for as long as the authorities require, without putting the company's activity in a critical situation.