

Company registration number 03888553 (England and Wales)

OFFSHORE STAINLESS SUPPLIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

OFFSHORE STAINLESS SUPPLIES LIMITED

COMPANY INFORMATION

Directors
I P Griffiths
D McKinley
R Pattenden
D Rose
W J Morrissey

Company number 03888553

Registered office
Unit 8
Walker Industrial Park
Guide
Blackburn
BB1 2QE

Auditor
Champion Accountants LLP
1 Worsley Court
High Street
Worsley
Manchester
M28 3NJ

OFFSHORE STAINLESS SUPPLIES LIMITED

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OFFSHORE STAINLESS SUPPLIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

Offshore Stainless Supplies Limited has flourished since it was established in 1989. Today we are recognised as the quality standard in cold drawn bar and are a reliable partner to all our customers. We operate a 50,000 sq ft manufacturing site in Brownhills, where we cold draw and de-coil sheet products. In 2021 we invested in a brand new 38,000 sq ft distribution centre in Burntwood 2 miles from our Brownhills site. We have utilised this site throughout 2022 to enable us to extend our product range and reduce our lead times.

There have not been any significant changes to the company's principal activities during the year under review. The Directors are not aware, at the date of this report, of any likely changes to the principal activities in the next year.

Turnover for the year amounted to £24.7m (2021: £18.9m), illustrating the additional capacity of the new site and strategic growth.

The directors continue to focus on both turnover growth and maintaining profitability levels and are confident that growth will be achieved from continually seeking to increase market share, maintaining existing contracts and customers, in addition to securing new opportunities.

The reported gross profit margin has increased from 30.3% to 40.2%, due to effective cost management and appropriate price negotiations.

Distribution costs have increased by £0.4m due to additional costs associated with the new distribution centre alongside the increased cost of gas and electricity.

As expected administrative expenses have increased by £0.5m, principally due to increased wage costs as the company now operates fully from 2 sites on a larger scale.

Due to effective management of costs despite challenging economic pressures, the directors are pleased that the company has maintained consistent profitability, reporting a profit before tax of £5.8m (2021: £2.9m).

The company's net asset position of the company remains extremely strong at £13.2m (2021: £8.5m). The directors are of the opinion that this places the company in a good financial position and are confident that they will continue to build the company's resources to further strengthen this position.

OFFSHORE STAINLESS SUPPLIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

The company uses various financial instruments including bank loans, invoice discounting facilities, finance leases and hire purchase contracts, together with other items, such as debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The directors review and agree policies for managing these risks. These policies have remained unchanged from previous years.

Liquidity Risk

The company seeks to manage financial risk by ensuring liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by an invoice discounting facility.

Interest rate risk

The company finances its operations through a combination of retained profits, bank loans, invoice discounting facilities, finance leases and hire purchase contracts. The company exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Foreign currency risk

The company principal foreign currency exposures arise from trading with overseas companies. Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling.

Credit risk

The principal credit risk arises from the company's trade debtors.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Key performance indicators

The company reviews and monitors its performance against a number of key performance indicators both financial and non-financial. The principal measures include revenue growth, maintaining service levels, improvement of gross margins and EBITDA. These are reviewed by the management team and reported to the Board on a monthly basis.

The directors have and will continue to monitor all of the KPI's and daily operating controls and maintain a strong focus on increasing performance in all aspects of the business.

The main KPI's and corresponding results are as follows:

	2022	2021	
Revenue Growth %	30.5%	44.4%	
Gross profit %	40.2%	30.3%	
EBITDA	£6.6m	£3.3m	
Net current assets	£12.3m	£8.0m	
Net assets	£13.2m	£8.5m	

Revenue growth has again been achieved this year as the company continues its strong relationships with existing customers whilst also building relationships with new customers.

Gross profit margin has increased significantly in the current year as the directors continue to strongly manage costs and increases are passed on to customers.

The increase in net current assets, highlights the company's increased liquidity which has been achieved during 2022.

The increase in the total net assets position, illustrates the company's improving financial stability.

OFFSHORE STAINLESS SUPPLIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Other information and explanations

The directors will continue to develop the company as one of the leading manufacturing and stockholder of cold-drawn bar Stainless Steel and Nickel Alloy Bars in the UK. By offering a wide range of cold-drawn products, the company has expanded its customer base range across all industries. The directors strive to continue to develop new opportunities and offerings to customers in the UK and Worldwide.

Continuous investment in plant and machinery ensures extensive customer needs are catered for.

The company has sufficient financial resources in place to execute its strategy and continue to develop for the future.

On behalf of the board

I P Griffiths

Director

24 August 2023

OFFSHORE STAINLESS SUPPLIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

The principal activity of the company continued to be that of the supply of stainless steel bar and sheet.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

I P Griffiths

C M Joyce

(Resigned 5 December 2022)

D McKinley

R Pattenden

D Rose

W J Morrissey

Auditor

Champion Accountants LLP were appointed as auditor to the company and deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

OFFSHORE STAINLESS SUPPLIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

On behalf of the board

I P Griffiths
Director

24 August 2023

OFFSHORE STAINLESS SUPPLIES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF OFFSHORE STAINLESS SUPPLIES LIMITED

Opinion

We have audited the financial statements of Offshore Stainless Supplies Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

OFFSHORE STAINLESS SUPPLIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF OFFSHORE STAINLESS SUPPLIES LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

OFFSHORE STAINLESS SUPPLIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF OFFSHORE STAINLESS SUPPLIES LIMITED

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

As part of our planning process:

- We enquired of management the systems and controls the company has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud.
- We obtained an understanding of the legal and regulatory frameworks applicable to the company. We determined that the following were most relevant: FRS 102, Companies Act 2006 & GDPR.
- We considered the incentives and opportunities that exist in the company, including the extent of management bias, which present a potential for irregularities and fraud to be perpetuated, and tailored our risk assessment accordingly.
- Using our knowledge of the company, together with the discussions held with the company at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities including fraud and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Identifying and testing journal entries and the overall accounting records, in particular those that were significant and unusual.
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.
- Reviewing and challenging the assumptions and judgements used by management in their significant accounting estimates, in particular in relation to related parties & cut-off.
- Assessing the extent of compliance, or lack of, with the relevant laws and regulations.
- Performing a physical verification of key assets.
- Obtaining third-party confirmation of material bank balances.
- Documenting and verifying all significant related party balances and transactions.

There are inherent limitations in the audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

OFFSHORE STAINLESS SUPPLIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF OFFSHORE STAINLESS SUPPLIES LIMITED

Use of our report

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

Mark Turner FCA

Senior Statutory Auditor

For and on behalf of Champion Accountants LLP

24 August 2023

Chartered Accountants

Statutory Auditor

1 Worsley Court
High Street
Worsley
Manchester
M28 3NJ

OFFSHORE STAINLESS SUPPLIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	24,662,252	18,897,795
Cost of sales		(14,746,723)	(13,163,908)
Gross profit		9,915,529	5,733,887
Distribution costs		(1,850,519)	(1,433,714)
Administrative expenses		(1,743,339)	(1,187,966)
Other operating income		6,380	6,380
Operating profit	4	6,328,051	3,118,587
Interest receivable and similar income	7	-	265
Interest payable and similar expenses	8	(547,370)	(200,591)
Profit before taxation		5,780,681	2,918,261
Tax on profit	9	(1,094,563)	(645,455)
Profit for the financial year		4,686,118	2,272,806

The profit and loss account has been prepared on the basis that all operations are continuing operations.

OFFSHORE STAINLESS SUPPLIES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Tangible assets	11		2,702,603		2,427,290
Current assets					
Stocks	12	11,238,115		6,101,406	
Debtors	13	12,583,744		8,841,246	
Cash at bank and in hand		456,011		1,714,181	
		<u>24,277,870</u>		<u>16,656,833</u>	
Creditors: amounts falling due within one year	14	<u>(12,000,731)</u>		<u>(8,679,475)</u>	
Net current assets			<u>12,277,139</u>		<u>7,977,358</u>
Total assets less current liabilities			<u>14,979,742</u>		<u>10,404,648</u>
Creditors: amounts falling due after more than one year	15		<u>(1,139,427)</u>		<u>(1,328,524)</u>
Provisions for liabilities					
Deferred tax liability	18	<u>609,226</u>		<u>531,153</u>	
			<u>(609,226)</u>		<u>(531,153)</u>
Net assets			<u><u>13,231,089</u></u>		<u><u>8,544,971</u></u>
Capital and reserves					
Called up share capital	21		10,000		10,000
Profit and loss reserves			<u>13,221,089</u>		<u>8,534,971</u>
Total equity			<u><u>13,231,089</u></u>		<u><u>8,544,971</u></u>

The financial statements were approved by the board of directors and authorised for issue on 24 August 2023 and are signed on its behalf by:

I P Griffiths
Director

Company Registration No. 03888553

OFFSHORE STAINLESS SUPPLIES LIMITED

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

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 January 2021		10,000	6,314,415	6,324,415
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	2,272,806	2,272,806
Dividends	10	-	(52,250)	(52,250)
Balance at 31 December 2021		10,000	8,534,971	8,544,971
Year ended 31 December 2022:				
Profit and total comprehensive income for the year		-	4,686,118	4,686,118
Balance at 31 December 2022		10,000	13,221,089	13,231,089

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Offshore Stainless Supplies Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 8, Walker Industrial Park, Guide, Blackburn, BB1 2QE.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The results of Offshore Stainless Supplies Limited are included in the consolidated financial statements of Steel Dynamics Group Limited. These consolidated financial statements are available on request from the group's registered office: Units 10 & 11, Walker Industrial Park, Guide, Blackburn, Lancashire, BB1 2QE.

1.2 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.3 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	5% - 15% p.a. straight line
Fixtures and fittings	20% p.a. straight line
Motor vehicles	25% p.a. reducing balance

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.4 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.5 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful economic lives taking into account residual values, where appropriate. The actual lives of the tangible fixed assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, all relevant known factors are taken to account but there is inherent uncertainty present in making this assessment.

Stock provision

The company considers it necessary to evaluate the recoverability of the cost stock. The stock levels are constantly reviewed and should there be an indication of obsolescence, the stock is written down to its assessed net realisable value.

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by class of business	24,662,252	18,897,795

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover and other revenue (Continued)

	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	21,155,997	15,855,131
Export	3,506,255	3,042,664
	<u>24,662,252</u>	<u>18,897,795</u>
	2022 £	2021 £
Other revenue		
Interest income	-	265
Grants received	6,380	6,380
	<u>6,380</u>	<u>6,380</u>

4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	14,125	(28,541)
Government grants	(6,380)	(6,380)
Fees payable to the company's auditor for the audit of the company's financial statements	13,000	12,500
Depreciation of owned tangible fixed assets	67,831	16,912
Depreciation of tangible fixed assets held under finance leases	150,111	187,181
Loss on disposal of tangible fixed assets	2,159	-
Operating lease charges	376,607	204,588
	<u>376,607</u>	<u>204,588</u>

Government grants received relates to the annual release of historic fixed asset Government Grants.

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Production and warehouse	32	26
Sales and administration	11	16
Directors	-	1
	<u>43</u>	<u>43</u>
Total	43	43

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Employees (Continued)

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	1,481,657	1,161,427
Social security costs	141,877	97,124
Pension costs	28,932	52,359
	<u>1,652,466</u>	<u>1,310,910</u>

6 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	-	5,550
Company pension contributions to defined contribution schemes	-	12,000
	<u>-</u>	<u>17,550</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2021 - 1).

7 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Other interest income	-	265
	<u>-</u>	<u>265</u>

8 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and loans	37,690	19,161
Interest on invoice finance arrangements	399,640	137,393
Interest on finance leases and hire purchase contracts	99,759	44,037
Other interest	10,281	-
	<u>547,370</u>	<u>200,591</u>

9 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	1,016,490	579,087
Adjustments in respect of prior periods	-	(36,123)
	<u>1,016,490</u>	<u>542,964</u>

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Taxation (Continued)

	2022 £	2021 £
Deferred tax		
Origination and reversal of timing differences	78,073	102,491
	<u>78,073</u>	<u>102,491</u>
Total tax charge	1,094,563	645,455
	<u>1,094,563</u>	<u>645,455</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	5,780,681	2,918,261
	<u>5,780,681</u>	<u>2,918,261</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	1,098,329	554,470
Tax effect of expenses that are not deductible in determining taxable profit	6,608	226
Tax effect of income not taxable in determining taxable profit	(1,212)	-
Effect of change in corporation tax rate	18,739	128,053
Permanent capital allowances in excess of depreciation	(27,901)	(1,171)
Under/(over) provided in prior years	-	(36,123)
	<u>1,094,563</u>	<u>645,455</u>
Taxation charge for the year	1,094,563	645,455
	<u>1,094,563</u>	<u>645,455</u>

Deferred tax has been recognised at a rate of 25%. In October 2022, the government announced an increase in the corporation tax main rate from 19% to 25% for companies with profit over £250,000. There is a small company rate of 19% for taxable profits under £50,000 and marginal relief available for profits falling between £50,000 - £250,000 with effect from 1 April 2023.

10 Dividends

	2022 £	2021 £
Final paid	-	52,250
	<u>-</u>	<u>52,250</u>

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2022	3,394,960	226,672	329,127	3,950,759
Additions	397,007	14,607	90,300	501,914
Disposals	-	-	(27,999)	(27,999)
At 31 December 2022	3,791,967	241,279	391,428	4,424,674
Depreciation and impairment				
At 1 January 2022	1,119,559	168,138	235,772	1,523,469
Depreciation charged in the year	152,077	20,896	44,969	217,942
Eliminated in respect of disposals	-	-	(19,340)	(19,340)
At 31 December 2022	1,271,636	189,034	261,401	1,722,071
Carrying amount				
At 31 December 2022	2,520,331	52,245	130,027	2,702,603
At 31 December 2021	2,275,401	58,534	93,355	2,427,290

The company has entered into a hire purchase agreement with Close Brothers Asset Finance. Liabilities included within creditors totalling £944,067 (2021: £840,206) have been secured on certain plant and machinery and motor vehicles included within the net book value of £2,483,585 (2021: £2,368,756).

12 Stocks

	2022 £	2021 £
Raw materials and consumables	9,533,860	6,015,237
Work in progress	127,334	86,169
Finished goods and goods for resale	1,576,921	-
	11,238,115	6,101,406

13 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	4,638,685	4,686,331
Amounts owed by group undertakings	7,024,644	3,460,688
Other debtors	401,215	19,288
Prepayments and accrued income	519,200	674,939
	12,583,744	8,841,246

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Bank loans	16	150,000	150,000
Obligations under finance leases	17	266,170	129,592
Trade creditors		3,391,525	2,592,839
Amounts owed to group undertakings		323,385	253,525
Corporation tax		1,017,299	579,087
Other taxation and social security		227,922	617,885
Other creditors		6,486,695	4,301,977
Accruals and deferred income		137,735	54,570
		<u>12,000,731</u>	<u>8,679,475</u>

Bank loans are secured by a fixed and floating charge over the company assets.

Obligations under finance leases are secured against the assets to which they relate.

Other creditors includes £6,453,780 (2021: £4,228,691) in respect of an invoice discounting facility and a stock loan facility. The advances from these facilities are secured by fixed and floating charges over the assets of the company.

15 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Bank loans	16	375,436	525,436
Obligations under finance leases	17	677,897	710,614
Government grants	19	86,094	92,474
		<u>1,139,427</u>	<u>1,328,524</u>

Bank loans are secured by a fixed and floating charge over the company assets.

Obligations under finance leases are secured against the assets to which they relate.

16 Loans and overdrafts

	2022 £	2021 £
Bank loans	<u>525,436</u>	<u>675,436</u>
Payable within one year	150,000	150,000
Payable after one year	<u>375,436</u>	<u>525,436</u>

Bank loans are secured by a fixed and floating charge over the company assets.

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Finance lease obligations

	2022	2021
	£	£
Future minimum lease payments due under finance leases:		
Within one year	266,170	129,592
In two to five years	677,897	710,614
	<u>944,067</u>	<u>840,206</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022	Liabilities 2021
	£	£
Balances:		
Accelerated capital allowances	609,930	531,729
Retirement benefit obligations	(704)	(576)
	<u>609,226</u>	<u>531,153</u>
		2022
		£
Movements in the year:		
Liability at 1 January 2022		531,153
Charge to profit or loss		78,073
		<u>609,226</u>
Liability at 31 December 2022		

The deferred tax liability set out above relating to accelerated capital allowance is expected to reverse within future accounting periods.

19 Government grants

	2022	2021
	£	£
Arising from government grants	<u>86,094</u>	<u>92,474</u>

Government grants received during 2015 are being amortised in line with the depreciation policy of connected plant and machinery.

During the year £6,380 (2021: £6,380) has been released to the profit and loss.

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Retirement benefit schemes

	2022	2021
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	28,932	52,359

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

21 Share capital

	2022	2021	2022	2021
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary shares of £1 each	10,000	10,000	10,000	10,000

22 Financial commitments, guarantees and contingent liabilities

The company has entered into an unlimited cross guarantee in respect of deferred consideration payable by its parent company to the previous shareholders. At the balance sheet date the potential added liability for the company under these cross guarantees is £74,537 (2021: £1,670,764).

The company has entered into an unlimited cross guarantee covering the borrowings of certain fellow group companies in favour of Close Brothers Limited. At the balance sheet date the potential added liability for the company under these cross guarantees is £3,349,728 (2021: £6,549,000).

23 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	372,343	360,895
Between two and five years	966,438	1,338,780
	1,338,781	1,699,675

24 Related party transactions

OFFSHORE STAINLESS SUPPLIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

24 Related party transactions

(Continued)

The company has taken advantage of the exemption provided in Financial Reporting Standard 102 Section 33 from disclosing related party transactions with group companies.

During the year purchases of £1,260 (2021: £149,625) and sales of £193,069 (2021: £Nil) were made from and to P&P Non Ferrous (Stockists) Ltd, a related party by virtue of common control. At the year end £230,441 was due and included in other debtors (2021: £2,165 included in other creditors). This balance is unsecured, repayable on demand and non-interest bearing.

During the year sales of £154,722 (2021: £1,465) and purchases of £12,181 (2021: £872) were made to and from Bornmore (Metals) Limited, a related party by virtue of coming under common control during the year. At the year end £170,138 was included in other debtors (2021: £712 included in other creditors). This balance is unsecured, repayable on demand and non-interest bearing.

During the prior year, purchases of £120,534 were made from Hollyhouse Properties Limited, a related party by virtue of common control in 2021 only. At the prior year end, £2,280 was included in other creditors. This balance was unsecured, repayable on demand and non-interest bearing.

25 Directors' transactions

A company director has provided a personal guarantee in respect of bank borrowings up to £160,000 (2021: £250,000).

During the year, consultancy fees of £18,525 (2021: £6,650) have been paid to a director. No balance was owed at the year end (2021: £Nil).

The overdrawn directors loan account of £19,062 was repaid in full on 21 June 2022.

Description	% Rate	Opening balance £	Amounts repaid £	Closing balance £
Director loan account	2.00	19,062	(19,062)	-
		19,062	(19,062)	-

26 Ultimate controlling party

The immediate parent company is Offshore Stainless Supplies Holdings Limited, a company registered in England and Wales.

The ultimate parent company is Steel Dynamics Group Limited, a company registered in England and Wales.

Offshore Stainless Supplies Limited is consolidated into the Steel Dynamics Group Limited group's financial statements. Copies of these consolidated accounts can be obtained from the group's registered office upon request, Units 10 & 11 Walker Industrial Park, Guide, Blackburn, Lancashire, BB1 2QE.

The ultimate controlling party was deemed to be I P Griffiths by virtue of his majority shareholding in Steel Dynamics Group Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.