

Registration number: 00158672

**Forged Solutions Group Limited**  
**(formerly Firth Rixson Forgings Limited)**

Annual Report and Financial Statements for the Year Ended 31 December 2020



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## **Company Information**

### **Directors**

Ben McIvor  
Duncan Hinks  
Lee Smith  
Peter Manos  
Henry Albers

### **Registered office**

Dale Road North  
Matlock  
DE4 2JB  
United Kingdom

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Kingsway  
Cardiff  
CF10 3PW  
United Kingdom

## Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

### Principal activities

The principal activity of Forged Solutions Group Limited ("the Company") is the production of hammer, press, extrusion and upset forgings in alloy and carbon steel, nickel based, titanium and other special alloys.

The Company has responded to the substantial challenges created by Covid-19. The Company has implemented a series of safety measures at its manufacturing facilities to ensure all employees remain safe. These will stay in place for as long as is necessary as the safety of our employees is paramount. The Company has continued to operate throughout the period of the global pandemic whilst ensuring adherence to the safety measures.

### Review of the business and future developments

The results of the Company for the year ended 31 December 2020 are shown in the profit and loss account on page 11. The financial position of the Company as at 31 December 2020 is shown on the balance sheet on page 13.

The Company's key financial and other performance indicators during the year were as follows:

	2020 £'000	2019 £'000
Sales	70,974	101,192
Operating (loss)/profit before exceptional items	(3,035)	828
Net cash flow generated from operating activities	1,260	6,000

As a result of the global pandemic and the consequential reduction in air travel, the overall aerospace market has seen a substantial reduction in demand. The Company saw a reduction in sales for 2020 to £70,974,000 consistent with the overall reduction in aerospace market demand. This reduction in demand led to an operating loss before exceptional items for the year of £3,035,000. Costs were aligned during 2020 to reflect future levels of demand.

Despite this reduction in demand cash generation was strong resulting in cash generated from operating activities of £1,260,000 following substantial improvements in working capital during the year. Cash generated from operating activities was used to fund capital improvements and reduction in debt during the year. The Company had cash of £828,000 at 31 December 2020. The Company has access to flexible financing arrangements and as such only holds, at any given time, sufficient cash to fund its immediate working capital requirements. Further funds are drawn as necessary to meet longer term needs.

### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy is subject to a number of risks.

The Company is exposed to competition from other suppliers in the market. The Company seeks to reduce this risk by entering into long term agreements with all its key customers and differentiating itself through its delivery and quality performance.

## **Strategic report (continued)**

### **Principal risks and uncertainties (continued)**

The Company is exposed to reductions in end market demand, particularly demand in the aerospace market, which in turn affects demand for its own products. The Company seeks to manage this risk through supplying parts for a range of engine programmes and also to a range of customers.

There is a risk that the Company supplies parts which do not comply with customer specifications and designs. The Company manages this risk through having a rigorous quality programme and ensuring extensive testing and validation is performed prior to the parts being supplied.

There is a risk that the supply of parts is affected by the ability of the Company to source material and components at the required time. Production scheduling is routinely performed providing key suppliers with clear visibility of demand.

There is a risk, as has become evident during 2020, that the business is exposed to the impact of a global pandemic. In particular this affects market and customer demand for aerospace parts and the ability to produce parts. The Company operates in a number of market sectors other than aerospace which provides some mitigation against a downturn in aerospace activity. Additionally the Company has been able to quickly implement measures which protect the health of employees and allow production to continue safely without any significant interruption.

### **Section 172(1) Directors' statement**

A director of a Company must act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with customers, suppliers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

### **The Board's approach**

The Directors are involved in the day to day running of the Company and are supported by senior management teams based at the Sheffield Forgings and Darley Dale sites. Additionally the Directors and the business are supported by the ultimate owners of the Company, Arlington Capital Partners who provide support and oversight on a regular basis.

The overall strategy of the Board and the Company is to create a world class forging business, providing exceptional service and quality to our customers in the Aerospace and other sectors, and through this approach and investment in the business creating long term sustainable growth.

The Board understands and acknowledges that the long term success of the Company is in part dependent on its interaction with key stakeholders.

## **Strategic report (continued)**

### **Employees**

The success of the business and the Company is dependent on its employees, who are critical to maintaining the quality of product and delivering exceptional service to our customers. The Forged Solutions Group holds a quarterly business brief which covers all employees and updates them on current trading, market conditions and other matters relevant to all employees.

Additionally the senior management team on site meets with elected employee representatives on a regular basis to allow them to raise any matters of concern and to update them on business matters.

### **Customers**

The Company has long standing relationships with a number of key customers and engages in regular dialogue with those customers. In the majority of cases the Company has entered into long term arrangements with these customers which set out the basis of trading between the parties for a number of years. The aim of the Company is to provide parts to these customers on time in full to the highest quality and in accordance with agreed specifications. The Company also engages in regular discussions with its customers to understand their future needs and requirements.

### **Suppliers**

The Company uses a wide range of suppliers to support its business, in particular a number of key suppliers of metal. The Company has long standing relationships with the majority of its suppliers and aims to keep them informed of future requirements. Additionally the Company seeks to work with local suppliers where possible to support the economy local to the Sheffield and Darley Dale areas.

### **Environment**

The Company recognises and understands the potential risks associated with the operation of heavy manufacturing equipment to its employees, the local community and the environment. The Company complies with all relevant health, safety, and environmental legislation and will transparently work with the relevant regulatory bodies to support this.

### **Future developments**

The Company anticipates that overall aerospace market demand will improve from 2021 onwards as demand for global air travel progressively increases. This is expected to lead to an increase in sales and profits for the Company.

On behalf of the Board



Ben McIvor

Director

15 September 2021

## **Directors' Report**

The Company's registered number is 00158672. The Company changed its name from Firth Rixson Forgings Limited to Forged Solutions Group Limited on 10 February 2020. The directors present their report on the audited financial statements for the year ended 31 December 2020.

### **Directors of the company**

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

B McIvor (appointed 18 February 2020)

D Hinks (appointed 18 February 2020)

L Smith (appointed 18 February 2020)

P Manos

E Son (resigned 26 March 2021)

H Albers (appointed 26 March 2021)

### **Going concern**

The Directors have performed a going concern assessment for the Company, using the Board approved budget for 2021 and longer range forecasts. The Directors have also considered the cash forecasts of the Company, the cash available to the Company and additional liquidity provided by the Group's financing facility. Additionally the Directors have given consideration to covenant thresholds under the Group's financing facility.

As part of the going concern assessment, the Directors considered a range of reasonably possible downside scenarios for the Group which include a reduction in expected demand, additional operating costs particularly for manufacturing yield and risks regarding changes in exchange rates, and included a significant downside scenario which reflects levels of trading during the global pandemic. In considering the downside scenarios, the Directors have given due regard to the reduction in business activity as a result of COVID-19 and have reflected this assessment in their forecasts. The Directors have also considered mitigating actions which are available and within the control of the Group, particularly regarding potential reductions in operating cost and reducing planned spend. The Directors are satisfied based on all the projections that the Company has sufficient cash and available liquidity to continue as a going concern for the foreseeable future, and that the Group will be in compliance with its banking covenants. At the end of 2022, based on the most significant downside scenario, the Group shows limited headroom against one of its covenants based on downside scenarios. But the Directors are satisfied, having considered additional support that is available from its ultimate parent company should it be required, that the Group will be in compliance with its banking covenants. While there can be no certainty that the Company's and Group's forecasts can be achieved the Directors are satisfied that the Company has adequate resources to meet its obligations as they fall due. Accordingly the accounts of the Company have been prepared on a going concern basis.

## Directors' Report (continued)

### Streamlined Energy and Carbon Reporting ("SECR")

The Company has presented below its carbon footprint together with an appropriate intensity metric for the year to 31 December 2020, being the first year it has been required to comply with SECR.

	2020
UK Energy consumption (kWh)	117,370,396
CO <sub>2</sub> e emissions (tonnes)	
- Electricity	4,473
- Gas	17,933
- Transport	167
Total CO <sub>2</sub> e emissions (tonnes)	22,573
Total revenue (£'000)	70,974
Intensity ratio – Total CO <sub>2</sub> e emissions/£ of revenue	0.32

*Disclosure of methodology* - Electricity and gas usage is based on billed amounts from suppliers using actual meter readings. Transport represents actual diesel fuel consumed for fork lift trucks and mileage recorded on Company owned vehicles. Total emissions has been calculated using the UK government conversion factors for greenhouse reporting for 2020. The Intensity ratio is based on revenue to reflect the activity within the business.

*Energy actions* - The Company has a rolling programme of actions to reduce energy usage which during 2020 included the significant step of actively managing key equipment uptime and downtime to directly mirror production activity.

### Disclosure of indemnities

The directors confirm under section 234 of the Companies Act 2006 that:

- at the time this directors' report is signed a qualifying third-party indemnity provision was in force for the benefit of all the directors of the Company;
- for the financial year ended 31 December 2020 a qualifying third-party indemnity provision was in force for the benefit of all the directors of the Company; and
- that there is no qualifying third-party indemnity provision provided by the Company for one or more directors of an associated company either on the date the directors' report is signed or in the last financial year.

### Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and the promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

## **Directors' Report (continued)**

### **Employee involvement**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through briefing groups and the distribution of the annual report.

### **Financial risk management**

#### **Objectives and policies**

The Company's operations expose it to a variety of financial risks, including commodity price risk, exchange rate risk, credit risk, liquidity risk and interest rate risk. Exposures to these risks are monitored, reported and mitigated according to policies and procedures set by its Board.

#### **Price risk**

Where deemed appropriate, the exposures to commodity price risk and exchange rate fluctuations are managed through the use of financial instruments such as forward exchange contracts, options and swaps. The Company's operations have no exposure to equity securities price risk as it holds no listed or equity investments.

#### **Credit risk**

Credit risk policies include appropriate credit checks on potential customers. Credit limits are defined within parameters by the Board.

#### **Liquidity risk**

The Company maintains a mixture of long term and short-term debt finance with a third-party bank. This is designed to ensure the Company has sufficient available funds for its operations.

#### **Interest rate cash flow risk**

The Company's operations have interest bearing assets and liabilities which are maintained on the basis of a mixture of fixed and floating rates. The interest rate levels are reviewed on a regular basis by the Company.

#### **Brexit**

The Company's operations include the sale of product to, and importation of raw material from countries outside the United Kingdom. As a result of the departure of the United Kingdom from the European Union the Company has been subject to additional documentation to support the import and export of goods to and from the European Union. In the majority of instances this is equivalent to documentation the Company is already required to provide for countries outside the European Union. Accordingly there has been limited impact from Brexit on the operations of the Company.

#### **Future developments**

The future developments in the business are set out in the Strategic Report on page 3.

## Directors' Report (continued)

### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", 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 apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

### Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

### Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

On behalf of the Board



Ben McIvor  
Director  
15 September 2021

Registered Office: Dale Road North, Matlock, DE4 2JB

# Independent auditors' report to the members of Forged Solutions Group Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Forged Solutions Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Profit and Loss Account, the Statement of Comprehensive Income, the Cash Flow Statement, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

## Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to financial reporting and tax legislation, and we considered the extent to which non-

compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to overstate revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management and the Directors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Reviewing relevant board meeting minutes
- Evaluation of management's controls designed to prevent and detect irregularities
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to allocated production overheads included within the cost of inventory, net realisable value of inventory, depreciation of property, plant and equipment and debtors provision
- Identifying and testing journal entries, in particular any entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

#### Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

*Stuart Couch*

Stuart Couch (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff

15 September 2021

**Profit and Loss Account for the Year Ended 31 December 2020**

	Note	2020 £000	2019 £000
Turnover	5	70,974	101,192
Cost of sales		(72,212)	(96,584)
Gross (loss)/profit		(1,238)	4,608
Distribution costs		(626)	(1,057)
Administrative expenses		(3,636)	(4,144)
Operating (loss)/profit before exceptional items		(3,035)	828
Exceptional items	7	(2,465)	(1,421)
Operating loss	6	(5,500)	(593)
Interest payable and similar expenses	8	(606)	(774)
Loss before taxation		(6,106)	(1,367)
Tax on loss	12	(186)	286
Loss for the financial year		(6,292)	(1,081)

The above results were derived from continuing operations.

**Statement of Comprehensive Income for the Year Ended 31 December 2020**

	<b>2020</b>	2019
	<b>£000</b>	£000
Loss for the financial year	<b>(6,292)</b>	(1,081)
<b>Total comprehensive expense for the year</b>	<b>(6,292)</b>	(1,081)

(Registration number: 00158672)

Balance Sheet as at 31 December 2020

	Note	2020 £000	2019 £000
<b>Fixed assets</b>			
Intangible assets	13	-	-
Tangible assets	14	29,985	28,243
		<u>29,985</u>	<u>28,243</u>
<b>Current assets</b>			
Inventories	15	34,184	42,580
Debtors	16	20,283	29,325
Cash at bank and in hand		828	11,346
		<u>55,295</u>	<u>83,251</u>
<b>Creditors: Amounts falling due within one year</b>	17	<b>(14,124)</b>	<b>(26,217)</b>
<b>Net current assets</b>		<u>41,171</u>	<u>57,034</u>
<b>Total assets less current liabilities</b>		<u>71,156</u>	<u>85,277</u>
Creditors: Amounts falling due after more than one year	24	(18,231)	(28,891)
Provisions for liabilities	18	(1,016)	(2,191)
<b>Net assets</b>		<u>51,909</u>	<u>54,195</u>
<b>Capital and reserves</b>			
Called up share capital	20	8,906	4,900
Share premium account		-	-
Revaluation reserve		1,019	1,037
Profit and loss account		41,984	48,258
<b>Total equity</b>		<u>51,909</u>	<u>54,195</u>

The financial statements on pages 11 to 36 were approved by the board of directors on 15 September 2021 and were signed on its behalf by:



Duncan Hinks  
 Director

**Cash Flow Statement for the year ended 31 December 2020**

	Note	2020 £000	2019 £000
Net cash from operating activities	25	(633)	4,564
Tax received		1,893	1,436
<b>Net cash generated from operating activities</b>		<b>1,260</b>	<b>6,000</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(5,131)	(3,915)
Proceeds from disposal of tangible fixed assets		210	99
<b>Net cash used in investing activities</b>		<b>(4,921)</b>	<b>(3,816)</b>
<b>Cash flow from financing activities</b>			
(Repayment)/proceeds from bank borrowings		(11,051)	29,065
Proceeds/(repayment) of intercompany loans		736	(27,860)
Interest paid		(548)	(774)
Dividends paid		-	(29,511)
Proceeds from issue of share capital		4,006	38,000
<b>Net cash (used in)/from financing activities</b>		<b>(6,857)</b>	<b>8,920</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(10,518)</b>	<b>11,104</b>
Cash and cash equivalents at the start of the year		11,346	242
<b>Cash and cash equivalents at the end of the year</b>		<b>828</b>	<b>11,346</b>

**Statement of Changes in Equity for the Year Ended 31 December 2020**

	Called up share capital	Share premium	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2020	4,900	-	1,037	48,258	54,195
Loss for the financial year	-	-	-	(6,292)	(6,292)
<b>Total comprehensive expense for the year</b>	-	-	-	<b>(6,292)</b>	<b>(6,292)</b>
Issue of shares	4,006	-	-	-	4,006
Reclassification to profit and loss	-	-	(18)	18	-
<b>At 31 December 2020</b>	<b>8,906</b>	<b>-</b>	<b>1,019</b>	<b>41,984</b>	<b>51,909</b>

Profit and loss account represents cumulative retained comprehensive income. Revaluation reserve relates to a historic revaluation of land and buildings prior to 1998.

	Called up share capital	Share premium	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2019	4,900	-	1,428	40,613	46,941
Loss for the financial year	-	-	-	(1,081)	(1,081)
<b>Total comprehensive expense for the year</b>	-	-	-	<b>(1,081)</b>	<b>(1,081)</b>
Issue of shares	-	38,000	-	-	38,000
Cancellation of share premium account	-	(38,000)	-	38,000	-
Reclassification to profit and loss	-	-	(391)	391	-
Dividends	-	-	-	(29,511)	(29,511)
Charge relating to equity settled share based payments	-	-	-	(154)	(154)
<b>At 31 December 2019</b>	<b>4,900</b>	<b>-</b>	<b>1,037</b>	<b>48,258</b>	<b>54,195</b>

## **Notes to the financial statements**

### **1 General information**

Forged Solutions Group Limited is part of the Forged Solutions Group.

The principal activity of Forged Solutions Group Limited ("the Company") is the production of hammer, press, extrusion and upset forgings in alloy and carbon steel, nickel based, titanium and other special alloys.

The company is a private company limited by share capital, incorporated in England and Wales. The Company's registered office is located in England. The address of its registered office is:

Dale Road North  
Matlock  
DE4 2JB  
United Kingdom

### **2 Statement of compliance**

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### **3 Summary of significant accounting policies**

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

#### **3.1 Basis of preparation of financial statements**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

## Notes to the financial statements (continued)

### 3.2 Going concern

The Directors have performed a going concern assessment for the Company, using the Board approved budget for 2021 and longer range forecasts. The Directors have also considered the cash forecasts of the Company, the cash available to the Company and additional liquidity provided by the Group's financing facility. Additionally the Directors have given consideration to covenant thresholds under the Group's financing facility.

As part of the going concern assessment, the Directors considered a range of reasonably possible downside scenarios for the Group which include a reduction in expected demand, additional operating costs particularly for manufacturing yield and risks regarding changes in exchange rates, and included a significant downside scenario which reflects levels of trading during the global pandemic. In considering the downside scenarios, the Directors have given due regard to the reduction in business activity as a result of COVID-19 and have reflected this assessment in their forecasts. The Directors have also considered mitigating actions which are available and within the control of the Group, particularly regarding potential reductions in operating cost and reducing planned spend. The Directors are satisfied based on all the projections that the Company has sufficient cash and available liquidity to continue as a going concern for the foreseeable future, and that the Group will be in compliance with its banking covenants. At the end of 2022, based on the most significant downside scenario, the Group shows limited headroom against one of its covenants based on downside scenarios. But the Directors are satisfied, having considered additional support that is available from its ultimate parent company should it be required, that the Group will be in compliance with its banking covenants. While there can be no certainty that the Company's and Group's forecasts can be achieved the Directors are satisfied that the Company has adequate resources to meet its obligations as they fall due. Accordingly the accounts of the Company have been prepared on a going concern basis.

### 3.3 Related party transactions

The Company has taken advantage of the exemption, under FRS 102 from disclosing transactions with members of the same group that are wholly owned.

### 3.4 Foreign currency

#### (i) Functional and presentation currency

The Company's functional and presentation currency is the pound sterling.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within administrative expenses. All other foreign exchange gains and losses are presented in the profit and loss account within cost of goods sold.

## Notes to the financial statements (continued)

### 3.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates and value added tax. The following criteria must also be met before turnover is recognised:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The majority of the Company's turnover is derived from the sale of product to customers. For the sale of product the turnover is recognised when the related products are complete, and shipped to the customers according to the agreed contractual shipment terms.

### 3.6 Government Grants

Capital based government grants are included within deferred income in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate. Revenue based government grants are credited to trading profit in the period in which the expenditure to which they relate is incurred.

### 3.7 Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

### 3.8 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

### 3.9 Finance income and costs

#### (i) Interest income

Interest income is recognised using the effective interest rate method.

#### (ii) Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 3.10 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined benefit and contribution pension plan.

#### (i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

## Notes to the financial statements (continued)

### 3.10 Employee Benefits (continued)

#### (ii) Defined contribution pension plan

The Company operates a defined contribution pension plan for certain employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in 'Creditors: amounts falling due within one year' in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### (iii) Defined benefit pension plan

The Company participated in a group defined benefit pension scheme. The pension scheme was accounted for in a fellow subsidiary, Firth Rixson Limited. The contributions paid by the Company are accounted for as if the scheme were a defined contribution scheme as the Company is unable to separately identify its share of the underlying assets or liabilities in the scheme. Such contributions ceased on 1 December 2019.

#### (iv) Annual bonus plan

The Company operates a discretionary bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

#### (v) Share-based payments

Arconic Inc. group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the expected vesting period is determined by reference to the fair value of options granted, excluding the input of any non-market vesting conditions. The Company recognises an expense in the profit and loss account in a similar way based on those options granted to subsidiary employees, with a corresponding adjustment to equity. Access to this plan for the relevant employees of the Company ceased on 1 December 2019.

The Group through its parent company, Forged Solutions Group Inc operates an equity-settled share-based compensation plan for certain employees of the Group. The options were granted in November 2020 and have various vesting criteria over a 10 year period. The directors have obtained an external valuation of the scheme, using a binomial and Monte Carlo model for separate aspects of the scheme. Key judgements in the valuation included the starting equity value of the Group, exit date probabilities, volatility (based on comparable quoted companies) and staff turnover. Based on the assumptions used and the grant date of the scheme, the directors have concluded that the fair value of the employee services is entirely immaterial to the Company and accordingly no further disclosure has been included in the financial statements.

### 3.11 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related turnover is recognised.

Cost is determined using the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes, duties, transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

## Notes to the financial statements (continued)

### 3.12 Cash at bank and in hand

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

### 3.13 Provision for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are made, they are charged to the provision carried in the balance sheet.

### 3.14 Intangible assets

Computer software and capitalised new product development are stated at cost less accumulated amortisation and accumulated impairment losses. They are amortised over its estimated useful life of between three and five years, on a straight-line basis. Where factors such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortization rate is amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

### 3.15 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase cost of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Repairs and maintenance costs are expensed as incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives and principal annual rates used for this purpose range as follows:

Buildings - 50 years  
Plant and equipment - 3 to 25 years  
Construction in progress - Not depreciated  
Land - Not depreciated

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the profit and loss account.

## Notes to the financial statements (continued)

### 3.16 Called up share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 3.17 Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

#### (i) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

#### (ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

### 3.18 Impairment of non-current financial assets

At each balance sheet date non-current financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

## Notes to the financial statements (continued)

### 3.19 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current or deferred taxation assets and liabilities are not discounted.

### 3.20 Government grants

Amounts received in relation to the UK Coronavirus Job Retention scheme have been credited to the profit and loss account in the period to which they relate to.

## Notes to the financial statements (continued)

### 3.21 Financial Instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### (i) Financial assets

Basic financial assets, including trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### (ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as 'Creditors: amounts falling due within one year' if payment is due within one year or less. If not, they are presented as 'Creditors: amounts falling due after more than one year'. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### (iii) Offsetting

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

#### (iv) Derivatives

Derivative financial instruments can be a financial asset or a financial liability and are not basic financial instruments. Derivatives, including forward foreign exchange contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The Company does not currently apply hedge accounting for foreign exchange derivatives.

## Notes to the financial statements (continued)

### 4 Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (i) Useful economic lives and tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on the technological advancement, future investments, economic utilization and the physical condition of the assets. See note 14 for the carrying amount of the tangible assets, and accounting policy 3.15 for the useful economic lives for each class of assets.

#### (ii) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

#### (iii) Impairment of tangible assets

The Company considers whether tangible assets are impaired. Where an indication of impairment is identified the recoverable value is estimated. The calculation of recoverable value requires the use of estimates and assumptions consistent with the most recent budgets and plans that have been formally approved by management together with the selection of appropriate discount rates in order to calculate the net present value of those cash flows.

#### (iv) Inventory provisioning

The Company's principal activity during the period was the production of hammer, press, extrusion and upset forgings in alloy and carbon steels, nickel based, titanium and other special alloys which are subject to changing customer requirements as a result of market conditions. As a result of the aforementioned factors it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and work in progress and future usage of raw materials. See note 15 for the net carrying amount of the inventory and associated provision.

**Notes to the financial statements (continued)**

**5 Turnover**

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2020	2019
	£000	£000
Sale of goods	69,910	99,066
Sale of scrap	1,064	2,126
	<u>70,974</u>	<u>101,192</u>

The analysis of the Company's turnover for the year by geographical market destination is provided below:

	2020	2019
	£000	£000
United Kingdom	21,901	20,511
Rest of Europe	14,402	29,934
Rest of world	34,671	50,747
	<u>70,974</u>	<u>101,192</u>

**6 Operating loss**

Arrived at after charging/(crediting);

	2020	2019
	£000	£000
Impairment of inventories	714	31
Depreciation of tangible fixed assets	3,555	3,392
Amortisation of intangible fixed assets	-	56
Impairment of intangible fixed assets	-	432
Foreign exchange (gains)/losses	(449)	312
Operating lease expense - other	924	886
UK coronavirus job retention scheme income	(2,158)	-
(Profit)/loss on disposal of tangible fixed assets	(154)	3

£2,087,000 (2019: £nil) has been credited to cost of sales and £71,000 (2019: £nil) has been credited to administrative expenses in respect of the UK coronavirus job retention scheme.

**Notes to the financial statements (continued)**

**7 Exceptional items**

	<b>2020</b>	2019
	<b>£000</b>	£000
Redundancy costs	<b>2,465</b>	-
Costs associated with the closure of the Arconic defined benefit pension scheme	-	626
Costs associated with flood	-	795
	<b>2,465</b>	1,421

During 2020 the Company undertook two redundancy programmes in response to reduced market demand as a result of Covid-19. Redundancy costs totalling £2,465,000 were incurred.

The costs of £626,000 represent payments made to the Firth Rixson Retirement Benefits Plan in respect of employees of the Company following the closure of this plan, together with associated professional fees.

In November 2019 a flood occurred at the Sheffield sites which caused significant damage and a temporary cessation in production. Costs totalling £795,000 were incurred in rectifying the plant and equipment and the facilities which have been charged to the profit and loss account.

**8 Interest payable and similar expenses**

	<b>2020</b>	2019
	<b>£000</b>	£000
Interest on bank loans	<b>521</b>	64
Interest payable on loans from group undertakings	-	710
Amortisation of bank arrangement fee	<b>58</b>	-
Other interest	<b>27</b>	-
	<b>606</b>	774

**9 Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2020</b>	2019
	<b>£000</b>	£000
Wages and salaries	<b>21,122</b>	22,621
Social security costs	<b>2,228</b>	2,432
Other pension costs	<b>1,759</b>	2,866
	<b>25,109</b>	27,919

**Notes to the financial statements (continued)**

**9 Staff costs (continued)**

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

	2020	2019
	No.	No.
Production	443	471
Administration and support	38	30
	481	501

Key management compensation was as follows:

	2020	2019
	£000	£000
Short term employee benefits	618	1,004
Long term employee benefits	43	61
	661	1,065

Of the above £484,000 (2019: £638,000) is charged to the profit and loss account in the Company, and £177,000 (2019: £427,000) is charged to a sister company.

**10 Directors' remuneration**

The directors' remuneration for the year was as follows:

	2020	2019
	£000	£000
Emoluments	306	368
Contributions paid to money purchase schemes	22	32
	328	400

£177,000 (2019: £nil) was also paid by a sister company in relation to the directors for which it is not possible to specifically identify the element relating to acting as directors of the Company.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020	2019
	No.	No.
Received or were entitled to receive shares under long term incentive schemes	3	2
Accruing benefits under money purchase schemes	3	3

In respect of the highest paid director:

	2020	2019
	£000	£000
Emoluments	156	160
Contributions paid to money purchase schemes	14	14

**Notes to the financial statements (continued)**

**11 Auditors' remuneration**

	2020	2019
	£000	£000
Audit of the financial statements	49	50

**12 Tax on loss**

Tax charged/(credited) in the profit and loss account

	2020	2019
	£000	£000
<b>Current taxation</b>		
UK corporation tax	-	-
UK corporation tax adjustment to prior periods	(596)	(1,739)
	<u>(596)</u>	<u>(1,739)</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	782	1,453
	<u>186</u>	<u>(286)</u>

The tax on loss before taxation for the year is lower than the standard rate of corporation tax in the UK (2019 – higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%). The differences are reconciled below:

	2020	2019
	£000	£000
Loss before taxation	(6,106)	(1,367)
Corporation tax at standard rate	(1,160)	(260)
Effect of expense not deductible in determining taxable loss	1	47
Group relief surrendered for nil payment	47	31
Deferred tax (credit)/charge relating to changes in tax rates or laws	(841)	14
Deferred tax charge from a prior period	778	1,568
Tax losses not recognised	1,935	-
UK corporation tax adjustment to prior periods	(596)	(1,739)
Tax increase from effect of capital allowances and depreciation	53	53
Other	(31)	-
Total tax charge/(credit)	<u>186</u>	<u>(286)</u>

Until 1 December 2019 where relief was claimed against losses sustained by other companies in the Arconic group, this relief is charged to the Company by the donor company at the rate of £1 for every £1 of taxation not paid. Any losses surrendered to other group companies are surrendered at nil value. Amounts payable for group relief are included in the taxation charge of the Company.

**Notes to the financial statements (continued)**

**12 Tax on loss (continued)**

Deferred taxes comprise;

	<b>Asset</b>	
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	<b>4,866</b>	5,425
Short term timing differences	<b>18</b>	-
Losses	<b>2,261</b>	2,502
	<b>7,145</b>	<b>7,927</b>

The Company has an unrecognised deferred tax asset of £1,935,000 relating to trading losses.

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less will continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels. These changes had not been substantively enacted at the balance sheet date and therefore no adjustment has been made to deferred taxation balances to account for this change. Had the change been substantively enacted at the balance sheet date, the impact on deferred tax balances would have been to increase the deferred tax asset by £2,256,000.

**13 Intangible assets**

	<b>Other intangible assets £000</b>	<b>Total £000</b>
<b>Cost</b>		
At 1 January 2020	544	544
Additions	-	-
<b>At 31 December 2020</b>	<b>544</b>	<b>544</b>
<b>Accumulated amortisation</b>		
At 1 January 2020	544	544
Amortisation charge	-	-
<b>At 31 December 2020</b>	<b>544</b>	<b>544</b>
<b>Carrying amount</b>		
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>
At 31 December 2019	-	-

**Notes to the financial statements (continued)**

**14 Tangible assets**

	Freehold Land and buildings £000	Plant and equipment £000	Construction in progress £000	Total £000
<b>Cost</b>				
At 1 January 2020	12,222	126,204	5,525	143,951
Additions	-	272	5,081	5,353
Disposals	-	(1,240)	-	(1,240)
Transfers	-	7,370	(7,370)	-
<b>At 31 December 2020</b>	<b>12,222</b>	<b>132,606</b>	<b>3,236</b>	<b>148,064</b>
<b>Accumulated depreciation</b>				
At 1 January 2020	2,390	113,318	-	115,708
Charge for the year	278	3,277	-	3,555
Eliminated on disposal	-	(1,184)	-	(1,184)
<b>At 31 December 2020</b>	<b>2,668</b>	<b>115,411</b>	<b>-</b>	<b>118,079</b>
<b>Carrying value</b>				
<b>At 31 December 2020</b>	<b>9,554</b>	<b>17,195</b>	<b>3,236</b>	<b>29,985</b>
At 31 December 2019	9,832	12,886	5,525	28,243

*Security*

The total carrying amount of Tangible fixed assets pledged as security for liabilities in the year amounted to £29,985,000 (2019: £28,243,000) in relation to bank loans held by the parent company, Aero Forgings Bidco Limited.

**15 Inventories**

	2020 £000	2019 £000
Raw materials and consumables	13,522	9,961
Work in progress	12,467	26,728
Finished goods and goods for resale	8,195	5,891
	<b>34,184</b>	<b>42,580</b>

Inventories are stated after provisions for impairment of £8,513,000 (2019: £7,148,000).

**Notes to the financial statements (continued)**

**16 Debtors**

	<b>2020</b>	2019
	<b>£000</b>	£000
Trade debtors	<b>10,557</b>	18,668
Amounts owed by group undertakings	<b>277</b>	257
Amounts owed for group relief	<b>596</b>	1,893
Other debtors	<b>141</b>	-
Deferred tax assets (see note 12)	<b>7,145</b>	7,927
Prepayments and accrued income	<b>1,567</b>	580
	<b>20,283</b>	29,325

Trade debtors are stated after provisions for impairment of £413,000 (2019: £744,000). Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**17 Creditors: amounts falling due within one year**

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Due within one year</b>		
Trade creditors	<b>10,179</b>	21,604
Amounts owed to group undertakings	<b>648</b>	-
Loans from group undertakings	<b>736</b>	-
Taxation and social security	-	853
Obligations under finance leases	<b>90</b>	-
Other creditors	<b>171</b>	957
Accruals and deferred income	<b>2,300</b>	2,803
	<b>14,124</b>	26,217

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

The loan from group undertakings was unsecured and interest free. It was converted to share capital post year-end, see note 20 for further details.

**Notes to the financial statements (continued)**

**18 Provisions for liabilities**

	<b>Warranties</b>	<b>Other provisions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2020	1,775	416	2,191
Provisions utilised	(1,166)	(9)	(1,175)
<b>At 31 December 2020</b>	<b>609</b>	<b>407</b>	<b>1,016</b>

Other provisions include a reserve for environmental clean-up costs. These are expected to be utilised over a number of years as costs are incurred.

In 2015, the Company received a claim from a customer in relation to quality issues and a product recall for sales made in 2013. During the year the Company has utilised provisions totaling £1,166,000 to settle and offset claims. The remaining provisions are expected to be utilised in one to two years.

**19 Pension and other schemes**

**Money purchase scheme**

The Company operates a money purchase scheme. The contributions to this defined contribution plan charged to the profit and loss account in 2020 amounted to £1,759,000 (2019: £884,000).

**Defined benefit pension scheme**

**Firth Rixson Retirement Benefits Plan (FRRBP)**

The Company participated in the Firth Rixson Retirement Benefits Plan (FRRBP), which is a defined benefit scheme. However, the contributions paid by the Company were accounted for as if the scheme were a defined contribution scheme, as the Company was unable to identify its share of the underlying assets or liabilities in the scheme. The cost of contributions to the group scheme amounted to £Nil (2019: £1,982,000) and are based on pension costs of the group as a whole.

**Notes to the financial statements (continued)**

**20 Called up share capital and dividends**

**Allotted, called up and fully paid shares**

	2020		2019	
	No. 000	£000	No. 000	£000
Ordinary shares of £1 each	8,906	8,906	4,900	4,900

The Company has one class of ordinary share capital which carry no right to fixed income.

On 27 November 2019 the Company issued 100 ordinary shares of £1 each for a consideration of £38,000,000. The cash received was used to immediately settle loans from group undertakings. On 18 December 2019 the share premium account of £37,999,900 referred to above was cancelled and credited to profit and loss reserves.

On 13 August 2020 the Company issued 4,006,716 ordinary shares of £1 each for a consideration of £4,006,716.

On 1 February 2021 the Company issued 735,741 ordinary shares of £1 each for a consideration of £735,741.

**Dividends**

On 15 December 2019 the Company declared and paid a dividend of £5,000,000. On 18 December 2019 the Company declared and paid a further dividend of £24,511,000.

**21 Obligations under leases and hire purchase contracts**

**Operating leases**

The total of future minimum lease payments is as follows

	2020	2019
	£000	£000
Not later than one year	896	813
Later than one year and not later than five years	2,220	1,622
Later than five years	401	698
	<b>3,517</b>	<b>3,133</b>

**Finance leases**

Finance lease liabilities are payable as follows

	2020	2019
	£000	£000
Not later than one year	90	-
Later than one year and not later than five years	159	-
	<b>249</b>	<b>-</b>

**Notes to the financial statements (continued)**

**22 Commitments**

**Capital commitments**

The total amount contracted for but not provided in the financial statements was £503,000 (2019: £2,288,000).

**23 Parent and ultimate parent undertaking**

The Company is a subsidiary undertaking of Aero Forgings Bidco Limited. The ultimate controlling party is Arlington Capital Partners V L.P.

The largest group in which the results of the Company are to be consolidated is that headed by Aero Forgings Midco Limited, Dale Road North, Matlock, DE4 2JB. Aero Forgings Midco Limited will prepare accounts for the period from 3 September 2019 to 31 December 2020. No other group financial statements include the results of the Company.

**24 Creditors: amounts falling due after more than one year**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Due after one year</b>		
Obligations under finance leases	<b>159</b>	-
Bank loans	<b>18,072</b>	28,891
	<b>18,231</b>	28,891

The bank loan relates to a loan with BNP Paribas Commercial Finance Limited. The facility covers a number of legal entities within the Forged Solutions Group. In relation to the Company the facility expires on 19 December 2022. There are two elements to the loan, a facility which is secured over the inventory of the Company for which interest is charged at LIBOR plus 2.45%, and a facility which is secured over the trade receivables of the Company for which interest is charged at LIBOR plus 1.65%.

The amount includes unamortised finance costs of £117,000 (2019: £174,000).

**Notes to the financial statements (continued)**

**25 Notes to Cash flow statement**

	<b>2020</b>	2019
	<b>£000</b>	£000
Loss for the financial year	<b>(6,292)</b>	(1,081)
Tax on loss	<b>186</b>	(286)
Net interest	<b>606</b>	774
Depreciation of tangible fixed assets	<b>3,555</b>	3,392
Amortisation of intangible fixed assets	-	56
Impairment of intangible fixed assets	-	432
(Profit)/loss on disposal of tangible fixed assets	<b>(154)</b>	3
Movements in working capital:		
Decrease/(increase) in inventories	<b>8,396</b>	(4,131)
Decrease in debtors	<b>6,963</b>	3,599
(Decrease)/increase in payables	<b>(12,718)</b>	3,928
Movement in provisions	<b>(1,175)</b>	(2,122)
Cash flow from operating activities	<b>(633)</b>	4,564

**26 Analysis of changes in net debt**

	<b>At 1 January 2020</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>At 31 December 2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	11,346	(10,518)	-	828
Loans from group undertakings	-	(736)	-	(736)
Finance leases	-	-	(249)	(249)
Bank loans	(28,891)	11,051	(232)	(18,072)
	<b>(17,545)</b>	<b>(203)</b>	<b>(481)</b>	<b>(18,229)</b>

Non cash changes represent new finance leases taken out during the year and debt issue costs.

**Notes to the financial statements (continued)**

**27 Financial instruments**

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Financial assets at fair value through profit or loss</b>	-	-
<b>Financial assets measured at amortised cost</b>		
- Cash at bank and in hand	<b>828</b>	11,346
- Trade debtors	<b>10,557</b>	18,668
- Other debtors	<b>141</b>	-
- Amounts owed by group undertakings	<b>277</b>	257
	<b>11,803</b>	30,271
<b>Financial assets that are equity instruments measured at cost less impairment</b>	-	-
<b>Financial liabilities at fair value through profit or loss</b>	-	-
<b>Financial liabilities measured at amortised cost</b>		
- Trade creditors	<b>10,179</b>	21,604
- Other creditors	<b>171</b>	957
- Accruals	<b>2,300</b>	2,803
- Loans from group undertakings	<b>736</b>	-
- Amounts owed to group undertakings	<b>648</b>	-
- Operating leases	<b>3,517</b>	3,133
- Finance leases	<b>249</b>	-
- Bank loans	<b>18,072</b>	28,891
	<b>35,872</b>	57,388