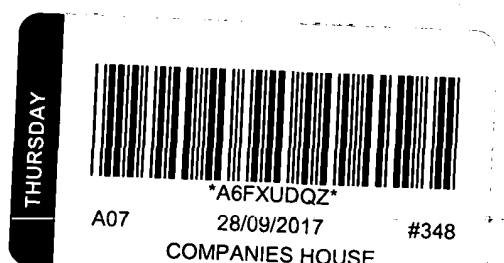


Company Registration No. 1551970

voestalpine Metsec Plc

**Annual Report and Financial Statements
31st March 2017**



voestalpine Metsec Plc

Report and financial statements 2017

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voestalpine Metsec Plc

Strategic Report

The directors present their Strategic Report on the company for the year ended 31 March 2017.

The Strategic Report, together with the Directors' Report, serves as the Management Report for the purpose of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Business review and principal activities

The principal activities of the company are the manufacture of structural components and custom roll formed sections.

In the last financial year there have been no significant changes in the company's principal activities.

The results of the company for the year, as set out on pages 11 to 14, show the turnover of the company increased by 2.8% to £91.9m (2016: £89.4m). The result of the company shows a pre-tax profit of £20.6 (2016: £18.0m).

The performance of the company during the business year 2016/17 has produced encouraging results despite the still challenging business environment.

Key performance indicators (KPI's)

We have made significant progress throughout the year in relation to key elements of our strategy. The Board monitors the progress of the company by reference to the following KPIs:

	2016/17	2015/16
External Sales	£91.9m	£89.4m
Operating Profits	£20.6m	£18.1m
Operating Profits as % of Sales	22.5%	20.2%

The following other financial KPIs are monitored regularly by the company, however as these are not measured on a local UK GAAP basis but on an IFRS basis, details on these are not included in this Strategic Report:

- Return on Capital Employed (ROCE)
- Value Added per Employee
- Working Capital as % of Sales
- Personnel Expenses per Employee
- Free Cash Flow

The main non-financial KPI's used by the Board to monitor the progress of the company are as follows, however as these are not measured on a company level but on an interdivisional level, details on these are not included in this Strategic Report:

- OTIF (On-Time In-Full delivery)
- Rate of complaints
- Scrap percentage
- Labour turnover
- Accident rate
- Number of new products

Strategic report (continued)

Principal risks and uncertainties

The risks discussed below could have a material adverse effect separately, or in combination, on our operational performance, sales, cash flows and financial condition.

In order to reduce a potential negative impact on the company, voestalpine Metsec's risk management process is in line with the risk management policy of its parent company (voestalpine AG). A systematic risk management approach has been practiced since the 2000/01 business year. This is an integral part of the company's business processes and an important factor for sustainable corporate success.

Risk management extends to both the strategic and operational levels. For the most important risk areas the following preventive measures have been taken by the company.

Raw material risk

The price of steel is affected by supply and demand, mainly regionally but potentially also globally. Regarding the long-term sustainability of raw materials, for a number of years, the company has been implementing a procurement strategy to ensure continuity of supply. Its core element is expanding the portfolio of suppliers.

Credit risk

The credit risk of the company's transactions is kept low by means of precise management of debtor levels and credit limits. A large proportion of transactions are secured by credit insurance policies.

Liquidity risk

An essential instrument in the control of the liquidity risk is precise financial planning. The company submits these plans directly to the Group treasury of voestalpine on a revolving basis. Appropriate financing and credit lines are established with the voestalpine treasury, if required.

IT system risk

In order to minimise IT risks to the greatest degree possible (particularly the threat of data security and the breakdown of critical systems), the company is complying with voestalpine's group-wide minimum standard in electronic data processing.

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Hedging occurs because of naturally closed positions, where, for example, trade debtors denominated in Euros are offset by trade creditors for purchases of raw materials in Euros. In addition, derivative financial instruments are utilised by the voestalpine treasury department for hedging purposes.

Outlook and future developments

The Bank of England has depicted a brighter outlook for the UK economy for 2017 with faster growth, lower unemployment and a modest rise in inflation.

But despite more optimistic forecasts there appear to be risks ahead. It is expected that business investments will fall and consumer spending will slow as rising inflation eats into household budgets.

Recently the growth forecasts for the UK economy were updated and it is currently predicted that the UK will see 2.0% GDP growth in 2017 slowing to 1.6% in 2018 and 1.7% in 2019.

It is very uncertain what impact the ongoing Brexit negotiations and associated uncertainties will have on the UK economy.

The company will continue to deliver excellent customer service to achieve further growth in existing market segments and potential new markets. Furthermore we aim to improve efficiency in all areas of our operations through continuous improvement process management.

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Strategic report (continued)

By order of the board



N A Richardson
Director

Date: 22nd September 2017

Registered Office:

voestalpine Metsec Plc,
Broadwell Road,
Oldbury,
West Midlands,
B69 4HF

voestalpine Metsec Plc

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31st March 2017.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report.

Research and development

We continue to invest in our manufacturing equipment and software development to improve our competitiveness. The directors regard the investment in research and development as integral to the continuing success of the business.

Directors

The directors who held office during the year and subsequently were as follows:

N A Richardson
T Baumgartner
D C Leggett
G Felderer
H Punz

Directors' indemnities

The company's ultimate holding company voestalpine AG has made qualifying third party indemnity provisions for the benefit of the directors of both voestalpine AG and all affiliated wholly-owned group companies which were made during the year and remain in force at the date of this report.

Dividends

Dividends paid comprise of an interim dividend in respect of the year ended 31 March 2017 of £13,776,000 (2016: £10,088,000). The profit for the year of £16,124,000 (2016: profit of £14,989,000) has been transferred to reserves.

Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the company exceeds the book values of these assets at 31 March 2017.

Going concern

The company's business activities, together with the factors likely to affect its future development and position are set out in the Strategic Report.

The company is expected to continue to generate positive operating cash flows for the foreseeable future. On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future and have therefore adopted the going concern assumption as a basis of accounting in preparing the financial statements.

Directors' report (continued)

Financial risk management

Potential risks affecting the performance and financial position of the company are set out in the Strategic Report.

Political contributions

No political contributions were made by the company during the year.

Disabled employees

voestalpine Metsec Plc has an established policy of encouraging the employment of disabled persons wherever this is practicable. The company endeavors to ensure that disabled employees benefit from training and career development programmes in common with all employees. Employees who become disabled during their working life will be retained in employment wherever possible, and will be given help with any necessary rehabilitation and retraining.

Employee consultation

Communication with employees is effected through information bulletins, by briefing meetings conducted by senior management and by employee representation on works councils. Briefing meetings and councils enable senior management to consult employees and to ascertain their views on matters likely to affect their interest.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP are deemed to be re-appointed under s487 (2) of the Companies Act 2006.

By order of the board



N A Richardson
Director

Date: 22nd September 2017

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of voestalpine Metsec Plc

We have audited the financial statements of voestalpine Metsec Plc for the year ended 31 March 2017 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

Opinion on other matter 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.

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 any material misstatements in the Strategic Report and the Directors' Report.

voestalpine Metsec Plc

Independent auditor's report to the members of voestalpine Metsec Plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report 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.



Peter Gallimore FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
Date: 22nd September 2017

voestalpine Metsec Plc

Profit and loss account For the year ended 31st March 2017

	Note	2017 £'000	2016 £'000
Turnover	3	91,869	89,427
Cost of sales		(57,088)	(59,774)
Gross profit		<u>34,781</u>	<u>29,653</u>
Distribution costs		(5,520)	(4,962)
Administrative expenses		(8,619)	(6,584)
Operating profit	4	<u>20,642</u>	<u>18,107</u>
Finance costs (net)	7,21	(56)	(122)
Profit before taxation		<u>20,586</u>	<u>17,985</u>
Taxation on profit	8	(4,462)	(2,996)
Profit for the financial year		<u><u>16,124</u></u>	<u><u>14,989</u></u>

Turnover and operating profit derive from continuing operations in both periods.

There is no difference between the profit before taxation and the result for the year stated above and their historical cost equivalents other than the depreciation on revalued element of buildings of £30,000 (2016: £30,000).

**Statement of comprehensive income
For the year ended 31st March 2017**

	Note	2017 £'000	2016 £'000
Profit for the financial year		16,124	14,989
Actuarial (loss)/ gain on the pension scheme during the year	21	(1,145)	464
Deferred tax relating to actuarial gain		195	(84)
Impact of change in tax rate on the pension liabilities		24	36
		<u> </u>	<u> </u>
Other comprehensive income		(926)	416
		<u> </u>	<u> </u>
Total comprehensive income		<u>15,198</u>	<u>15,405</u>

**Note of historical cost profits and losses
For the year ended 31st March 2017**

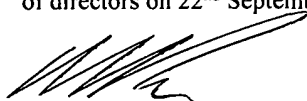
	Note	2017 £'000	2016 £'000
Reported profit on ordinary activities before taxation		20,586	17,985
Difference between an historical cost depreciation charge and the actual charge on the revalued amount		30	30
		<u> </u>	<u> </u>
Historical profit on ordinary activities before taxation		<u>20,616</u>	<u>18,015</u>
Historical profit for the period retained after taxation		<u>16,154</u>	<u>15,019</u>

voestalpine Metsec Plc

Balance sheet As at 31st March 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	18,114	17,221
Investments	12	-	-
		<u>18,114</u>	<u>17,221</u>
Current assets			
Stocks	13	5,142	3,829
Debtors	14	37,360	33,479
Cash at bank and in hand		460	430
Retirement benefit surplus (net)	21	1,269	2,333
		<u>44,231</u>	<u>40,071</u>
Creditors: amounts falling due within one year	15	(28,358)	(24,934)
Net current assets		<u>15,873</u>	<u>15,137</u>
Total assets less current liabilities		<u>33,987</u>	<u>32,358</u>
Provisions for liabilities	16	(518)	(311)
Net assets		<u><u>33,469</u></u>	<u><u>32,047</u></u>
Capital and reserves			
Called up share capital	18	1,583	1,583
Share premium account	19	788	788
Revaluation reserve	19	1,665	1,695
Profit and loss account	19	29,433	27,981
		<u>33,469</u>	<u>32,047</u>
Shareholders' funds		<u><u>33,469</u></u>	<u><u>32,047</u></u>

These financial statements of voestalpine Metsec Plc, registered number: 1551970 were approved by the board of directors on 22nd September 2017 and were signed on its behalf by:



N A Richardson

Director

Date: 22nd September 2017

Statement of changes in equity
For the year ended 31st March 2017

	Called share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit loss account £'000	Total £'000
At 31 March 2015	1,583	788	1,725	22,634	26,730
Retained profit/loss for the financial year	-	-	-	14,989	14,989
Actuarial gain recognised in the pension scheme during the year	-	-	-	464	464
Movement on deferred tax relating to actuarial gain in the pension scheme	-	-	-	(84)	(84)
Impact of change in tax rate on the pension liabilities	-	-	-	36	36
Total comprehensive income	-	-	-	15,405	15,405
Dividends paid on equity shares	-	-	-	(10,088)	(10,088)
Transfer	-	-	(30)	30	-
At 31 March 2016	1,583	788	1,695	27,981	32,047
Retained profit for the financial year	-	-	-	16,124	16,124
Actuarial (loss)/gain recognised in the pension scheme during the year	-	-	-	(1,145)	(1,145)
Movement on deferred tax relating to actuarial gain in the pension scheme	-	-	-	195	195
Impact of change in tax rate on the pension liabilities	-	-	-	24	24
Total comprehensive income	-	-	-	15,198	15,198
Dividends paid on equity shares	-	-	-	(13,776)	(13,776)
Transfer	-	-	(30)	30	-
At 31st March 2017	1,583	788	1,665	29,433	33,469

voestalpine Metsec Plc

Notes to the financial statements Year ended 31st March 2017

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

voestalpine Metsec Plc is a company incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is given on page 5. The nature of the company's operations and its principal activities are set out in the strategic report on pages 3 to 5.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company has early adopted FRS 102 and its effective date of transition was 1 April 2012.

The functional currency of voestalpine Metsec Plc is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

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

Going concern

The company's business activities, together with the factors likely to affect its future development and position are set out in the Business Review section of the Strategic Report on page 3. The company is expected to continue to generate positive operating cash flows for the foreseeable future. On the basis of their assessment of the company's financial position, the company's directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future and have therefore adopted the going concern assumption as a basis of accounting in preparing the financial statements.

Goodwill

Goodwill, which represents the excess of the fair value of the consideration for the trade and assets of subsidiaries over the fair values of the assets acquired, is capitalised and stated at historical cost less provisions for amortisation and impairment.

Amortisation of goodwill is provided from the date of acquisition so as to write off the goodwill, on a straight line basis over the term of its useful economic life.

Notes to the financial statements (continued)

Year ended 31st March 2017

1. Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost orion, net of depreciation and any provision for impairment. Depreciation is provided to write off on a straight line basis the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	maximum of 2% per annum
Leasehold land and buildings	term of lease
Plant and machinery	7.5% to 20% per annum
Fixtures and fittings	33.3% per annum

No depreciation is provided on freehold land. Interest and other financial costs are not capitalised.

The company has previously applied the transitional rules contained in FRS 15 to retain the book value of fixed assets at their previously revalued amounts, with the surplus on book value being recognised as revaluation reserve. No further revaluations will be undertaken.

Impairment of assets

The company undertakes a review for impairment of a fixed asset if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of the net realisable value and value in use, the fixed asset is written down to its recoverable amount. The value in use is determined from estimated discounted future cash flows.

Fixed asset investments

Fixed asset investments are stated at cost less any provision necessary for permanent diminution in value.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses are included in the profit and loss account.

Grants

Capital based grants are included with accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Notes to the financial statements (continued)

Year ended 31st March 2017

1. Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit or loss and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

The pension scheme surplus (to the extent that is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of comprehensive income, actuarial gains and losses.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

voestalpine Metsec Plc

Notes to the financial statements (continued)

Year ended 31st March 2017

1. Accounting policies (continued)

Financial Instruments (continued)

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss. Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and estimated selling price less cost to sell, which is equivalent to the net realisable value. Provision is made for obsolete, slow moving or defective items. Cost is calculated as follows:

- raw materials and bought out parts purchase price, and
- work in progress and finished goods, raw material cost plus direct labour and an appropriate proportion of manufacturing overheads

Taxation

The charge for taxation is based on the profit for the year.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, without discounting, in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Notes to the financial statements (continued)

Year ended 31st March 2017

1. Accounting policies (continued)

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods delivered, and is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

Recognition of assets and liabilities

Where a contract is entered into which transfers substantially, all of the risks and rewards associated with an asset to a third party in exchange for an advance on the settlement value of that asset, the asset and the associated liability resulting from the advance are presented in the accounts on a net basis.

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet this criteria are disclosed in the notes to the financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods

Critical judgements in applying the Company's accounting policies

- a) Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives.

Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness.

Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of comprehensive income in specific periods.

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Notes to the financial statements (continued)

Year ended 31st March 2017

3. Turnover

The directors are of the opinion that only one major class of business is being undertaken, namely that of manufacturing structural components and roll formed section. The origin of almost all the company's trading is the United Kingdom.

An analysis of the Company's turnover by geographical market is set out below:

	2017 £'000	2016 £'000
Geographical analysis by destination		
United Kingdom	90,399	86,467
Rest of Europe	1,136	1,150
Other	334	1,810
	<u>91,869</u>	<u>89,427</u>

4. Operating profit

	2017 £'000	2016 £'000
Operating profit is stated after charging/(crediting)		
Depreciation of owned assets	2,231	2,494
Operating lease of equipment	157	160
	<u> </u>	<u> </u>
Rentals under operating leases		
-Plants and vehicles	350	387
	<u> </u>	<u> </u>
(Profit)/Loss on disposal of fixed assets	-	(15)
	<u> </u>	<u> </u>
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	42	41
	<u> </u>	<u> </u>

Fees payable to the company's auditor includes the audit fee for the company's intermediate parent company, Voest Alpine Krems UK Plc of £3,000 (2016: £3,000) which was borne by the company.

	2017 £'000	2016 £'000
Fees payable to the company's auditor and its associates for other services to the company (taxation compliance services)	-	8
	<u> </u>	<u> </u>

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Notes to the financial statements (continued) Year ended 31st March 2017

5. Staff numbers and costs

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

	Number of employees	
	2017	2016
Production	237	238
Sales and distribution	36	36
Administration	97	89
	<u>370</u>	<u>363</u>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£'000	£'000
Wages and salaries	13,407	12,532
Social security costs	1,388	1,153
Other pension costs (note 21)	702	678
	<u>15,497</u>	<u>14,363</u>

6. Remuneration of directors

	2017	2016
	£'000	£'000
Directors' emoluments	583	553
Company contributions to money purchase pension schemes	20	34
	<u>603</u>	<u>587</u>

None of the directors is a member of the group defined benefit scheme (2016: None), and three directors are members of the money purchase scheme (2016: three).

	2017	2016
	£'000	£'000
Highest paid director		
Directors' emoluments	256	242
Contributions to money purchase pension scheme	<u>5</u>	<u>15</u>

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Notes to the financial statements (continued) Year ended 31st March 2017

7. Finance costs (net)

	2017 £'000	2016 £'000
Interest receivable on amounts from group undertakings	92	98
Interest payable and similar charges on bank loans and overdrafts	(229)	(278)
Other finance income – (Note 21)	81	58
	<u>(56)</u>	<u>(122)</u>

8. Taxation

	2017 £'000	2016 £'000
Analysis of charge in year		
UK corporation tax		
Current tax on income for the year	4,209	3,793
Adjustment in respect of prior years	(149)	(576)
Total current tax	<u>4,060</u>	<u>3,217</u>
Deferred tax (note 16)		
Origination/reversal of timing differences	56	(132)
Adjustment in respect of prior years	385	73
Effect of rate change	(39)	(162)
Total deferred tax	<u>402</u>	<u>(221)</u>
Tax on profit on ordinary activities	<u>4,462</u>	<u>2,996</u>

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Notes to the financial statements (continued)

Year ended 31st March 2017

8. Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2016: lower) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	20,586	17,985
Current tax at 20% (2016: 20%)	4,117	3,597
Effects of:		
Expenses not deductible for tax purposes	109	45
Effect of change in tax law	-	3
Adjustment in respect of prior years	236	(649)
Total tax charge	4,462	2,996

The standard rate of tax applied to the reported profit on ordinary activities is 20% (2016: 20%). The applicable tax rate changed to 20% from 1 April 2015. From 1 April 2017, the standard rate of corporation tax reduced to 19% and from 1 April 2010 to 18%.

9. Dividends

The aggregate amount of dividends comprises:

	2017 £'000	2016 £'000
Dividends paid (£8.70 dividend per share (2016: £6.37))	13,776	10,088

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Notes to the financial statements (continued) Year ended 31st March 2017

10. Intangible fixed assets

	Goodwill £'000
Cost	
At 31 March 2017 and at 31 March 2016	115
Accumulated amortisation	
At 31 March 2017 and at 31 March 2016	115
Net book amount	
At 31 March 2017 and at 31 March 2016	-

11. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At beginning of year	16,339	25,977	6,927	49,243
Additions	19	-	3,105	3,124
Reclassifications	309	3,437	(3,746)	-
At end of year	16,667	29,414	6,286	52,367
At cost	11,241	29,414	6,286	46,941
At open market valuation in 1990	5,426	-	-	5,426
	16,667	29,414	6,286	52,367
Depreciation				
At beginning of year	7,663	19,820	4,539	32,022
Charge for the year	457	1,356	418	2,231
At end of year	8,120	21,176	4,957	34,253
Net book value				
At 31 March 2017	8,547	8,238	1,329	18,114
At 31 March 2016	8,676	6,157	2,388	17,221

The net book value of land and buildings comprises freehold properties of £8,547,000 (2016: £8,676,000) and long leaseholds of £nil (2016: £nil).

Prior to the adoption of FRS 15 (Tangible fixed assets) on 31 March 2000 it was company policy to revalue its freehold land and buildings. Freehold land and buildings were revalued in 1990 on the basis of open market values for existing use. The transitional provisions in FRS 15 have been applied and previous revaluations have been retained. From 31 March 2000 it is company policy not to revalue its fixed assets.

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Notes to the financial statements (continued)

Year ended 31st March 2017

11. Tangible fixed assets (continued)

If freehold land and buildings had not been revalued, total land and buildings, including those which have not been subject to revaluation, would have been included on a historic cost basis at the following amounts:

	2017 £'000	2016 £'000
Cost	14,523	14,195
Accumulated depreciation	(7,641)	(7,214)
Historical cost value	<u>6,882</u>	<u>6,981</u>

12. Investments

Analysis of investments

The value of investments held by the company is £nil (2016: £nil).

Details of the subsidiaries are:

	Proportion of ordinary shares	Country of incorporation	Nature of business
Metal Sections Limited	100%	England	Non trading

13. Stocks

	2017 £'000	2016 £'000
Raw materials	2,921	2,160
Work in progress and finished goods	2,221	1,669
	<u>5,142</u>	<u>3,829</u>

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

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Notes to the financial statements (continued)

Year ended 31st March 2017

14. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	1,760	1,191
Amounts due from group undertakings	35,018	31,918
Prepayments and accrued income	582	370
	<u>37,360</u>	<u>33,479</u>

Amounts owed by group undertakings are unsecured and have no fixed date of repayment.

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	18,367	15,285
Amounts owed to group undertakings	329	210
Corporation tax	1,403	1,207
Social security costs and other taxes	1,793	1,924
Other creditors	1,403	1,204
Accruals and deferred income	5,063	5,104
	<u>28,358</u>	<u>24,934</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

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Notes to the financial statements (continued) Year ended 31st March 2017

16. Provision for liabilities

	Deferred tax liability on pension assets £'000	Other deferred taxation £'000	Total £'000
At beginning of year	(420)	109	(311)
(Charge) to profit and loss account for the year	(15)	(411)	(426)
Recognised in the statement of comprehensive income	219	-	219
	<u>(216)</u>	<u>(302)</u>	<u>(518)</u>
		2017 Provided £'000	2016 Provided £'000
Capital allowances in excess of depreciation		311	268
Short term timing differences		(9)	(377)
		<u>302</u>	<u>(109)</u>

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Notes to the financial statements (continued) Year ended 31st March 2017

17. Financial instruments

The carrying values of the company's financial assets and liabilities are summarised by category below:

	2017 £'000	2016 £'000
Financial assets		
Measured at undiscounted amount receivable		
Trade and other debtors (see note 14)	1,760	1,191
Amounts due from group undertakings (see note 14)	35,018	31,918
	<u>36,778</u>	<u>33,109</u>
Financial liabilities		
Measured at undiscounted amount payable		
Trade and other creditors (see note 15)	19,770	16,489
Amounts owed to group undertakings (see note 15)	329	210
	<u>20,099</u>	<u>16,699</u>

The company's income, expense, gains and losses in respect of financial instruments are summarized below:

	2017 £'000	2016 £'000
Interest income and expense		
Total interest income for financial assets at amortised cost (note 7)	92	98
Total interest expense for financial liabilities at amortised cost (note 7)	<u>(229)</u>	<u>(278)</u>

18. Called up share capital

	2017 £'000	2016 £'000
Called up, allotted and fully paid		
Ordinary shares of £1 each	<u>1,583</u>	<u>1,583</u>

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Notes to the financial statements (continued) Year ended 31st March 2017

19. Share premium and reserves

	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000
At beginning of year	788	1,695	27,981
Retained profit for the financial year	-	-	16,124
Dividends paid (note 9)	-	-	(13,776)
Transfers	-	(30)	30
Actuarial gain on the pension scheme during the year	-	-	(1,145)
Movement on deferred tax relating to actuarial loss in the pension scheme	-	-	195
Impact of change in tax rate on the pension liabilities	-	-	24
	<u>788</u>	<u>1,665</u>	<u>29,433</u>

20. Financial commitments

a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2017 £'000	2016 £'000
Contracted	<u>411</u>	<u>1,552</u>

b) At 31 March 2017, the company had total commitments under operating leases which expire as follows:

	Land and buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Leases which expire:				
Within one year	-	-	120	57
Within two to five years	-	-	182	257
	<u>-</u>	<u>-</u>	<u>302</u>	<u>314</u>

21. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £702,000 (2016: £678,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The company operates the Metal Sections Pension Scheme (1982), a defined benefit pension scheme providing benefits based on final pensionable pay. The scheme was closed to accrual from 30 June 2013. The latest full actuarial valuations was carried out at 5 April 2016 by a qualified independent actuary (JLT Benefit Solutions Ltd) and updated on an approximate basis to 31 March 2017.

The contributions made by the employer over the financial year have been £nil (2016: £nil).

No additional contributions in respect of benefit augmentations or lump sums were paid either in 2017 or 2016.

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Notes to the financial statements (continued) Year ended 31st March 2017

21. Pension commitments (continued)

The major assumptions used by the actuary were:	2017 %	2016 %	2015 %
Rate of discount	2.60%	3.50%	3.20%
Inflation (RPI)	3.40%	3.00%	3.10%
Inflation (CPI)	2.30%	1.90%	2.00%
Salary increases	n/a	n/a	n/a
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.30%	1.90%	2.00%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.20%	3.00%	3.10%
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	2.20%	2.50%	2.50%
Allowance for pension in payment increases of CPI or 5% p.a. if less	n/a	n/a	n/a
Allowance for pension in payment increases of CPI or 2.5% p.a. if less	n/a	n/a	n/a
Allowance for communication of pension for cash at retirement	75% of Post	75% of Post	75% of Post

Mortality assumptions:	Valuation at 2017	Valuation At 2016
Mortality before retirement	No allowance	No allowance
Retiring after retirement:	125% of S2Px A	125% of S1Px A
Base table	CMI_2015	CMI_2014
Improvement allowance	(1.00%)	(1.00%)

Notes to the financial statements (continued)
Year ended 31st March 2017

21. Pension commitments (continued)

The assets in the scheme as at 31st March 2017 are:

	Value at 31 March 2017 £'000	Value at 31 March 2016 £'000	Value at 31 March 2015 £'000
Equities	7,324	5,045	3,866
Bonds	28,427	25,380	28,408
Property	-	1,606	1,448
Cash	200	173	242
Total market value of assets	35,951	32,204	33,964
Present value of scheme liabilities	(34,682)	(29,871)	(32,153)
Surplus in scheme	1,269	2,333	1,811
Related deferred tax (liability)	(216)	(420)	(362)
Recognised Surplus in scheme	1,053	1,913	1,449
Movement in present value of defined benefit obligation		2017 £'000	2016 £'000
At beginning of year		29,871	32,153
Interest cost		1,024	1,006
Actuarial loss/(gain)		5,032	(1,823)
Benefits paid		(1,245)	(1,465)
At end of year		34,682	29,871
Movement in the fair value of plan assets:		2017 £'000	2016 £'000
At beginning of year		32,204	33,964
Expected return on plan assets		1,105	1,064
Actuarial gains/(losses)		3,887	(1,359)
Benefits paid		(1,245)	(1,465)
At end of year		35,951	32,204
Analysis of amount (credited)/charged to operating profit		2017 £'000	2016 £'000
Current service costs		-	-
Curtailment		-	-
Analysis of amount (credited)/charged to other finance income		2017 £'000	2016 £'000
Interest on pension scheme assets		1,105	1,064
Interest on pension scheme liabilities		(1,024)	(1,006)
		81	58

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Notes to the financial statements (continued) Year ended 31st March 2017

21. Pension commitments (continued)

Analysis of amount recognised in the statement of comprehensive income	2017 £'000	2016 £'000
Actual return less expected return on pension scheme assets	3,887	(1,359)
Experience gains and losses arising on the scheme liabilities	(496)	278
Changes in financial assumptions underlying the scheme liabilities	(4536)	1,545
Actuarial (loss)/gain recognised in statement of comprehensive income	(1,145)	464
	2017 £'000	2016 £'000
Surplus as at 31 March	2,333	1,811
Other finance income	81	58
Actuarial (loss)/gain	(1,145)	464
Surplus as at 31 March	1,269	2,333

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Notes to the financial statements (continued)

Year ended 31st March 2017

21. Pension commitments (continued)

History of experience gains and losses

	2017	2016	2015	2014	2013
Difference between expected and actual return on scheme assets					
Amount (£'000)	3,887	(1,359)	3,906	(702)	2,043
Percentage of schemes assets	11%	(4%)	12%	(2%)	7%
Experience gains and losses on scheme liabilities					
Amount (£'000)	(496)	278	(331)	634	(368)
Percentage of the present value of schemes liabilities	(1%)	1%	(1%)	2%	(1%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount (£'000)	(4536)	1,545	(3,439)	1,249	3,205
Percentage of present value of scheme's liabilities	(13%)	5%	(11%)	4%	10%
Total amount recognised in statement of comprehensive income					
Amount (£'000)	(1,145)	464	136	1,181	4,880
Percentage of the present value of schemes liabilities	(3%)	2%	0%	4%	16%

22. Related party transactions

The total remuneration for key management personnel for the period totaled £605,000 (2016: £587,000), being remuneration disclosed in note 6.

23. Ultimate parent company

The immediate parent undertaking is Voest Alpine Krems UK Plc, a company incorporated in England and Wales. The ultimate parent undertaking and controlling party is voestalpine AG, a company incorporated in Austria. Voestalpine AG is the parent undertaking and the controlling party of the smallest and largest group to consolidate these financial statements. Copies of the voestalpine AG consolidated financial statements can be obtained from the Company Secretary of voestalpine Metsec Plc, Broadwell Road, Oldbury, Warley, West Midlands, B69 4HF.