

thyssenkrupp Materials (UK) Limited

Annual report and financial statements

Registered number 645702

Year ended 30 September 2016

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Strategic report

The directors present their Strategic report on the company for the year ended 30 September 2016.

Review of the business

The Company's principal activities are the stockholding, distribution and first stage processing of aluminium, stainless steel, plastics and carbon steel. This is co-ordinated through three separate operating divisions stockholding, Aerospace and Trading.

Although underlying operational performance has seen an improvement (especially in the Aerospace division following previous year reorganisations), falling metal and Commodity prices have had a significant negative effect on the results in 2016.

The dramatic fall in Oil prices seen at the beginning of the year resulted in the majority of new investment in the Oil and Gas industry being withdrawn. As a result of this, the market for the Oil and Gas operation in Rotherham disappeared and the company took the decision to close the operation. The cost of this was £2,464K and is included in the Income statement.

The company has made a loss on ordinary before interest and tax of £4,327K (2015: Profit of £914K).

The result for the year includes a one off income statement cost of £3,356K and OCI gain of £1,037K as a result of de-sectionalising the pension scheme into thyssenkrupp UK Plc. This is part of the UK wide strategy for thyssenkrupp to centralise all pension schemes into thyssenkrupp UK Plc as detailed in note 20. This move will reduce volatility for the Company going forwards.

A further provision of £2,146K has been recognised in the year relating to an Inward Processing Relief (IPR) claim issued by HMRC relating to documentation issues from 2014 and 2015 following issue of a C18 tax demand issued in April 2017. The Company is in the process of disputing this claim. The company's Tax advisors have indicated that there is a very strong case but due to the uncertainty in the outcome of the dispute hearing a provision has been recognised. The increase in provisions in the year have been recognised in Cost of sales.

The balance sheet shows the company's financial position at the year end, where capital employed is under control despite the continuing issues with low metal prices and volatile foreign currency rates.

KPI's

The main key performance indicator by which the company manages its return on capital employed, which was 1.3% (2015:0.4%) for the year calculated using internal management statistics and an average of capital employed for the previous five quarters. Other secondary factors are tonnes sold, EBIT Margin, cost per tonne and gross profit per order.

Environment

thyssenkrupp Materials (UK) Ltd recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption. The company has attained the environmental standard BS EN ISO 14001:2004 as part of these responsibilities.

By order of the board



P Scarr
Company Secretary
30 June 2017

Directors' report

The directors present their report and the audited financial statements of the company for the year ended 30 September 2016.

This is the first year that the company has presented its results under FRS 101. The last financial statements under UK GAAP were for the year ended 30 September 2015. The date of transition to FRS 101 was 1 October 2014. The impact of this adoption is further explained in note 23.

Future developments

In line with the strategic aims of the thyssenkrupp Materials services business area of thyssenkrupp AG, the company is developing the business to take advantage of added value opportunities whilst looking for areas of consolidation to maximise operational efficiencies and leverage the volumes placed by thyssenkrupp Materials Limited globally in order to obtain the best possible terms and conditions. In this aim both the Materials and Aerospace divisions have announced restructuring projects in the year commencing 1st October 2016 to improve efficiency.

The company is continuing with its investment in plant and equipment and replacing commercial vehicles in accordance with long term investment plans. In this area the Aerospace Division is developing by installing new CNC capability to develop into new markets and the Stockholding division has invested in new saw capabilities to improve its service offering. Following the benefits of the successful commissioning of the slitting line in Whitton, the stockholding division will also continue the development of its processing capacity and efficiency.

Dividends

For the year ended 30th September 2016 no dividends will be paid. (2015: none).

Political donations and political expenditure

The company has not made any donations to a registered political party, other political organisation in the EU (including the UK) or any independent election candidate.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors, or from its customers moving abroad or purchasing from low cost economies. To manage this risk, the company strives to provide added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers.

Financial risk management

Price Risk

The Company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practical, such risk. The company manages some of these risks with hedging in aluminium and nickel (a compound of stainless steel), as well as currency, and further mitigates these risks by keeping stock levels low and by ensuring customer special stocks have back to back orders with our customers.

Credit Risk

In line with Group policies, the Company's main debtor balances are covered by credit insurance policies with major insurance companies significantly reducing the potential exposure.

Foreign Currency Risk

The Company buys and sells products from and into international markets and it is therefore exposed to currency movements on such transactions. Where appropriate, this risk is managed with forward foreign exchange contracts in line with thyssenkrupp AG's treasury policies. With the fair value revaluation of open currency contracts this can lead to large currency movements with market movements such as following the Brexit vote.

Directors' report *(continued)*

Financial Risk Management *(continued)*

Funding risk

The Company is financed by its share capital, a capital contribution and a variable rate loan from its parent Company.

Liquidity risk

The business exposure to liquidity risk is managed by the ultimate parent business thyssenkrupp AG, details of which are discussed in the annual report of the parent company and do not form part of this report.

Interest rate cash flow risk

As with liquidity risk, this is managed by the parent company, thyssenkrupp AG.

The Group risks to which thyssenkrupp Materials (UK) Limited are exposed are discussed in thyssenkrupp AG's Annual Report which does not form part of this report, and which is available on the thyssenkrupp AG's website.

Directors

The directors who held office during the year and up to the date of signing these financial statements are as follows:

T R Sargeant	
W J Street	Resigned 20 th May 2016
I I A Henne	Resigned 28 th January 2016
J G Funke	Resigned 31 st July 2016
G Degenhart	Appointed 28 th January 2016
P J Scarr	Appointed 20 th May 2016
L A Holmes	Appointed 1 st August 2016

Post balance sheet events

In line with the goal of developing the business described above the Company has announced the closure of two sites to increase efficiency and reduce working capital on the materials side and is reorganising the operational and technical capacity of the Aerospace division so that it is able to maximise the benefit of additional added value opportunities.

Employees

Employees and related costs can be found in note 7 to the financial statements.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company participates in thyssenkrupp AG's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and bulletins.

Employees are consulted regularly through the company wide annual appraisal system and group wide company survey which take place every 3 years. Feedback from the company survey is benchmarked against peers and formal follow up process's take place. The last group wide survey was conducted during September 2016.

All employees are annually invited to join in the group share savings scheme.

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) comprising FRS101 Reduced Disclosure Framework and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements and 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. The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board



P Scarr
Company secretary
30th June 2017

Independent auditors' report to the members of thyssenkrupp Materials (UK) Limited

Report on the financial statements

Our opinion

In our opinion, thyssenkrupp Materials (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2016 and of its loss 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.
-

What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the statement of financial position as at 30 September 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of thyssenkrupp Materials (UK) Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves


We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Mike Robinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes

30 June 2017

Income Statement

for the year ended 30 September 2016

	Note	2016 £000	2015 £000
Revenue	5	271,434	286,061
Cost of sales		(235,030)	(250,216)
Exceptional Cost of Sales - Provision IPR Claim	16	<u>(2,146)</u>	<u>-</u>
Total cost of sales		<u>(237,176)</u>	<u>(250,216)</u>
Gross profit		34,258	35,845
Distribution costs		(21,110)	(23,277)
Administrative expenses		(9,316)	(11,317)
Other expenses		<u>(4,803)</u>	<u>(337)</u>
(Loss)/Profit on ordinary activities before interest, taxation and exceptional item	6	(971)	914
Settlement of pension transfer to thyssenkrupp UK Plc	20	<u>(3,356)</u>	<u>-</u>
(Loss)/Profit on ordinary activities before interest and taxation		(4,327)	914
Finance income	8	160	312
Finance costs	8	<u>(2,583)</u>	<u>(2,570)</u>
Finance – net	8	(2,423)	(2,258)
Loss on ordinary activities before tax		(6,750)	(1,344)
Income tax income / (expense)	9	<u>(92)</u>	<u>(713)</u>
Loss for the financial year		<u>(6,842)</u>	<u>(2,057)</u>

Statement of comprehensive income
for the year ended 30 September 2016

	<i>Note</i>	2016 £000	2015 £000
Loss for the financial year		(6,842)	(2,057)
Other comprehensive income: Items that will not be reclassified to profit or loss			
Actuarial gain/ (losses) on pensions scheme	20	1,037	(314)
Pension admin charge through OCI		-	(42)
Movement on deferred tax relating to pension deficit	9	(214)	71
Other comprehensive income /(expense) for the year, net of tax		823	(285)
Total comprehensive expense for the year		(6,019)	(2,342)

Statement of financial position
at 30 September 2016

	<i>Note</i>	2016 £000	2015 £000
Fixed assets			
Intangible assets	<i>10</i>	3,144	3,464
Property, plant and equipment	<i>11</i>	18,952	17,466
		<u>22,096</u>	<u>20,930</u>
Current assets			
Inventories	<i>12</i>	76,058	91,239
Trade and other receivables	<i>13</i>	43,530	63,159
Cash and cash equivalents		8,351	3,214
		<u>127,939</u>	<u>157,612</u>
Creditors: amounts falling due within one year	<i>14</i>	(94,967)	(122,199)
Net current assets		<u>32,972</u>	<u>35,413</u>
Total assets less current liabilities		<u>55,068</u>	<u>56,343</u>
Creditors: amounts falling due after more than one year	<i>15</i>	(208)	(289)
Provision for liabilities	<i>16</i>	(2,709)	-
Net pension asset		-	2,115
Net assets		<u>52,151</u>	<u>58,169</u>
Equity			
Called up share capital	<i>18</i>	12,033	12,033
Capital Contribution		46,074	46,074
Accumulated Losses		(5,956)	62
Total shareholders' funds		<u>52,151</u>	<u>58,169</u>

The notes on pages 13 to 33 are an integral part of these financial statements.

The financial statements on pages 9 to 33 were authorised for issue by the board of directors on 30th June 2017 and were signed on its behalf.



P Scarr – Director

Registered number: 645702

Statement of changes in equity for the year ending 30 September 2016

	Called up share capital £000	Capital Contribution £000	Revaluation reserve £000	Retained Earnings £000	Total £000
Balance as at 1 October 2014	12,033	46,074	-	2,405	60,512
Profit for the year	-	-	-	(2,057)	(2,057)
Other comprehensive income for the year:					
Actuarial losses on pensions scheme	-	-	-	(314)	(314)
Pension admin charge through OCI	-	-	-	(42)	(42)
Movement on deferred tax relating to pension deficit	-	-	-	71	71
Balance as at 30 September 2015	12,033	46,074	-	63	58,170
Profit for the year	-	-	-	(6,842)	(6,842)
Other comprehensive income for the year:					
Actuarial gain on pension scheme	-	-	-	1,037	1,037
Movement on deferred tax relating to pension	-	-	-	(214)	(214)
Balance as at 30 September 2016	12,033	46,074	-	<u>(5,956)</u>	<u>(52,151)</u>

Notes to the financial statements

1. General information

The company's principal activities are the warehousing distribution and first stage processing of aluminium, stainless steel, plastics and carbon steels to all areas of the UK, also including the provision of supply chain contracts, and sale of products to the aerospace and defence industries.

The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Cox's Lane, Cradley Heath, West Midlands, B64 5QU.

1 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of thyssenkrupp Materials (UK) Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by derivative financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, plant and equipment;
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

2.1.1 Going concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Notes to the financial statements *(continued)*

2.1.2 Changes in accounting policy and disclosures

New and amended standards adopted by the company

The following standards have been adopted by the company for the first time for the financial year beginning on 1 October 2015 and have a material impact on the company:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for the company to classify items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, 'Employee benefits' was revised in June 2011. The changes in the company's accounting policies have been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 28 for the impact on the financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard also introduces new disclosure requirements, though FRS 101 allows for exemptions from the disclosure requirements that are listed in note 2.1.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income.'

2.3 Property, plant and equipment

Land and buildings comprise mainly warehouses and offices. Land and buildings are shown at historic cost, less subsequent depreciation for buildings.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the financial statements *(continued)*

2.3 Property, plant and equipment *(continued)*

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- Freehold property 25-40 years
- Short leasehold property – over the life of the lease
- Machinery 10-20 years
- Vehicles 3-8 years
- Furniture, fittings and equipment 3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the income statement.

2.4 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

2.5 Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Notes to the financial statements *(continued)*

2.6 Financial assets

2.6.1 Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise receivables, cash and commercial paper in the balance sheet.

2.7 Derivative financial instruments and hedging activities

The company has not applied hedge accounting and all derivatives are measured at fair value through profit and loss.

2.8 Inventories

Inventories which consist wholly of goods held for resale, are valued at the lower of cost and net realisable value. In determining the cost of goods held for resale, the weighted average purchase price is used. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.9 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements *(continued)*

2.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax: Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Employee benefits

thyssenkrupp Materials UK Limited offer a defined contribution pension scheme to all employees, along with life assurance, private medical insurance, child care vouchers and car salary sacrifice scheme. The defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age, years of service and compensation.

The asset/(liability) recognised in the balance sheet in respect of defined benefit pension plans is the present value of the fair value of plan assets less the defined benefit obligation at the end of the reporting period. During the year ending 30th September 2016 the defined benefit scheme was transferred to thyssenkrupp UK Plc. See note 20.

Past service costs are recognised immediately in the income statement.

2.15 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the financial statements *(continued)*

2.16 Revenue recognition

(a) Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities, as described below. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(b) Sales of goods

The company is a distributor of material providing warehouse, distribution and first stage processing. Sale of goods are recognised when the company has delivered products to the customer or the customer has collected the material. Delivery does not occur until the products have been shipped to the specified location and the risks of obsolescence and loss have been transferred to the customer. The materials sold are sometimes sold with volume discounts, and customers have a right to return faulty products within specific time frame. Sales are recorded based on the price specified in the sales contracts, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and returns. The volume discounts are assessed based on anticipated annual purchases. No element of financing is deemed present as the sales are made.

(c) Internet revenue

Revenue from the provision of the sale of goods on the internet is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Transactions are settled by credit or payment card.

Provisions are made for internet credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

2.17 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The company only has operating leases in the period.

3 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, note 10 for the carrying amount of intangible assets, note 2.3 for useful economic lives for each class of assets of property plant and equipment and note 2.4 for software.

Notes to the financial statements *(continued)*

3 Critical accounting estimates and assumptions *(continued)*

(b) Inventory provisioning

The company designs, manufactures and sells shoes and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated demand, contract requirement and scrap value.

(c) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 13 for the net carrying amount of the receivables and associated impairment provision.

(d) Defined benefit pension scheme

The company had an obligation to pay pension benefits to certain employees until March 16 when the pension scheme was transferred to thyssenkrupp UK Plc. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 20 for the disclosures of the defined benefit pension scheme.

4 Derivative financial instruments

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables. At 30 September 2016, the outstanding contracts all mature within 9 months (2015: 12 months) of the year end. The company is committed to purchase US\$ 55,258K and Eur 11,843K for a fixed sterling amount and sell US\$390K and Euro 7,789k and receive a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP: USD and GBP: EUR.

5 Revenue

Analysis of revenue by geography

	2016 £000	2015 £000
United Kingdom	225,193	243,197
Other EU Countries	28,755	24,529
Other countries	17,486	18,335
	<u>271,434</u>	<u>286,061</u>

Analysis of revenue by category

	2016 £000	2015 £000
Sale of goods	271,434	286,061
	<u>271,434</u>	<u>286,061</u>

Notes to the financial statements *(continued)*

6 Operating profit

Operating profit is stated after charging/ (crediting):

	2016	2015
	£000	£000
Wages and salaries	20,311	21,837
Social security costs	1,986	2,041
Other pension costs (note 20)	1,677	1,737
	<hr/>	<hr/>
Staff costs	23,974	25,615
Profit on disposal of property, plant and equipment	(14)	(22)
(Reversal) / Impairment of trade receivables	(100)	560
Amortisation of intangible assets (included in 'administrative expenses')	343	328
Inventory recognised as an expense	225,885	240,086
Impairment of inventory (included in 'cost of sales')	2,163	1,168
Operating lease charges	1,787	1,722
Depreciation of Property, Plant and Equipment	2,068	1,784
Foreign exchange losses / (gains)	4,817	360
Audit of these financial statements	125	119
	<hr/>	<hr/>

Wages and salaries include compensation payments and redundancy costs totalling £311K (2015: £1,062K)

7 Employees and Directors

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

	Number of employees	
By activity	2016	2015
Production	269	255
Selling and distribution	297	316
Administration	138	171
	<hr/>	<hr/>
	704	742
	<hr/>	<hr/>

Directors

The directors' emoluments were as follows:

	2016	2015
	£000	£000
Aggregate emoluments	417	400
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	80	20
	<hr/>	<hr/>
	497	420
	<hr/>	<hr/>

7 Employees and directors *(continued)*

Highest paid director

The highest paid director's emoluments were as follows:

	2016	2015
	£000	£000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	330	255
Pension contributions	4	35
	<u>334</u>	<u>290</u>

8 Finance income and costs

Finance income

	2016	2015
	£000	£000
Interest received from group companies	123	225
Interest income from pensions	37	87
	<u>160</u>	<u>312</u>

Finance costs

	2016	2015
	£000	£000
Interest payable to group companies	1,451	1,804
Other loans	1,132	766
	<u>2,583</u>	<u>2,570</u>
Total interest expense on financial liabilities not measured at fair value through profit and loss	2,583	2,570
	<u>2,583</u>	<u>2,570</u>

Net finance cost

	2016	2015
	£000	£000
Interest income	160	312
Interest expense	(2,583)	(2,570)
	<u>(2,423)</u>	<u>(2,258)</u>

Notes to the financial statements *(continued)*

9 Income tax income / (expense)

Tax expenses included in profit or loss

	2016 £000	2015 £000
Current tax:		
– UK Corporation tax on profits for the year	-	-
– Adjustment in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of timing differences	122	713
Impact of change in tax rate	(30)	-
	<hr/>	<hr/>
Total deferred tax	92	713
	<hr/>	<hr/>
Tax on profit on ordinary activities	92	713
	<hr/>	<hr/>

Tax expense (income) included in other comprehensive income

	2016 £000	2015 £000
Current tax	-	-
Deferred tax:		
– Origination and reversal of temporary differences	214	(71)
– Impact of change in tax rate	-	-
	<hr/>	<hr/>
Total tax expense (income) included in other comprehensive income	214	(71)
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

9 Income tax income / (expense) *(continued)*

Tax expense for the period is higher (2015: higher) than the standard rate of corporation tax in the UK for the year ended 30 September 2016 of 20% (2015:20.36%). The differences are explained below:

	2016	2015
	£000	£000
Loss on ordinary activities before tax	(6,750)	(1,344)
Tax on loss on ordinary activities at standard rate of tax in the UK of 20% (2015 20.36%)	(1,350)	(273)
Effects of:		
– Fixed Asset Differences	68	82
– Expenses not deductible for tax purposes	154	234
– Group relief surrendered	815	583
– Adjustments to tax charge in respect of prior years	(30)	81
– Adjust closing deferred tax to average rate of 20%	435	6
Tax Charge	92	713

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 20.5% to 20% from 1 April 2016.

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2016 on 2 July 2016. These reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. The deferred tax assets and liabilities have been updated to reflect the reduction in the rates.

Factors that may affect future current and total tax charges

Please note that from 1 April 2015, the main rate of corporation tax was reduced to 20%. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. Any deferred tax at 30 September 2016 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

Notes to the financial statements *(continued)*

10 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
At beginning of year	6,698	960	7,658
Additions (see note 24)	-	23	23
At end of year	<u>6,698</u>	<u>983</u>	<u>7,681</u>
Accumulated amortisation			
At beginning of year	3,242	952	4,194
Charge for the year	328	15	343
At end of year	<u>3,570</u>	<u>967</u>	<u>4,537</u>
Net book value			
As at 30 September 2016	<u>3,128</u>	<u>16</u>	<u>3,144</u>
As at 30 September 2015	<u>3,456</u>	<u>8</u>	<u>3,464</u>

The software intangible assets include the company's inventory management system which was created by an external development firm for the company's specific requirements. The asset is amortised. There are no other individually material intangible assets.

Intangible assets amortisation is recorded in administrative expenses in the income statement.

Notes to the financial statements *(continued)*

11 Property, plant and equipment

	Freehold property	Short leasehold property	Plant, equipment, fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	9,565	1,783	20,907	915	33,170
Additions	-	82	3,154	484	3,720
Disposals	-	(19)	(722)	(213)	(954)
At end of year	9,565	1,846	23,339	1,186	35,936
Depreciation					
At beginning of year	3,052	1,520	10,317	815	15,704
Charge for year	237	90	1,701	40	2,068
Disposals	-	(3)	(578)	(207)	(788)
Transfers in	-	(104)	104	-	-
At end of year	3,289	1,503	11,544	648	16,984
Net book value					
As at 30 September 2016	6,276	343	11,795	538	18,952
As at 30 September 2015	6,513	263	10,590	100	17,466

Land and buildings are valued at cost value.

12 Inventories

	2016 £000	2015 £000
Finished goods and goods for resale	76,058	91,239

Inventories are stated after provisions for impairment of £5,842K (2015: £7,472K).

Notes to the financial statements *(continued)*

13 Trade and other receivables

	2016 £000	2015 £000
Due within one year:		
Trade receivables	15,610	41,944
Amounts owed by group undertakings	18,654	13,822
Other receivables including deferred tax	7,848	6,395
Prepayments and accrued income	1,418	998
	<u>43,530</u>	<u>63,159</u>

All Trade receivables fall due within one year.

Included within amounts owed by group undertakings £3,046,000 are unsecured, interest free, and are payable within 1 year. A loan facility of £15,607,000 is included within amounts owed by group undertakings with variable interest rates.

Trade receivables are stated after provisions for impairment of £2,571K (2015: £8,766K).

14 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Amounts falling due within one year		
Creditors	47,044	48,335
Amounts owed to group undertakings	22,323	53,199
Taxation and social security	6,746	6,758
Other creditors	13,273	8,392
Derivative financial instruments	640	658
Accruals and deferred income	4,941	4,857
	<u>94,967</u>	<u>122,199</u>

Included within Amounts owed to group undertakings £2,200K are unsecured, interest free, and are repayable within one year. An overdraft facility of £20,123K is included within Amounts owed to group undertakings with variable interest rates.

15 Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Amounts falling due after more than one year		
Other creditors	208	289
	<u>208</u>	<u>289</u>

Notes to the financial statements *(continued)*

16 Provision for liabilities

The company had the following provisions during the year:

	Total £000
At 1 October 2015	-
Transferred from Accruals	566
Additions to the income statement	2,143
	<hr/>
At 30 September 2016	2,709
	<hr/> <hr/>

Provision relates to an Inward Processing Relief (IPR) claim issued by HMRC relating to documentation issues from 2014 and 2015 following issue of a C18 tax demand issued in April 17. The Company is in the process of disputing this claim. The company's Tax advisors have indicated that there is a very strong case but due to the uncertainty in the outcome of the dispute hearing, a provision has been recognised. The increase in provisions in the year have gone through Cost of sales.

17 Deferred tax

The provision for deferred tax consists of the following deferred tax liabilities (assets):

The movement in the deferred tax provision is as follows:

	2016 £000	2015 £000
Deferred tax assets due within 12 months	-	-
Deferred tax liabilities due within 12 months	-	423
	<hr/>	<hr/>
Total provision due within 12 months	-	423
	<hr/> <hr/>	<hr/> <hr/>
	2016 £000	2015 £000
Deferred tax assets due after more than 12 months	(2,525)	(3,253)
Deferred tax liabilities due after more than 12 months	-	-
	<hr/>	<hr/>
Total asset due after 12 months	(2,525)	(3,253)
	<hr/> <hr/>	<hr/> <hr/>
	2016 £000	2015 £000
Total deferred tax asset	<hr/>	<hr/>
Total asset	(2,525)	(2,830)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

17 Deferred tax (continued)

Deferred tax liabilities

	Fixed asset temporary differences	Pension and post retirement benefit	Other taxable temporary differences	Tax Losses	Total
	£000	£000	£000	£000	£000
At 1 October 2014	-	410	-	-	410
Charged/(credited) to the income statement	-	84	-	-	84
Charged/(credited) directly to other comprehensive income	-	(71)	-	-	(71)
At 30 September 2015	-	423	-	-	423
Charged/(credited) to the income statement	-	(637)	-	-	(637)
Charged/(credited) directly to other comprehensive income	-	214	-	-	214
At 30 September 2016	-	-	-	-	-

Deferred tax assets

	Fixed asset temporary differences	Pension and post retirement benefit	Other taxable temporary differences	Tax Losses	Total
	£000	£000	£000	£000	£000
At 1 October 2014	(2,235)	-	(262)	(1,384)	(3,881)
Charged/(credited) to the income statement	521	-	(5)	112	628
Charged/(credited) directly to other comprehensive income	-	-	-	-	-
At 30 September 2015	(1,714)	-	(267)	(1,272)	(3,253)
Charged/(credited) to the income statement	754	-	(350)	324	728
Charged/(credited) directly to other comprehensive income	-	-	-	-	-
At 30 September 2016	(960)	-	(617)	(948)	2,525

18 Called up Share capital

Ordinary shares of £1 each

Allotted and fully paid	2016	2015
	£000	£000
As at 1 October 2015 and 30 th September 2016	<u>12,033</u>	<u>12,033</u>

Notes to the financial statements *(continued)*

19 Capital commitments

As at 30 September, the company had the following capital commitments

	2016 £000	2015 £000
Capital commitments		
Contracts for future capital expenditure not provided in the financial statements	229	192

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 Property £000	Motor vehicles £000	2015 Property £000	Motor vehicles £000
Not later than on year:	48	105	36	215
Later than one year and not later than five years	1,253	1639	998	1,112
Later than five years	1,112	-	1,454	-
	<u>2,413</u>	<u>1,744</u>	<u>2,488</u>	<u>1,327</u>

20 Pensions

IAS19R was adopted in the year which has given rise to a remeasurement of post-employment benefit obligations.

The company operates a number of pension schemes for its employees.

Defined benefit scheme

For certain employees, the company operated a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary.

On 1 January 2009, the defined benefit pension scheme was closed to new entrants. At the same time, the company established a defined contribution scheme to provide benefits to new employees.

On 1st March 2016 the companies defined benefit pension scheme was de-sectionalised and transferred to thyssenkrupp UK Plc as part of a consolidation of all thyssenkrupp group pension schemes in the UK. This consolidation has been undertaken to achieve ongoing long term cost savings due to standardisation of overall processes, enhances timely reporting and control of liability risks and is providing increased assurance to plan participants as to the security of their retirement benefits. The financial statements show the effect of this transfer.

Prior to transfer the scheme pensions were updated in line with the retail price index.

Plan assets held in the fund are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the plan – including investment decisions and contribution schedules – lies jointly with the company and the board of directors of the fund.

Notes to the financial statements *(continued)*

20 Pensions *(continued)*

The risks of the scheme are as follows:

(a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans mature, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in 2015 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in UK government securities only. The corporate bonds are securities with an emphasis on the UK.

However, the company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently.

(b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

(d) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

A comprehensive actuarial valuation of the company pension scheme, using the projected unit basis, was carried out at 31 March 2015 by Actuary and Actuary LLP, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	2016	2015
Expected rate of salary increases	N/A	N/A
Expected rate of increase of pensions in payment	N/A	3.10%
Discount rate	N/A	3.80%
Rate of inflation		
-RPI	N/A	3.20%
-CPI	N/A	2.10%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2016 years	2015 years
Longevity at age 65 for current pensioners		
– Men	N/A	21.5
– Women	N/A	24.7
Longevity at age 65 for future pensioners		
– Men	N/A	23.3
– Women	N/A	26.6

Notes to the financial statements (continued)

20 Pensions (continued)

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
	£000	£000	£000
At 1 October 2015	31,933	(29,818)	2,115
Benefits paid	(330)	330	-
Employer contributions	189	-	189
Current service cost	(22)	-	(22)
Plan assets / liabilities transferred out	(31,957)	28,601	(3,356)
Interest income / (expense)	504	(467)	37
Remeasurement gains / (losses)	(317)	1,354	1,037
At 30 September 2016	-	-	-

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 9.3%	Increase by 10.3%
Pension growth rate	0.5%	Increase by 4%	Decrease by 2.9%
Life expectancy	+/- 1 Year	Increase by 4.0%	Decrease by 4.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Total cost recognised as an expense:

	2016	2015
	£000	£000
Current service cost	-	-
Past service cost	-	-
De-sectionalisation settlement cost	3,356	-
Interest cost	-	-
Administration costs	22	45
	3,378	45

The fair value of the plan assets was:

	2016	2015
	£000	£000
Equity instruments	-	4,572
Bonds	-	12,829
Gilts	-	2,671
Cash	-	730
Absolute Return Fund	-	9,608
Dividend Growth Fund	-	1,523
	-	31,933

Notes to the financial statements *(continued)*

20 Pensions *(continued)*

The return on the plan assets was:

	2016	2015
	£000	£000
Interest income	37	87
Remeasurements	-	-
Total return on plan assets	37	87

Defined contribution scheme

Following the closure of the defined benefit scheme to new entrants, the company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was:

	2016	2015
	£000	£000
Current year contributions	1,655	1,692

21 Events after the end of the reporting period

As stated in the Directors Report both the Materials and Aerospace divisions have announced restructuring projects in the financial year commencing 1st October 2016. The costs of these projects are expected to be £940K and £496K respectively before the benefit from sale of owned building is considered.

22 Ultimate parent company and immediate parent undertaking

The company regarded by the directors as being the ultimate controlling company is thyssenkrupp AG which is incorporated in Germany. This is the largest and smallest group within which thyssenkrupp Materials (UK) Limited is consolidated. The consolidated financial statements of thyssenkrupp AG can be obtained from thyssenkrupp, Allee 1, Postfach 45063, 45143 Essen, Germany.

The company is a wholly owned subsidiary of thyssenkrupp UK PLC, registered in England, the financial statements of which can be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF14 3UZ.

23 Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2016 and the comparative information presented in these financial statements for the year ended 30 September 2015. The transition date was 1 October 2014.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Notes to the financial statements *(continued)*

23 Explanation of transition to FRS 101 from old UK GAAP *(continued)*

Reconciliation of profit and equity from old UK GAAP to FRS 101

	Note	Loss for 2015 £000	Other comprehensive Losses 2015 £000	Equity as at 30 September 2015 £000	Equity as at 1 October 2014 £000
Amount under old GAAP as previously reported		(1,729)	(303)	56,316	58,348
Goodwill	A	209	-	209	-
Software	B	-	-	-	-
Fair value revaluation of derivatives	C	(714)	-	(60)	654
Change in pension treatment	D	42	23	2,115	2,050
Deferred Tax Movement	E	134	(5)	(411)	(541)
Amount under FRS 101		(2,058)	(285)	58,169	60,512

Notes to the reconciliation of profit and equity

A) Goodwill Amortisation

Under UK GAAP Stockholding division purchased goodwill was amortised on a straight line basis – under FRS101 review of Goodwill means no amortisation required. No adjustment made in 2014 as existing goodwill “grandfathered” for UK GAAP. Under UK GAAP Aerospace division purchased goodwill on specific contracts which was amortised on a straight line basis. Under FRS101 this is amortised in line with specific Contracts.

B) Software

Under FRS 101, software is now classified as intangible assets rather than tangible assets as they were under UK GAAP. The net book value of the assets reclassified from tangible assets to intangible assets is £15,939 (2015: £7,755).

C) Revaluation of Derivatives

The company enters into forward foreign currency and commodity contracts to mitigate risk. FRS 101 requires that derivative financial instruments are recognised on the statement of financial position at fair value and movements are now shown in the income statement.

D) Changes to Pension Treatment

Under UK GAAP there was a (liability)/Asset ceiling restriction on pension scheme. This is removed under FRS101 so the pension asset is now shown and the movement in asset value is recognised either through Profit and Loss or other comprehensive income as appropriate.

E) Deferred Tax

A deferred tax asset/(liability) has been recognised at 1 October 2014 and 30 September 2015 with respect to the goodwill as per note A, derivative per note C, and changes to pension above along with the movement in deferred tax balances being recognised through the income statement for the year ended 30 September 2015.