

Primetals Technologies Limited

Report & Financial Statements

For the year ending 31 March 2018

Registered number: 9155890

FRIDAY



LD7 *L7EØMQ4A* #104
07/09/2018
COMPANIES HOUSE

Contents

Directors and Advisors	1
Strategic report for the year ended 31 March 2018	2
Directors' report for the year ended 31 March 2018	6
Statement of directors' responsibilities	9
Independent Auditor's Report to members of Primetals Technologies Limited	10
Statement of total comprehensive income.....	13
Statement of financial position	14
Statement of changes in equity	16
Notes to the financial statements	17
Appendix A – Registered addresses of related undertakings	57

Directors and Advisors

Directors

Satoru Iijima (Appointed 1 April 2018)

Peter Schraut

Etsuro Hirai

Yasukuni Yamasaki

Secretary

Jonathan Westwood (Resigned 1 March 2018)

John Beckett (Appointed 7 March 2018, Resigned 10 April 2018)

Paul Wallace (Appointed 10 April 2018)

Registered office

Building No. 11
Chiswick Park
566 Chiswick High Road
London
W4 5YA
United Kingdom

Registered in England and Wales number: 9155890

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

Strategic report for the year ended 31 March 2018

Review of the business and likely future developments

The Directors present their strategic report for the year ended 31 March 2018.

Review of the Business

Primetals Technologies Limited ("the Company") was incorporated on 31 July 2014 and has subsequently become the head office and parent company of the Primetals Technologies Group ("the Group"). In January 2015 Mitsubishi Heavy Industries, Ltd. (MHI) and Partners, and Siemens AG created the Primetals Technologies Group, a joint venture dedicated to engineering and manufacturing excellence in the metals industry. Being a joint venture of Mitsubishi-Hitachi Metals Machinery, Inc. and Siemens AG, the innovative and technological strengths of both groups have been merged to form a global operating enterprise that is an elite supplier of state-of-the-art technologies, plants, products and services for the iron, steel and nonferrous aluminum industrial sectors.

The Group's global portfolio covers all aspects of metals processing and the business is structured into the business segments of: Casting and Endless Strip; Iron & Steelmaking and ECO Solutions; Mini Mills and Long Rolling; Hot Mill; Cold Mill, Processing Line & Pipe Mill, Electrics & Automation and Metallurgical Services.

The United Kingdom portfolio primarily consists of:

- **Hot Mills, Cold Mills, Processing Lines:** providing process technology, mechanical engineering and plant installation solutions in the construction of Steel and Aluminium Mills and casters worldwide.
- **Cold Mills Special Products:** designing, supplying and manufacturing of quality products for the measurement of flatness or profile required in flat rolling mills, finishing lines and rod & bar mills worldwide.
- **Iron & Steel making:** providing the construction and refurbishment of Blast Furnaces.
- **Metallurgical Services:** providing service, maintenance and spare parts for all UK products and technologies and selected other business segment technologies.

Business Environment

The global market in metals technology remains extremely competitive with reduced investment for steel manufacturers across the world. Overcapacity in key market sectors has reduced demand for new construction of plant across all business segments leading to aggressive pricing strategies being implemented throughout the industry. The Company continues to review and implement measures to minimize any negative impact on future developments.

Despite this there are areas in which the market continues to grow as a result of the need to reduce carbon emissions and further innovate in the areas of metallurgy. The success of the Group is dependent on continued technological innovation, product quality, engineering excellence, process know how and project execution efficiency. Therefore innovation and development remains a key focal point within the Group, with the valued support of the joint venture partners.

Early indications of market improvement were observed in the start of calendar year 2018 but this improvement cannot yet be considered as a sustainable development until market improvement is prolonged for several further quarters.

Strategic report for the year ended 31 March 2018 (continued)

Financial performance

The results for the year to 31 March 2018 are set out on page 13. During the year the Company made a loss before tax of £29,288,000 (2017: £9,381,000). This was significantly affected by the impairment of investments of £11,741,000 (2017: £2,454,000) during the year, reflecting continuing difficult trading conditions in entities across the Group. More details on the Company's review of the carrying values of its investments can be found in note 13.

The shareholders' funds of the Company total £400,374,000 (2017: £429,709,000).

The Company has witnessed a number of competing companies in the steel manufacturing sectors facing significant challenges in recent times, which are a reflection of the difficult market for all involved. However, despite this the underlying trading performance of the Company in the period was broadly in line with the directors' expectations given the challenges experienced within the industry.

The financial performance of the underlying trading business (i.e. excluding HQ activities) of £6,917,000 (loss) (2017: £538,000 profit) has been impacted by historic legacy issues. Despite this impact, the Company continues to manage the Company's trading business through key performance indicators, e.g. Gross Profit/Gross Margin, profitability, utilisation, business function cost, and the continued efforts for continual improvement in the business in conjunction with "lean practices" and the launch and implementation of the Primetals Technologies Transformation Program (PTTP). This program focuses on improving essential business processes and on developing and implementing new ways of strengthening the competitiveness of the Company.

The execution of the current workload remains stable with significant improvements being made to improve margins and to ensure that all project related risks are mitigated and/or avoided. The Company has continued to work towards managing the non-conformance costs associated with the completion of the work to a range within the key performance indicators. Non-conformance costs (NCC) have slightly increased to £4,920,000 (2017: £4,304,000).

The Company has continued to successfully manage and reduce its own exposure to delayed payments and bad debts by regularly reviewing its exposure and level of indebtedness. Provisions have been made which the Company regards as prudent and reasonable with regard to all of the circumstances.

Non-financial performance

The Company and directors have continued their commitment to operate a safe working environment for all members of staff and all those persons working for the Company directly or indirectly in the office or elsewhere. Performance in this regard is reflected in the near miss statistics for the Company and the absence of any serious injury to any employee or third party workers during the period considered in the financial statements. The Company encourages a culture of near miss reporting, with 328 near miss reports and 9 accident reports received in the year compared to 173 incidents reported in the prior period. No reports have been necessary in the current or subsequent period under the Health and Safety Executive requirements for the "Reporting of Injuries, Diseases and Dangerous Occurrences regulations 2013" (RIDDOR).

Strategic report for the year ended 31 March 2018 (continued)

Non-financial performance (continued)

The Company and directors have also re-affirmed their strong focus on sustaining a compliant organisation, whose legal and compliance functions continue to support strict adherence to all applicable laws and standards of ethical working practices. The Company continues to be vigilant in the area of compliance and corporate governance.

Regular communications and "mood surveys" of employees have proved very beneficial and evidence the long term commitment of the workforce and high levels of job satisfaction. For the applicable period to 31 March 2018, the "mood survey" had an average participation rate of 82% (target: 75%), with an average of 94% favourable responses (target: >75%). Continued work in this regard is being undertaken and this has the commitment and support of the directors and the shareholders. In addition, the Company continues to develop its approach to corporate social responsibility in the workplace with increased emphasis on securing greater engagement from its employees with a number of fundraising events and activities held to support an employee-nominated charity.

Future outlook

The Company will continue to reduce and manage operating costs by achieving further productivity improvements under the PTPP initiative. As part of this, our Ways of Working (WoW) program is being implemented across the Group, which focuses on enhancing the working relationships that we hold, ultimately aiming to improve the overall business performance.

The Company will place strong focus on Order Intake growth as the business consolidates its market position and continue to target an improved margin business portfolio as there is a positive trend seen in 'as sold' margins within the project business.

The Company maintains good liquidity and has significant bonding and banking lines supporting its business.

Following the results of the referendum held on 24 June 2016 where the UK voted to leave the European Union, the directors are currently assessing the impact of this on the Company but remain confident for the future.

Business Risks & Management

The Company considers risk management as a crucial and integrated part of daily activities as well as strategic approach, which ensures a sustainable positive development of profitability, financial and assets position as well as long-term value appreciation. The risk management process comprises all activities for the continuous and systematic management of risk including identification, analysis and evaluation of risks, measurements mitigating risks as well as monitoring of success.

The oversupply of steel continues to be a serious issue, however, capacity utilisation is increasing, as are steel prices in general. This is now resulting in an increase in customer investment which is a positive and welcome market change. Price pressures still remain and the Company will continue to enhance its focus on 'value added' technology business.

Strategic report for the year ended 31 March 2018 (continued)

Business Risks & Management (continued)

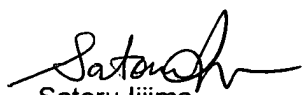
The top five risks identified as a focus for the Company are (1) the difficult steel market environment, (2) specific project risks, (3) lack of / retention of key personnel and failure of technology transfer to next generation, (4) liquidity issues in the steel market and (5) legacy business issues. The Company aims to reduce or to minimize the impact of those aforementioned top risks by firstly determining the most appropriate approach on an individual basis and then either; accepting risks as such; avoiding them due to structural changes; reducing them; or transferring or sharing them with a third party.

More information regarding the principal risks and uncertainties of the Company can be found in note 25.

Closing statement

The directors recognise the major contribution of the employees and executives of the business and would like to thank them and the shareholders for their contribution to the business.

By order of the board


Satoru Iijima
Chief Executive Officer
5th September 2018

Directors' report for the year ended 31 March 2018

The Directors present their report for the year ended 31 March 2018.

The Board

For the reporting period, the shareholders nominated three directors to manage the Company (2017: five) two directors from Mitsubishi Heavy Industries, Ltd. (MHI) – including the CEO – (2017: three) and one director from Siemens AG (2017: two). The current directors of the Company are listed on page 1.

None of the directors holding office at 31 March 2018 had notified a beneficial interest in any contract to which the Company or its subsidiary undertakings were a party during the year.

The directors benefited from qualifying third party indemnity provisions in place during the year and at the date of this report.

Dividends

No dividend was paid during the current year and the directors do not recommend the payment of a final dividend (2017: £nil).

Going concern

For the year ending 31 March 2018, based on their assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet its liabilities as and when they fall due for at least the next twelve months. Thus the Company has adopted the going concern basis of accounting.

Financial Instruments

The Company's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in note 25.

Research and development

The Company supports the continuous development of the metals industry by providing innovative plant solutions and services to its customers based on technology legacies. This is enhanced by the company-wide spirit of innovation, global collaboration, and ownership.

Research and development costs of £2,143,000 (2017: £1,821,000) were incurred in the year ending 31 March 2018.

Post balance sheet events

There were no significant events after the reporting year-end requiring adjustment in the financial statements at 31 March 2018.

Existence of branches of the Company outside of the UK

The Company has no branches outside of the United Kingdom.

Directors' report for the year ended 31 March 2018 (continued)

Employees

An Employee Consultative Committee (ECC) was established in 2014 to improve effective communication with all employees. The ECC allows employees to discuss and raise issues with members of the senior management team as well as representatives from other areas of the business. The forum largely deals with issues that impact more than one area, allowing ideas and knowledge to be shared. Senior managers and employee representatives work together to act as a conduit for change, improve communications throughout the business, resolve business issues and make improvements together.

A formal performance management process has been established for many years. This process is designed to positively impact both employee and business performance and forms a basis for any financial recognition. Employees / managers are encouraged to set targets against the business strategy to ensure everyone is working towards a common goal. A formal review process at the end of the year determines how the employee achieves against their targets.

The Company is committed to equal opportunities for all, free from discrimination and harassment. It values the contribution of all employees. All job applicants and employees, customers, visitors or contractors receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, colour, marital status, trade union membership, nationality or ethnic or national origins.

Within the Company, applicants and employees will be recruited, selected, trained and promoted on objective grounds, i.e. on the basis of their abilities to contribute most effectively to the success of the Company. Wherever possible, we assist disabled employees to enable them to work for the Company and maximise their contribution and performance.

The Company has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business dealings and to implementing and enforcing effective systems and controls to ensure modern slavery does not take place within its own business or in any of its supply chains. The Company ensures that there is transparency in its approach to tackling modern slavery throughout its supply chains, consistent with the disclosure obligations under the 2015 Modern Slavery Act. The Company expects the same high standards from all of its contractors, suppliers and other business partners, and as part of its contracting processes, includes specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, and the Company expect that its suppliers will hold their own suppliers to the same high standards. The policy applies to all persons working for the Company or on its behalf in any capacity, including employees at all levels.

Directors' report for the year ended 31 March 2018 (continued)

Disclosure of information to auditors

Each director in office at the date of this Directors' report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Reappointment of auditors

The auditors, BDO LLP, have been re-appointed as auditors for the next financial year.

Information disclosed in the strategic report

The following information has been disclosed in the strategic report (see page 2):

- A review of the business for the year; and
- An indication of the likely future developments in the business.

By order of the board


 Satoru Iijima
Chief Executive Officer
 5th September 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.


Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 "Reduced Disclosure Framework" ("FRS 101") 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the company web site, www.primetals.com. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board


Satoru Iijima
Chief Executive Officer
5th September 2018

Independent Auditor's Report to members of Primetals Technologies Limited

Opinion

We have audited the financial statements of Primetals Technologies Limited ("the Company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (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 March 2018 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.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

Independent Auditor's Report to members of Primetals Technologies Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report 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 the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

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

Responsibilities of Directors

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

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

Independent Auditor's Report to members of Primetals Technologies Limited (continued)

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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Marc Reinecke (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London

Date: 7 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of total comprehensive income

For the year ended 31 March 2018

	Note	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
Turnover – continuing operations	3	68,522	96,844
Cost of sales		(61,535)	(83,765)
Gross profit		6,987	13,079
Other operating income	4	12,655	8,472
Research and development expenses		(2,143)	(1,821)
Selling and general administrative expenses		(33,633)	(37,135)
Impairment of investments	13	(11,741)	(2,454)
Impairment of fixed assets	12	(76)	-
Loss from operations	5	(27,951)	(19,859)
Interest payable & similar charges	7	(1,459)	(575)
Interest receivable & similar income	8	122	36
Loss on ordinary activities		(29,288)	(20,398)
Miscellaneous other income	27d	-	11,017
Loss before taxation		(29,288)	(9,381)
Income tax (expense)/credit	9	(109)	(870)
Loss for the financial year		(29,397)	(10,251)
Other comprehensive income:			
Items that may not be reclassified subsequently to profit or loss			
Cash flow hedges	25	141	55
Income tax thereon	9	(24)	-
Other comprehensive income for the period		117	55
Total comprehensive expense for the period		(29,280)	(10,196)

Statement of financial position

As at 31 March 2018

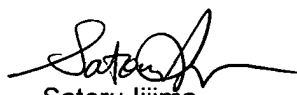
	Note	31 March 2018 £'000	31 March 2017 £'000
Fixed assets			
Other intangible assets	11	3,557	4,679
Property, plant and equipment	12	1,060	1,003
Investments accounted for at cost	13	513,715	508,423
Total fixed assets		518,332	514,105
Current assets			
Stocks	14	4,866	4,319
Construction contracts: assets	15	12,944	8,552
Trade and other debtors	16	25,536	32,271
Other current financial assets	17	2,924	3,943
Other current assets	18	1,042	364
Cash at bank and in hand	25	253	-
Total current assets		47,565	49,449
Creditors: amounts falling due within one year			
Construction contracts: liabilities	15	(2,925)	(5,813)
Finance lease liabilities	19	(12)	(87)
Trade creditors	20	(19,238)	(28,534)
Other current financial liabilities	21	(126,647)	(82,164)
Current provisions	22	(8,681)	(5,293)
Other current liabilities	23	(6,686)	(9,110)
Total current liabilities		(164,189)	(131,001)
Net current liabilities		(116,624)	(81,552)
Total assets less current liabilities		401,708	432,553
Finance lease liabilities	19	(159)	(238)
Other liabilities	24	(317)	(706)
Total non-current liabilities		(476)	(944)
Provisions for liabilities	22	(858)	(1,900)
Net assets		400,374	429,709

Statement of financial position (continued)*As at 31 March 2018*

	Note	31 March 2018 £'000	31 March 2017 £'000
Capital and reserves			
Share capital	26	78	78
Share premium		605,047	605,047
Retained earnings		(204,868)	(175,471)
Other components of equity		117	55
Shareholders' funds		400,374	429,709

The notes on pages 17 to 59 are an integral part of these financial statements.

The financial statements on pages 13 to 59 were approved and authorised for issue by the board of directors and were signed on its behalf by


 Satoru Iijima
 Chief Executive Officer
 5th September 2018

Primetals Technologies Limited
 Registered no. 9155890

Statement of changes in equity

For the year ended 31 March 2018

	Share capital £'000	Capital premium £'000	Cash flow hedging reserve £'000	Retained earnings £'000	Total equity £'000
As at 31 March 2016	78	605,047	-	(165,220)	439,905
Loss for the year	-	-	-	(10,251)	(10,251)
Other comprehensive income for the year	-	-	55	-	55
As at 31 March 2017	78	605,047	55	(175,471)	429,709
Loss for the year	-	-	-	(29,397)	(29,397)
Other comprehensive income for the year	-	-	62	-	62
As at 31 March 2018	78	605,047	117	(204,868)	400,374

Notes to the financial statements

For the year ending 31 March 2018

1. Corporate Information

Primetals Technologies Limited ("the Company") was incorporated on 31 July 2014 and subsequently became the head office and parent company of the Primetals Technologies Group ("the Group"), a joint venture between Mitsubishi-Hitachi Metals Machinery, Inc. and Siemens AG.

In the period ending 31 March 2015, the Company acquired the trade and assets of the UK Siemens MT business. The Company is principally engaged in the provision of metallurgical solutions.

The Company is a private company limited by shares, incorporated and resident in the UK. The address of its registered office is given on page 1.

The principal accounting policies applied in the preparation of these financial statements are set out below.

2. Significant accounting policies

2.1 Basis of preparation & statement of compliance with FRS 101

The financial statements for the year ended 31 March 2018 have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and in accordance with applicable accounting standards. The financial statements are presented in GBP and all values are rounded to the nearest thousand (£000), except where otherwise indicated.

The financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) measured at fair value through the Statement of total comprehensive income.

The financial statements contain information about Primetals Technologies Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Mitsubishi Heavy Industries, Ltd., a company incorporated in Japan. Copies of the statutory accounts can be located at the registered office 16-5 Konan 2-chome, Minato-ku, Tokyo, 108-8215 in Japan.

The financial statements provide comparative information in respect of the previous period.

Notes to the financial statements (continued)

for the year ending 31 March 2018

The Company has taken advantage of the following disclosure exemptions available under FRS 101 and therefore do not include:

- certain comparative information as otherwise required by EU-adopted IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Mitsubishi Heavy Industries, Ltd.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Mitsubishi Heavy Industries, Ltd. These financial statements therefore do not include certain disclosures in respect of:

- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

The Company applied all standards and interpretations issued by the IASB that were effective as of 31 March 2018. There were no changes to IFRS effective in 2018 which had a material impact on the financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with IFRS 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 consolidated financial statements are disclosed in note 2.3.

2.2 Summary of significant accounting policies

Intangible assets

(i) Intangible assets acquired as part of a business combination

Intangible assets recognised separately from goodwill arising on a business combination including customer relationships are recognised at fair value (as determined by a valuation technique) and are subsequently amortised on a straight-line basis over their useful economic lives as follows:

- | | |
|--------------------------|--------------|
| • Software: | 15 years |
| • Patents: | 7 to 8 years |
| • Trademarks: | 7 years |
| • Customer relationship: | 12 years |
| • Order backlog: | 4 years |

Notes to the financial statements (continued)

for the year ending 31 March 2018

(ii) Externally acquired intangible assets

Externally acquired intangible assets including licences and trademarks are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. Current estimates of useful economic live of intangible assets are as follows:

- Patents, copyrights, know-how and licences: 5 years
- Acquired software and software licences: 3 to 5 years
- Internally developed software: 3 years

(iii) Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- use or sale of the intangible asset will probably generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Company expects to benefit from selling the products developed. The amortisation expense is included within the research and development expense in the statement of comprehensive income. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

(iv) Computer software

Computer software is carried at cost less accumulated amortisation and any provision for impairment. Externally acquired computer software and software licences are capitalised and amortised on a straight-line basis over their useful economic lives of four years. Costs relating to development of computer software for internal use are capitalised once the recognition criteria of IAS 38 'Intangible Assets' are met (see above).

Tangible assets

Tangible assets are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is calculated on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is calculated as follows:

- Buildings and structures: 20 to 50 years
- Machinery, vehicle and transport equipment: 4 to 10 years
- Tools and implements: 3 to 5 years

The property, plant and equipment acquired through the business combination are depreciated on a straight-line basis over the estimated remaining useful lives of the assets at the date of the business combination, as follows:

- Buildings and structures: 35 years
- Machinery, vehicle and transport equipment: 11 years
- Tools and implements: 5 years

Notes to the financial statements (continued)

for the year ending 31 March 2018

Investments in subsidiaries

Investments in subsidiaries are carried at cost less any provision for losses arising on impairment.

Stocks

Stocks are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition as follows:

- Raw materials - purchase cost determined on a weighted average cost (WAVCO) reflecting gains and losses on qualifying cash flow hedges (see policy below)
- Work in Progress and Finished Goods - cost of direct materials and labour plus a measure of attributable overheads which is based on the normal level of activity of the business.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through Statement of total comprehensive income, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

(i) Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through Statement of total comprehensive income
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments
- **Financial assets at fair value through profit or loss**

Financial assets at fair value through Statement of total comprehensive income include financial assets held for trading and financial assets designated upon initial recognition at fair value through Statement of total comprehensive income. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Company has not designated any financial assets at fair value through Statement of total comprehensive income. Financial assets at fair value through Statement of total comprehensive income are carried in the Statement of financial position at fair value with net

Notes to the financial statements (continued)

for the year ending 31 March 2018

changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the Statement of total comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through Statement of total comprehensive income. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of total comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through Statement of total comprehensive income.

- **Loans and receivables**

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of total comprehensive income. The losses arising from impairment are recognised in the Statement of total comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

(ii) **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. As of the reporting date there are no significant financial assets the Company has a continuing involvement in that are derecognised either in their entirety or partly.

Notes to the financial statements (continued)*for the year ending 31 March 2018***(iii) Impairment of financial assets**

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is always reduced through the use of an allowance account and the loss is recognised in Statement of total comprehensive income. Interest income (recorded as finance income in the Statement of total comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the Statement of total comprehensive income.

Financial liabilities**(i) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Notes to the financial statements (continued)*for the year ending 31 March 2018***(ii) Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

- **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through Statement of total comprehensive income include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through Statement of total comprehensive income.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of total comprehensive income.

Financial liabilities designated upon initial recognition at fair value through Statement of total comprehensive income are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through Statement of total comprehensive income.

- **Financial liabilities measured at amortised cost**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of total comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of total comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

- **Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of total comprehensive income.

Notes to the financial statements (continued)*for the year ending 31 March 2018***Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The Company reports all its financial assets and financial liabilities on a gross basis.

Derivative financial instruments and hedge accounting**Initial recognition and subsequent measurement**

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As of the reporting date the Company only makes use of foreign exchange rate derivatives.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the Statement of total comprehensive income as cost of sales.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to Statement of total comprehensive income, except for the effective portion of cash flow hedges, which is recognised in Other Comprehensive Income (OCI) and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; and
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

- **Fair value hedges**

The change in the fair value of a hedging derivative is recognised in the statement of profit or loss as finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Statement of total comprehensive income as finance costs.

Notes to the financial statements (continued)*for the year ending 31 March 2018*

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through Statement of total comprehensive income over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in Statement of total comprehensive income.

The Company does not currently apply fair value hedge accounting.

- **Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of total comprehensive income as other operating expenses.

The Company uses forward and swap contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to Statement of total comprehensive income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Notes to the financial statements (continued)*for the year ending 31 March 2018*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

Provisions**General**

The Company has recognised provisions for liabilities of uncertain timing or amount including those for onerous leases, warranty claims, leasehold dilapidations, loss-making contracts and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

Notes to the financial statements (continued)*for the year ending 31 March 2018***Restructuring provision**

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Other

Provisions for dilapidation costs are recognised on a lease-by-lease basis taking into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

Leased assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Incentives are capitalised and released over the life of both types of leases on a straight line basis.

Company as a lessor

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Taxes**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Notes to the financial statements (continued)*for the year ending 31 March 2018*

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Foreign currency translation

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in Statement of total comprehensive income.

Exchange gains and losses arising on the retranslation of monetary available for sale financial assets are treated as a separate component of the change in fair value and recognised in Statement of total comprehensive income. Exchange gains and losses on non-monetary available for sale financial assets form part of the overall gain or loss recognised in respect of that financial instrument.

Profit from operations

Profit from operations comprises the results of the Company before interest receivable and similar income, interest payable and similar charges, corporation tax and deferred tax.

Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or

Notes to the financial statements (continued)*for the year ending 31 March 2018*

duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risks. The Company provides normal warranty provisions for general repairs for two years on all its products sold, in line with industry practice.

The specific recognition criteria described below must also be met before revenue is recognised.

a) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. The Company provides normal warranty provisions for on all its products sold, in line with industry practice. A liability for potential warranty claims is recognised at the time the product is sold – see Note 22 for more information. The Company does not provide any extended warranties or maintenance contracts to its customers.

b) Construction contracts

The Company principally operates fixed price contracts. If the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method).

The outcome of a construction contract can be estimated reliably when:

- (i) the total contract revenue can be measured reliably;
- (ii) it is probable that the economic benefits associated with the contract will flow to the entity;
- (iii) the costs to complete the contract and the stage of completion can be measured reliably; and
- (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. When the outcome of a construction cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete.

Contract revenue — Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured.

Contract costs — Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

Notes to the financial statements (continued)

for the year ending 31 March 2018

The Company's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:

- The separate proposals have been submitted for each asset;
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset;
- The costs and revenues of each asset can be identified.

A group of contracts are treated as a single construction contract when:

- The group of contracts is negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin;
- The contracts are performed concurrently or in a continuous sequence.

c) Dividend income

Dividend income is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

d) HQ income

Income from the provision of services (e.g. HQ services) is recognised on a straight line basis over the period to which the service relates.

e) Warranties

The Company provides warranty provisions in principle on an individual basis including warranties in respect of legal, contractual or constructive obligations. Warranty provisions have to be recognised when the significant risks and rewards of the underlying products or services have been transferred to the customer. The Company does not provide any extended warranties or maintenance contracts to its customers.

Interest income and expense

The Company pays or receives interest on some of its intercompany cash balances as well as loan balances. These are recognised within finance income in the Statement of total comprehensive income when incurred or receivable. All costs directly attributable to the cost of a qualifying asset are capitalised.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Employee benefits

Long service award arrangements

Long-term employee benefits are benefits that will not be payable in full within a period of twelve months after the date of performance of the relevant work by the employee. These benefits do not include termination or post-employment benefits. This includes long service

Notes to the financial statements (continued)

for the year ending 31 March 2018

award arrangements. These are not recognized as part of pension plans and a provision is recognized for the present value of the benefit obligations attributable to past fiscal years.

Defined contribution pension plan

The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the Statement of total comprehensive income represents the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle, or
- It is held primarily for the purpose of trading
- There is no unconditional right to defer the settlement of the liability for at least three years after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The Company's normal operating cycle is three years according to the long term steel industry environment.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- Impairment testing of investments Note 13
- Financial risk management and policies Note 25

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future

Notes to the financial statements (continued)*for the year ending 31 March 2018*

developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Construction contracts

The Company conducts a significant portion of its business under construction contracts with customers. The Company accounts for construction projects using the percentage-of-completion method, recognising revenue as performance on contract progresses. This method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical, political and regulatory risks, and other judgments. Under the percentage-of-completion method, such changes in estimates may lead to an increase or decrease of revenues.

The creditworthiness of the Company's customers is taken into account in estimating the probability that economic benefits associated with a contract will flow to the Company. In addition, the Company assesses whether the contract is expected to continue or to be terminated. In determining whether the continuation or termination of a contract is expected to be the most likely scenario, all relevant facts and circumstances relating to the contract are considered on an individual basis. For contracts expected to be continued, amounts already included in revenue for which collectability ceases to be probable are recognised as an expense.

For contracts expected to be terminated, including terminations due to expected payment defaults of our customers or terminations due to force majeure events, the estimates on the scope of deliveries and services provided under the contracts are revised accordingly, typically resulting in a decrease of revenue in the respective reporting period. Management of the operating divisions continually review all estimates involved in such construction contracts and adjust them as necessary.

Trade and other receivables

The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis.

Notes to the financial statements (continued)*for the year ending 31 March 2018***Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See note 25 for further disclosures.

Certain accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

Provisions

Significant estimates are involved in the determination of provisions related to onerous contracts, warranty costs, asset retirement obligations, restructuring and legal proceedings. A significant portion of the business is performed pursuant to long-term contracts. The Company records a provision for onerous sales contracts when current estimates of total contract costs exceed expected contract revenue. Such estimates are subject to change based on new information as projects progress toward completion. Onerous sales contracts are identified by monitoring the progress of the project and updating the estimate of total contract costs which also requires significant judgment relating to achieving certain performance standards, as well as estimates involving warranty costs.

Significant estimates and assumptions are also involved in the determination of provisions related to major asset retirement obligations. Uncertainties surrounding the amount to be recognised include, for example, the estimated costs of decommissioning because of the long time frame over which future cash outflows are expected to occur including the respective interest accretion. Amongst others, the estimated cash outflows could alter significantly if, and when, political developments affect the government's plans to develop the final storage.

The Company is subject to legal and regulatory proceedings in various jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties or disgorgements against the Company. If it is more likely than not that an obligation of the Company exists and will result in an outflow of resources, a provision is recorded if the amount of the obligation can be reliably estimated. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the end of the reporting period, whether it is more likely than not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. The Company periodically reviews the status of these proceedings with both inside and outside counsel. These judgments are subject to change as new information becomes available. The required amount of a provision may change in the future due to new developments in the particular matter. Revisions to estimates may significantly impact future net income. Upon resolution, the Company may incur charges in excess of the recorded provisions for such matters. It cannot be excluded that the financial position or results of operations of the Company will be materially affected by an unfavourable outcome of legal or regulatory proceedings or government investigations.

Notes to the financial statements (continued)

for the year ending 31 March 2018

3. Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company.

An analysis of turnover by geographical market is given below:

	2018 £'000	Restated 2017 £'000
United Kingdom	6,883	1,761
Rest of Europe	9,408	8,476
Asia	25,202	57,436
Africa	1,752	1,115
North America	22,455	28,053
South America	2,822	3
Total turnover	68,522	96,844

4. Other operating income

	Note	2018 £'000	2017 £'000
Dividend income from subsidiaries	27f	2,592	816
Other income – provision of HQ services		9,676	7,656
Income relating to sub-let of premises		387	-
Total operating income		12,655	8,472

5. Operating loss

Operating loss has been arrived at after charging:

	Note	2018 £'000	2017 £'000
Net foreign exchange loss		1,053	7,331
Research and development expenses		2,143	1,821
Cost of stock recognised as an expense in cost of sales including write down of stocks to net realisable value		8,175	6,116
Depreciation of property, plant and equipment	12	417	320
Amortisation of intangible assets	11	1,122	1,122
Employee benefits expense	6	23,269	20,632
Minimum lease payments recognised as an operating lease expense		1,391	1,708
Impairment of investments	13	11,741	2,454
Impairment of fixed assets	12	76	-
Fees payable to the auditor for:			
• the audit & review of the Company financial statements		65	41
• the audit & review of the Group financial statements		283	249
• audit related services		10	8
• the audit of the subsidiary		2	3

Fees paid to the Company's auditor BDO LLP and its associates for services other than the statutory audit of the Company are not disclosed in Primetals Technologies Limited's accounts since the consolidated accounts of Mitsubishi Heavy Industries, Ltd. are required to disclose non-audit fees on a consolidated basis.

Notes to the financial statements (continued)

for the year ending 31 March 2018

6. Employees

Staff costs (including directors) comprise:

	2018 £'000	2017 £'000
Wages and salaries	19,837	22,275
Social security costs	1,748	2,029
Pension costs – defined contribution plans	1,684	1,931
Total employee benefit expense	23,269	26,235

Wages and salaries include restructuring costs and other termination benefits of £608,000 (2017: £250,000)

A defined contribution pension scheme is operated by the Company on behalf of the employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge for the year represents contributions payable by the Company to the fund and amounted to £1,684,000 (2017: £1,931,000)

The average monthly number of employees (including directors) during the year was:

	2018 Number	2017 Number
Production	247	264
Administration	72	74
Sales	34	30
Total average headcount	353	368

7. Interest payable and similar charges

	2018 £'000	2017 £'000
Interest paid on loans from related parties (note 27b)	1,051	305
Interest paid on cash pooling activities	306	220
Interest cost for post-employment benefits	-	24
Finance charges payable under finance leases	15	22
Interest cost upon unwinding of asset retirement obligation	85	-
Other finance charges	2	4
Total interest payable & similar charges	1,459	575

8. Interest receivable and similar income

	2018 £'000	2017 £'000
Interest received on cash pooling activities	114	36
Interest income on post-employment benefits	8	-
Total interest receivable & similar income	122	36

Notes to the financial statements (continued)*for the year ending 31 March 2018***9. Income taxes**

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax on credit for the year	-	-
Foreign withholding taxes on income	136	1,025
Credit from subsidiary company in respect tax losses surrendered	(3)	(155)
Total current tax	133	870
Deferred tax:		
	(24)	-
Total deferred tax	(24)	-
Income tax expense	109	870

The income tax expense of £109,000 for the year (2017: £870,000) can be reconciled to the loss before tax per the Statement of total comprehensive income as follows:

	2018	2017
	£'000	£'000
Loss before taxation	29,288	9,381
Tax credit at the UK corporation tax rate of 19% (2017: 20%)	(5,564)	(1,876)
Effects of:		
Impairment of investments	2,245	491
Other permanent differences	(471)	1,218
Short-term timing differences	3,766	167
Tax losses surrendered as group relief	(3)	(155)
Foreign withholding taxes	136	1,025
Income tax expense	109	870

In addition to the amount charged to loss for the year, a £23,834 charge (2017: £Nil) of deferred tax has been recognised in other comprehensive income in respect of the cash flow hedges.

Notes to the financial statements (continued)*for the year ending 31 March 2018***10. Deferred income taxes**

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted in October 2015. It was subsequently announced in the 2016 budget that there would be a further reduction of the main rate to 17% effective from 1 April 2020. This rate was substantively enacted in September 2016. Deferred tax assets and liabilities on all timing differences have been calculated at 17% at the balance sheet date as per prior year.

The analysis of deferred tax assets and liabilities is as follows:

	Deferred tax assets			Deferred tax liabilities	
	Tax losses	Derivative financial instruments	Fixed Assets	Fair value adjustments on business combination	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	396	230	190	(816)	-
Recognised in income	53	(369)	72	268	24
Recognised in other comprehensive income	-	(24)	-	-	(24)
At 31 March 2018	449	(163)	262	(548)	-
At 1 April 2016	1,014	110	71	(1,195)	-
Recognised in income	(618)	129	119	379	9
Recognised in other comprehensive income	-	(9)	-	-	(9)
At 31 March 2017	396	230	190	(816)	-

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As the Company made a loss in the current period, deferred income tax assets at 31 March 2018 have only been recognised to the extent that they offset the deferred income tax liability arising upon the business combination. As a result, the Company did not recognise deferred income tax assets of £3,380,562 (2017: £4,786,000) in respect of losses amounting to £19,885,659 (2017: £28,153,000) that can be carried forward against future taxable income.

Notes to the financial statements (continued)*for the year ending 31 March 2018***11. Other intangible assets**

	Trademarks £'000	Technology £'000	Other intangibles £'000	Total Intangibles £'000
Cost				
At 1 April 2017	2,019	2,780	2,408	7,207
Accumulated amortisation				
At 31 March 2017	(634)	(892)	(1,002)	(2,528)
Amortisation expense for year	(282)	(397)	(443)	(1,122)
At 31 March 2018	(916)	(1,289)	(1,445)	(3,650)
Net book value				
At 31 March 2018	1,103	1,491	963	3,557
At 31 March 2017	1,385	1,888	1,406	4,679

The main categories of recognised intangible assets are as follows: trademarks, patented technology, in process research & development, software customer relationships and order backlog.

Amortisation of intangible assets is included in the Statement of total comprehensive income as follows:

- Patents: Cost of sales
- Technology: Research and development expenses
- Other intangibles: Selling and general administrative expenses

Notes to the financial statements (continued)

for the year ending 31 March 2018

12. Property, plant and equipment

	Land and buildings £'000	Machinery, vehicle and transport equipment £'000	Tools and implements £'000	Total £'000
Cost				
At 1 April 2017	1,687	717	1,781	4,185
Additions	670	26	12	708
Disposals	(99)	(31)	(906)	(1,036)
At 31 March 2018	2,258	712	887	3,857
Accumulated depreciation				
At 1 April 2017	1,214	451	1,517	3,182
Depreciation expense for the year	224	111	82	417
Impairment expense for the year	76	-	-	76
Disposal	(99)	(20)	(759)	(878)
At 31 March 2018	1,415	542	840	2,797
Net book value				
At 31 March 2018	843	170	47	1,060
At 31 March 2017	473	266	264	1,003

The Company holds the following finance lease obligations within Buildings & Structures and Machinery, vehicle & transport equipment:

	Buildings & Structures		Machinery, vehicle and transport equipment	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Cost	190	190	-	250
Accumulated depreciation	(119)	(117)	-	(90)
Net book value	71	73	-	160

Notes to the financial statements (continued)

for the year ending 31 March 2018

13. Investments accounted for at cost

Shares in group undertakings	2018 £'000	2017 £'000
Beginning of period	508,423	451,214
Additions	17,033	59,663
Impairment	(11,741)	(2,454)
At 31 March	513,715	508,423

Investments comprise equity shares in the following entities, none of which are publicly traded:

Name	Country of incorporation **	Direct % equity interest 31 March 2018	Direct % equity interest 31 March 2017
Primetals Technologies Japan Ltd.	Japan	100.00%	100.00%
Primetals Technologies Germany GmbH	Germany	100.00%	100.00%
Primetals Technologies Poland Sp.z.o.o.	Poland	100.00%	100.00%
Primetals Technologies Finland OY	Finland	100.00%	100.00%
Primetals Technologies Belgium S.A./N.V.	Belgium	>99.99%*	>99.99%*
Primetals Technologies Russia LLC	Russia	100.00%	100.00%
Primetals Technologies Ukraine LLC	Ukraine	100.00%	100.00%
Primetals Technologies Italy S.r.l.	Italy	100.00%	100.00%
Primetals Technologies France S.A.S.	France	100.00%	100.00%
Primetals Teknoloji Sanayi ve Ticaret A.Ş.	Turkey	100.00%	100.00%
Primetals Technologies Czech Republic s.r.o.	Czech Republic	100.00%	100.00%
Primetals Technologies Korea Ltd.	Korea	100.00%	100.00%
Primetals Technologies Austria GmbH	Austria	>99.99%*	>99.99%*
Primetals Technologies Mexico S.R.L. de C.V.	Mexico	99.97%*	99.97%*
Primetals Technologies India Private Ltd.	India	<0.01%*	<0.01%*
Primetals Technologies Financial Services Limited	UK	100.00%	100.00%
Concast (India) Ltd.	India	<0.01%*	<0.01%*
Primetals Technologies Brazil Ltda.	Brazil	<0.01%*	<0.01%*
LanzaTech Ltd	New Zealand	<0.01%	0.00%

Please see Appendix A for the registered addresses of related undertakings

*Note that for those entities listed above for which the Company directly owns <100% of the equity, the indirect holding is 100.00%.

** Note that the principal place of business is the same as country of incorporation

Dividends of £2,592,000 were received during the year ended 31 March 2018 (2017: £816,000) from subsidiaries. Refer to note 27f for further detail.

Notes to the financial statements (continued)

for the year ending 31 March 2018

The carrying value of each individual investment listed above was compared to its recoverable amount which has been determined to be the value-in-use. Where the recoverable amount was less than the current carrying value the investment was impaired to its recoverable amount.

As a result of this exercise, two investments (2017: three) were identified where impairment was necessary:

	Recoverable amount (value-in-use) £'000	Impairment £'000	Discount rate %
31 March 2018			
Primetals Technologies Italy S.r.l.	13,549	10,591	9.00%
Primetals Technologies Russia LLC	-	1,150	12.00%

	Recoverable amount (value-in-use) £'000	Impairment £'000	Discount rate %
31 March 2017			
Primetals Technologies Finland OY	-	1,396	7.0%
Primetals Technologies India Private Ltd	-	4	9.5%
Primetals Technologies Ukraine LLC	1,177	1,054	16.5%

Cash flow projections used in the value-in-use calculation were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using a weighted estimated growth rate of 2.0% (2017: 2.0%), which is based on past experience and management's expectations of market development and consistent with forecasts of industry reports.

The discount rate used for assessing the value-in-use of each investment is country-specific. Where the entity being assessed has investments within other territories the expected future income for these investments is discounted using the discount rate for that particular territory. The discount rates quoted above are therefore blended rates which reflect the discount rates applicable within each of the territories from which cash flows are anticipated to originate.

A 1% decrease in the discount rate would reduce the impairment by £2,821,000 (2017: £100,000). A 1% increase in the discount rate would increase the impairment by £2,100,000 (2017: £87,000).

The total impairment loss of £11,741,000 (2017: £2,454,000) is presented as a separate line item in the statement of total comprehensive income.

Notes to the financial statements (continued)*for the year ending 31 March 2018*

Other subsidiaries in which the Company holds an indirect controlling interest are listed below. None of these are publically traded.

Name	Country of incorporation	Indirect % equity interest 31 March 2018	Indirect % equity interest 31 March 2017
Saudi VOEST-ALPINE GmbH	Austria	100.00%	100.00%
Primetals Technologies Treasury GmbH	Austria	100.00%	0.00%
K1-MET GmbH	Austria	20.00%	0.00%
VAI Ingdesi Automation Ltda.	Brazil	>99.99%	>99.99%
Changzhou Baoling Heavy & Industrial Machinery Co. Ltd.	China	35.15%	0.00%
Shanghai Baoling Metallurgical Equipment Engineering Co Ltd.	China	35.15%	0.00%
Primetals Technologies China Ltd.	China	100.00%	100.00%
Primetals Technologies Taicang Ltd. ⁽ⁱ⁾	China	0.00%	100.00%
Primetals Tangshan Technology Services Ltd.	China	60.00%	0.00%
Primetals International Trading Shanghai Ltd.	China	100.00%	100.00%
Primetals Technologies (Shanghai) Inc.	China	100.00%	100.00%
Primetals Technologies South Asia Private Ltd.	India	100.00%	100.00%
MHI Steel Machinery Engineering & Service Co., Ltd. (SES) ⁽ⁱⁱ⁾	Japan	0.00%	100.00%
MHI Haseg Co., Ltd. ⁽ⁱⁱⁱ⁾	Japan	100.00%	100.00%
Mitsubishi Heavy Industries Plant Corporation	Japan	100.00%	100.00%
Nakata MFG Co. Ltd.	Japan	20.00%	0.00%
VOEST-ALPINE Technical Services Ltd.	Nigeria	40.00%	0.00%
Primetals Asset Management U.K. Ltd.	UK	100.00%	100.00%
ITR LLC	USA	25.00%	0.00%
MHCG, Inc.	USA	81.00%	81.00%
New GenCoat, Inc.	USA	81.00%	81.00%
Primetals Technologies USA LLC	USA	100.00%	100.00%

⁽ⁱ⁾ Liquidated on 4th August 2017

⁽ⁱⁱ⁾ Merged with Primetals Technologies Japan on 1 April 2017

⁽ⁱⁱⁱ⁾ Name changed from Hasegawa Gear Works, Ltd

Please see Appendix A for the registered addresses of related undertakings

Notes to the financial statements (continued)

for the year ending 31 March 2018

14. Stocks

	2018 £'000	2017 £'000
Raw materials and supplies	2,722	3,368
Work in progress	3,621	2,019
Advance payments received	(1,477)	(1,068)
Stocks	4,866	4,319

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

15. Construction contracts

	2018 £'000	2017 £'000
Contract revenue for the period	37,362	74,784
Contract costs	(33,525)	(63,600)
Gross Profit	3,837	11,184

Balances presented in the balance sheet are as follows:

	2018 £'000	2017 £'000
Amounts due from customers	12,944	8,552
Amounts due to customers	(2,925)	(5,813)
Net	10,019	2,739

	2018 £'000	2017 £'000
Retentions included in trade and other receivables	7,912	8,783
Advance payments received from customers	(1,477)	(1,068)

16. Trade and other debtors

	2018 £'000	2017 £'000
Trade debtors	16,897	23,344
Less: provision for impairment of trade debtors	(115)	(1,755)
Trade debtors – net	16,782	21,589
Receivables from related parties (see note 27a)	8,754	10,682
Trade and other debtors	25,536	32,271

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security.

Notes to the financial statements (continued)

for the year ending 31 March 2018

17. Other current financial assets

	2018 £'000	2017 £'000
Derivative financial instruments (note 25a)	2,766	3,312
Other related party receivables (note 25a,27c)	158	155
Other financial assets	-	476
Other current financial assets	2,924	3,943

18. Other current assets

	2018 £'000	2017 £'000
Prepayments	426	356
Sales tax receivables	613	-
Other	3	8
Other current assets	1,042	364

19. Commitments and contingencies

Capital commitments

Capital expenditure contracted for but not yet incurred at 31 March 2018 amounted to £79,000 (2017: £Nil).

Operating lease commitments where the Company is lessee

Operating lease commitments consist of financing arrangements for the rental of office space and IT equipment. These leases have an average life of seven years (2017: seven years). Future minimum rentals payable under non-cancellable operating leases as at 31 March 2018 are as follows:

	2018 £'000	2017 £'000
Less than one year	1,361	1,374
Between one and five years	2,997	3,807
More than five years	872	1,371
Operating lease commitments	5,230	6,552

Operating lease commitments where the Company is lessor

The Company holds surplus office space which is let to a related party. This lease was entered into during the year ended 31 March 2018 and has a life of 5 years. Future minimum rentals payable under non-cancellable operating leases as at 31 March 2018 are as follows:

	2018 £'000	2017 £'000
Less than one year	374	-
Between one and five years	1,003	-
Operating lease commitments	1,377	-

Notes to the financial statements (continued)*for the year ending 31 March 2018***Finance lease commitments**

Finance lease liabilities consist of financing arrangements for one of the buildings rented. IT equipment that was previously held as a finance lease in 2017 has been reclassified as an operating lease in the year ending 31 March 2018.

	2018 £'000	2017 £'000
Liabilities under finance leases less than 3 years	12	162
Liabilities under finance leases more than 3 years	159	163
Finance lease commitments	171	325

The maturity of the finance lease liabilities is as follows:

	2018 £'000	2017 £'000
Less than one year	15	102
Between one and five years	59	128
More than five years	581	595
	655	825

Future finance charges on financial leases	(484)	(500)
---	--------------	--------------

Present value of financial lease liabilities	171	325
---	------------	------------

The present value of the finance lease liabilities is as follows:

	2018 £'000	2017 £'000
Less than one year	4	87
Between one and five years	16	83
More than five years	151	155
	171	325

Guarantees

The maximum credit risk exposure relating to financial guarantee contracts at the maximum amount payable if the guarantee is called on at 31 March 2018 was £34,560,055 (2017: £32,973,000).

20. Trade creditors

	2018 £'000	2017 £'000
Trade creditors	10,203	10,461
Payables to related parties (note 27a)	9,035	18,073
Trade creditors	19,238	28,534

Trade creditors are non-interest bearing and are settled on terms varying within 14 to 120 days. For terms and conditions with related parties, refer to note 27a.

Notes to the financial statements (continued)*for the year ending 31 March 2018***21. Other current financial liabilities**

	2018 £'000	2017 £'000
Derivative financial instruments (note 25a)	1,750	4,554
Loans from subsidiaries (note 27b)	-	60,039
Other related party payables (note 27d)	11,598	15,401
Payables owed to subsidiaries (note 27e)	113,299	2,170
Other current financial liabilities	126,647	82,164

22. Provisions

	Restructuring £'000	Warranties £'000	Order related losses and risks £'000	Asset Retirement Obligation £'000	Other provisions £'000	Total £'000
At 31 March 2017	555	1,450	3,986	547	655	7,193
Additions	499	628	5,707	1,508	26	8,368
Usage	(514)	(11)	(508)	10	-	(1,023)
Reversals	(510)	(1,244)	(2,682)	(547)	(16)	(4,999)
At 31 March 2018	30	823	6,503	1,518	665	9,539
Current	30	823	6,503	660	665	8,681
Non-current	-	-	-	858	-	858
At 31 March 2018	30	823	6,503	1,518	665	9,539

Restructuring

The restructuring plan was announced to the employees of Primetals Technologies Ltd on 15 February 2016. The restructuring is expected to be completed within the next financial year. The measurement of the restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

A provision is recognised for expected warranty claims on products sold during the last two years, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the two-year warranty period for all products sold.

Notes to the financial statements (continued)

for the year ending 31 March 2018

Order related losses and risks

Include provisions for onerous contracts and provisions for penalties. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In such cases, a provision for onerous contracts covering the portion of the contract not yet performed should be recognised in the reporting period in which it is identified that the loss will probably occur. Provisions for penalties are recognised for any penalties for default or delay on contracts probable at the balance sheet date. The critical factor is the probability of occurrence. The amount of the provision is measured on the basis of the damages/penalties incurred or imminent at the balance sheet date. Recognition of the provision is not dependent on whether or not a customer has already asserted a claim.

Asset retirement obligation

Provisions for asset retirement obligations are the aggregate of the estimated discounted cash flows of obligations associated with the retirement of tangible long-lived assets.

23. Other current liabilities

	2018 £'000	2017 £'000
Accruals	6,560	9,008
Social security costs	36	38
Other payables	90	64
Other current liabilities	6,686	9,110

24. Other Liabilities

	2018 £'000	2017 £'000
Withholding Tax	-	288
Other payables	317	418
Other liabilities	317	706

Notes to the financial statements (continued)

for the year ending 31 March 2018

25. Financial instruments

a) Financial assets and liabilities

The following table presents the carrying amounts of each category of financial assets and liabilities:

	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Derivatives designated as cash flow hedges £'000	Total £'000
As at 31 March 2018				
Financial assets:				
Cash and cash equivalents	253	-	-	253
Trade and other debtors (note 16)	25,536	-	-	25,536
Other current financial assets (note 17)	158	-	2,766	2,924
	25,947	-	2,766	28,713

	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Derivatives designated as cash flow hedges £'000	Total £'000
As at 31 March 2017				
Financial assets:				
Cash and cash equivalents	-	-	-	-
Trade and other receivables (note 16)	32,271	-	-	32,271
Other current financial assets (note 17)	155	476	3,312	3,943
	32,426	476	3,312	36,214

	Financial liabilities at amortised cost £'000	Liabilities at fair value through profit and loss £'000	Total £'000
As at 31 March 2018			
Financial liabilities:			
Debt (note 19)	171	-	171
Trade creditors (note 20)	19,238	-	19,238
Other current financial liabilities (note 21)	124,897	1,750	126,647
	144,306	1,750	146,056

	Financial liabilities at amortised cost £'000	Liabilities at fair value through profit and loss £'000	Total £'000
As at 31 March 2017			
Financial liabilities:			
Debt (note 19)	325	-	325
Trade payables (note 20)	28,534	-	28,534
Other current financial liabilities (note 21)	64,593	17,571	82,164
	93,452	17,571	111,023

Notes to the financial statements (continued)

for the year ending 31 March 2018

The directors consider that the carrying amounts of "loans and receivables" and of "financial liabilities at amortised cost" approximate to their fair values. This is largely due to the short-term maturities of these instruments.

Financial assets and liabilities measured at fair value are presented in the following table:

	2018 £'000	2017 £'000
Financial assets measured at fair value:		
Derivatives in connection with fair value hedges	1,663	2,113
Derivatives in connection with cash flow hedges	276	130
Embedded derivatives	827	1,069
	2,766	3,312
Financial liabilities measured at fair value:		
Derivatives in connection with fair value hedges	883	3,820
Derivatives in connection with cash flow hedges	135	76
Embedded derivatives	732	658
	1,750	4,554

b) Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Company uses foreign exchange contracts to manage some of its transaction exposures. The foreign exchange contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions. Current hedging activities cover a risk horizon up to 31 months (October, 2020).

Cash flow hedges

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecasted sales or purchases in US dollar and in Euro. These forecasted transactions are highly probable.

While the Company also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecasted transactions. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss.

The following table indicates the periods in which cash flows from cash flow hedges are expected to occur. These cash flows are expected to affect profit and loss in the same period. Any existing timely differences are not significant.

Notes to the financial statements (continued)

for the year ending 31 March 2018

	Total £'000	Within 1 year £'000	1-5 years £'000	5 years + £'000
2018				
Cash flows resulting from hedging instruments	(8,824)	(7,468)	(1,356)	-
Effect on profit or loss	141	137	4	-
	Total £'000	Within 1 year £'000	1-5 years £'000	5 years + £'000
2017				
Cash flows resulting from hedging instruments	21,528	13,648	7,880	-
Effect on total comprehensive income	55	48	7	-

The amounts of £55,000 retained in other comprehensive income at 31 March 2017 with related tax thereon of £nil matured and affected the statement of profit or loss in 2018.

As of the reporting date there are no net investment hedge relationships designated.

Embedded derivatives

The Group enters into long-term sale and purchase contracts with customers or suppliers. These contracts include embedded foreign exchange derivatives that require separate measurement.

These embedded foreign currency derivatives have been separated and are carried at fair value through profit or loss. The effects on profit or loss are reflected in interest income and interest costs, respectively. The carrying values of the embedded derivatives at 31 March 2018 amounted to £827,000 (other financial assets) (2017: £1,069,000) and £732,000 (other financial liabilities) (2017: £658,000). The effects on profit or loss are reflected in operating income and operating costs respectively.

c) Fair value

The Company analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted price in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for assets and liabilities, not based on observable market data.

All of the Company's derivative financial instruments as at 31 March 2018 are categorised as Level 2 (2017: Level 2) and there have been no transfers between the levels of the fair value hierarchy during the reporting period.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors consider that the carrying amounts of cash, and cash equivalents, trade and other receivables, other current financial assets, debt, trade payables and other current

Notes to the financial statements (continued)*for the year ending 31 March 2018*

financial liabilities approximate to their fair values. This is largely due to the short-term maturities of these instruments.

The fair value of foreign exchange derivative contracts, whether designated as a cash flow hedge or not, is estimated using forward pricing models. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity, where applicable.

d) Financial risk management objectives and policies

The Company is exposed to market risk, credit risk and liquidity risk. The Group Treasury oversees the management of these risks. The Group Treasury is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Primetals Group. The financial risk committee provides assurance that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity price risk. Financial instruments affected by market risk include trade receivables / payables, deposits and derivative financial instruments.

- **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's debt obligations are short-term and therefore this risk is considered to be minimal.

- **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the functional currency of the entity.)

The Company manages its foreign currency risk by hedging any balance sheet positions and transactions that are expected to occur based on actual planning from contracted projects. When possible under economic reasonable conditions, the Company hedges 100% of its foreign exchange exposures.

Foreign currency sensitivity

The sensitivity analysis in the following section relates to the position as at 31 March 2018 and 2017. It has been prepared on the basis that the amount of derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2018.

Notes to the financial statements (continued)

for the year ending 31 March 2018

The analysis excludes the impact of movements in market variables on: the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analysis:

- The statement of financial position sensitivity relates to derivatives
- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2018 and 2017 including the effect of hedge accounting

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Company's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges. The Company's exposure to foreign currency changes for all other currencies is not material.

	Currency	Change in GBP against the following currencies £'000	Notional exposure £'000	Effect on loss before tax £'000	Effect on equity (OCI) £'000
2018	EUR	+10%		(417)	(1,199)
		-10%	14,667	417	1,199
2017	EUR	+10%		3,232	1,183
		-10%	(20,446)	(3,232)	1,183
2018	JPY	+10%		-	(84)
		-10%	839	-	84
2017	JPY	+10%		3	90
		-10%	936	(3)	(90)
2018	Other	+10%		15	-
		-10%	(150)	(15)	-
2017	Other	+10%		-	-
		-10%	-	-	-
2018	USD	+10%		366	-
		-10%	(6,529)	(366)	-
2017	USD	+10%		(946)	341
		-10%	13,043	946	(341)

The effect on profit and loss is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated foreign currencies compared to the functional currency of the entity. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will offset the underlying transactions when they occur.

Notes to the financial statements (continued)*for the year ending 31 March 2018***b) Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

- **Trade debtors**

Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in this note. The Company does not hold collateral as security.

- **Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Primetals Group treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 March 2018 is the carrying amounts as illustrated in this note.

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

Notes to the financial statements (continued)*for the year ending 31 March 2018***26. Issued capital and reserves****Share capital issued and fully paid**

	Number of shares	2018 £'000
At 1 April 2017	100,000	78
Issued during the year	-	-
At 31 March 2018	100,000	78

The opening share capital of the Company on incorporation was 100 ordinary shares of £1. In 2015, the share capital was redenominated to Euros and the authorised share capital was increased and fully paid by the issuance of 99,900 ordinary shares of €1. There have been no changes in either years ending 31 March 2018 and 31 March 2017.

Cash flow hedging reserve

The Cash flow hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging transactions related to hedged transactions that have not yet occurred.

Retained earnings

Retained earnings includes all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

27. Related parties

The Company is controlled by Mitsubishi Hitachi Metals Machinery, Inc. incorporated in Japan, which owns 51% of the Company's shares. The remaining 49% of the shares are owned by Siemens AG, a company incorporated in Germany. The Company's ultimate parent and ultimate controlling party is Mitsubishi Heavy Industries, Ltd., incorporated in Japan.

During the course of the year, the Company entered into transactions in the ordinary course of business with other related parties.

Transactions entered into, and trading balances outstanding at 31 March 2018 and 31 March 2017 are as follows:

a) Trading balances and transactions

	Sales of goods & services £'000	Purchases of goods & services £'000	Receivables £'000	Payables £'000
Subsidiaries of the Company	18,274	9,885	8,475	8,723
Entities with joint control or significant influence	-	633	-	92
Other members of the MHI group	493	40	202	48
Other members of the Siemens AG group	13	832	77	172
At 31 March 2018	18,780	11,390	8,754	9,035

Notes to the financial statements (continued)

for the year ending 31 March 2018

	Sales of goods & services £'000	Purchases of goods & services £'000	Receivables £'000	Payables £'000
Subsidiaries of the Company	8,040	48,418	10,682	18,073
Entities with joint control or significant influence	132	1,055	-	-
Other members of the MHI group	-	-	-	-
Other members of the Siemens AG group	-	-	-	-
At 31 March 2017	8,172	49,473	10,682	18,073

These trading transactions relate to activities such as carrying out construction contracts, service-level agreements as well as corporate recharges. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Outstanding balances at 31 March 2018 are unsecured and interest free and settlement occurs in cash. No provisions are held against receivables from related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

b) Loans from related parties

	2018 £'000	2017 £'000
Loans from subsidiaries:		
• Loan balance at beginning of period	60,039	-
• Loans advanced during the year	15,000	60,000
• Interest (note 7)	1,051	39
• Reclassification to other payables to subsidiaries	(76,090)	-
Loans from other members of the MHI group:		
• Loan balance at beginning of period	-	47,496
• Loans transferred	-	(47,496)
At 31 March	-	60,039

The loans from subsidiaries are due in 2018 and carry interest at approximately 0.02% (2017: 0.05%).

c) Other related party receivables

Other related party receivables of £158,000 (2017 £155,000) is in respect of group tax relief due from Primetals Technologies Financial Services Limited and Primetals Asset Management U.K. Ltd.

As described in note 19, the Company entered into an operating lease with a related party, acting as lessor for office rental space.

Notes to the financial statements (continued)

for the year ending 31 March 2018

d) Other related party payables

Other related party payables of £11,598,000 (2017: £15,401,000) relate to balances owed to Siemens AG in connection with the creation of the joint venture. During the year ending 31 March 2017 the liability was reviewed which resulted in additional miscellaneous income of £11,017,000.

e) Other payables to subsidiaries

£113,299,000 (2017: £2,170,000) relates to balances owed to subsidiaries as a result of cash-pooling activities and miscellaneous balances.

f) Dividend receivable

Dividends of £2,592,000 were received during the year ended 31 March 2018 (2017: £816,000)

	2018 £'000	2017 £'000
Primetals Technologies Korea Limited	93	301
Primetals technologies Russia LLC	198	346
Primetals Technologies Ukraine LLC	142	169
Primetals Technologies Japan	1,714	-
Primetals Technologies Belgium	445	-
	2,592	816

28. Directors

	2018 £'000	2017 £'000
Directors' emoluments	1,777	2,110

The aggregate emoluments received by the Company's directors were £1,777,000 (2017: £2,110,000). The highest paid director received emoluments of £736,000 (2017: £743,000). There was 1 director in the Company's defined contribution plan (2017: 2) during the year. Company pension contributions of £38,000 (2017: £10,000) were paid to a money purchase scheme on their behalf. Directors' remuneration does not include share incentive schemes.

Notes to the financial statements (continued)

for the year ending 31 March 2018

Appendix A – Registered addresses of related undertakings

Company Name	Address	Town	Country
Changzhou Baoling Heavy & Industrial Machinery Co. Ltd	41 Xinye Road, Changzhou	Jiangsu	China
Concast (India) Ltd.	47-48, Jolly Maker Chambers II, Nariman Point	Mumbai	India
ITR LLC	902 4 th Ave. Bethlehem	Bethlehem	USA
K1-MET GmbH	Stahlstraße 14	Linz	Austria
LanzaTech New Zealand Ltd.	TMF Group, Level 12, 55 Shortland Street	Auckland	New Zealand
MHCG, Inc.	5895 Windward Parkway	Alpharetta	USA
MHI Haseg Co., Ltd	261 Yamanobe, Katori-shi	Chiba	Japan
MHI Plant Corporation	6-22, Kannon Shinmachi, 4-Chome, Nishiku	Hiroshima	Japan
Nakata MFG Co., Ltd	3-7-6 Tagawa, Yodogawa-ku, Oshaka-shi	Chiba	Japan
New Gencoat, Inc.	N53 W24900 S. Corporate Circle	Sussex	USA
Primetals Asset Management U.K. Ltd.	566 Chiswick High Road, Chiswick Park, Building 11	London	UK of GB and N. Irel.
Primetals International Trading Shanghai Ltd.	Room A32, 3rd Floor No.473 Fu Te Xi Yi Road, Free Trade Zone	Shanghai	China
Primetals Tangshan Technology Services Ltd.	Gangchang Road South, Lubei District	Tangshan City	China
Primetals Technologies Austria GmbH	Turmstraße 44	Linz	Austria
Primetals Technologies Belgium S.A./N.V.	W.A. Mozartlaan 4, Building Amadeus 4	Drogenbos	Belgium
Primetals Technologies Brazil Ltda.	Rua Nossa Senhora da Conceição, No 20	Bairro Conforto, Volta Redonda	Brazil

Notes to the financial statements (continued)

for the year ending 31 March 2018

Appendix A – Registered addresses of related undertakings (continued)

Company Name	Address	Town	Country
Primetals Technologies China Ltd.	369 Shenfu Rd, Xinzhuang Industrial Park, Minhang District	Shanghai	China
Primetals Technologies Czech Republic s.r.o.	28. Rijna 2663/150, Moravská Ostrava	Ostrava	Czech Republic
Primetals Technologies Financial Services Limited	566 Chiswick High Road, Chiswick Park, Building 11	London	UK of GB and N. Irel.
Primetals Technologies Finland OY	Asianajotoimisto Ferenda Norde, Hallituskatu A 7	Oulu	Finland
Primetals Technologies France S.A.S.	41, Route de Feurs	Savigneux	France
Primetals Technologies Germany GmbH	Schuhstraße 60	Eriangen	Germany
Primetals Technologies Italy S.r.l.	Via Luigi Pomini 92	Marnate	Italy
Primetals Technologies India Private Ltd	Unit No. 706/707, Tower II, Godre Waterside, Plot 5, CP, Sector-V	Kolkata, Salt Lake City	India
Primetals Technologies Japan Ltd.	6-22, Kannon Shinmachi, 4-Chome, Nishiku	Hiroshima	Japan
Primetals Technologies Korea Limited	Jaehwa Square 16th Floor 311, Dongmak-ro, Mapo-gu	Seoul	Korea
Primetals Technologies Mexico S.R.L. de C.V.	Carretera Miguel Aleman Km 26	Apodaca	Mexico
Primetals Technologies Poland Sp. z o.o.	ul. Stefana Korbońskiego 14	Krakow	Poland
Primetals Technologies Russia LLC	Gilyarovskogo Str., 10, bld.1, floor 4	Moscow	Russia
Primetals Technologies (Shanghai), Inc.	Room 1707, Tower A, 69 Dongfang Road	Shanghai	China
Primetals Technologies South Asia Private Ltd.	Plot No 5, Block DP, Sector-V	New Delhi	India

Notes to the financial statements (continued)

for the year ending 31 March 2018

Appendix A – Registered addresses of related undertakings (continued)

Company Name	Address	Town	Country
Primetals Technologies Treasury GmbH	Turmstraße 44	Linz	Austria
Primetals Technologies Ukraine LLC	4-B Mykoly Hrinchenka Street	Kiev	Ukraine
Primetals Technologies USA LLC	5895 Windward Parkway Suite 200	Alpharetta	US of America
Primetals Teknoloji Sanayi ve Ticaret A.Ş.	Yakacik Caddesi No. 111, Kartal	Istanbul	Turkey
Saudi VOEST-ALPINE GmbH	Turmstraße 44	Linz	Austria
Shanghai Baoling Metallurgical Equipment Engineering Co Ltd.	Room 1402, Building 8, 500 Lane, KeShan Road, Boashan	Shanghai	China
VOEST-ALPINE Technical Services Ltd.	Plot 121, Wuse 2	Abuja	Nigeria
VAI Ingdesi Automation Ltda	Minas Gerais, Rua Curitiba, N 1395, 6	Belo Horizonte, MG	Brazil