**Verification report – UK Producer**

**Case TD0013: Certain Aluminium Road Wheels**

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| **Period of Investigation (POI):** | 1 July 2020 to 30 June 2021  |
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| **Injury Period:** | 1 July 2017 to 30 June 2021 |
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| **Date of report:** | 14 July 2022 |
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| **Case team contact details:** | TD0013@traderemedies.gov.uk  |
|  |  |
| **Company verified:** | Rimstock Limited |

For further details, please see the [Notice of Initiation](https://www.trade-remedies.service.gov.uk/public/case/TD0013/submission/65bff86e-86f7-41b0-a7ec-3584cc728c09/) on the public file.

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# Executive Summary

The Trade Remedies Authority (TRA, we) are conducting a transition review to recommend to the Secretary of State (SoS) whether to vary or revoke the application of the anti-dumping amount put in place by the EU on certain aluminium road wheels from the People’s Republic of China (PRC). Rimstock Limited (Rimstock) have been identified as a domestic producer of the goods under review. As part of the review, we sought to assess the accuracy of the data Rimstock provided in its questionnaire response which covered its company structure and operations, the goods it produces, costs to make and sell the goods subject to review, sales of those goods, and the potential economic-interest effects of maintaining, varying or revoking the measures.

* We have compared Rimstock’s questionnaire responses to other accompanying evidence and information from open sources, such as Companies House, HMRC, UK trade info and Rimstock’s website.
* We checked information for consistency with audited financial statements and consistency with the responses from other interested parties.
* We conducted a walkthrough of the accounting systems to assess how much reliance we can place on data produced by the Rimstock’s accounting system.

Based on the verification activity that we have undertaken we have concluded that we have a reasonable level of assurance on the accuracy and completeness of the information provided by Rimstock Limited and we can use it for the purpose of this transition review.

# Purpose of verification

The purpose of the TRA’s verification activity is to provide the assurance considered necessary to decide whether the information provided by the interested party is reasonably reliable and can be used for the purposes of our investigation. We established our level of assurance on the relevance, completeness and accuracy of information. Such data can now be considered in our assessments and analysis to determine whether injury is caused or likely to be caused to the UK industry by dumped imports of the goods subject to review. This will form the basis for establishing appropriate measures where necessary, and to assess whether these are in the UK’s economic interest.

We carried out verification activities using desk and remote analysis and on-site visits. The case team did not seek to verify all information provided but to undertake the work considered appropriate and possible within the time constraints of the investigation to assure the reliability of evidence to be considered in case decision making.

This verification report documents the work and checks we completed, and conclusions we reached about the reliability of information provided by Rimstock.

# Confidential information

Rimstock must indicate whether any information contained in the confidential version of the verification report is considered confidential. Rimstock must specify such information, provide reasons as to why the TRA should treat the particular information as confidential, and create a non-confidential version of it (see also [*public guidance*](https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#how-we-handle-confidential-information)). The non-confidential version of the verification report will be placed on the public file.

## A. Company structure and associations

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| What information was verified |
| We, the TRA, confirmed information provided on the following areas:* Company details
* Organisational structure
* Board members and shareholders
* Associations
* Accounting practices and policies
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| *Please indicate the confidentiality status of the information summarised above:* |
|  [x]  non-confidential | [ ]  confidential |
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| How the information was verified |
| We cross-checked the information provided by Rimstock on company details and ownership by examining official documents published by Companies House, including the Certificate of Incorporation and the company’s audited financial reports. We found the information from these sources to be consistent with the information provided by Rimstock in its questionnaire response and on its own website.We reviewed the company’s associations by checking information available on Companies House, which we also used to check whether any of Rimstock’s board members or shareholders were associated with other companies within the same industry. We confirmed that the information provided to us was consistent with publicly available information.We reviewed the audited financial reports from 2020 to verify Rimstock’s accounting policies and practices. This included its basis for account preparation, its financial year convention and its method of revenue recognition. We confirmed that the information provided by Rimstock was independently audited.The auditor’s reports state that the financial statements give a “true and fair view” of the company’s affairs and have been, *“properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice”* for the POI.**Accounting system walkthrough**During the verification visit, we conducted a walkthrough of the accounting system (Navision) on how purchases, production and sales were tracked. This contributed to our understanding of the accounting process and helped us determine whether we could rely on the accounting system for the information provided for sales and costs. We also determined which tasks are manual, where there is segregation of duties, and what checks and approvals are required before transactions are posted to the accounts. Based on this walkthrough, we have a reasonable level of assurance on the reliability of the systems in place from which the information we have been given was sourced. |
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| Exceptions/Findings/Adjustments |
| None. |
| *Please indicate the confidentiality status of the information summarised above:* |
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| Conclusions |
| The data relating to company structure and associations that we have been provided by the interested party is verifiable. Based on the work we have done, we have a reasonable level of assurance that the data can be treated as relevant, complete and accurate and can therefore be used by the TRA for the dumping likelihood assessment, the EIT assessment, the injury likelihood assessment, and for any other purpose relating to this review. |
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## B. Goods

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| What information was verified |
| We checked Rimstock’s records of purchases and expenses during the POI to confirm that Rimstock had only produced the goods subject to review during the period of investigation (POI). We checked their records of sales during the POI to confirm they only sold the goods subject to review during the POI. |
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| How the information was verified |
| We reviewed the goods produced by Rimstock and their manufacturing facilities and processes, to determine if they all fall under the category of ‘like goods’, as defined in paragraph 7(1) of Schedule 4 to the Taxation (Cross-border Trade Act 2018 (‘TCBTA’ or ‘the Act’) as; ‘a) *goods which are like those goods in all respects, or b) if there are no such goods, goods which although not alike in all respects, have characteristics closely resembling those of the goods in question’.*We confirmed that Rimstock only produce the goods subject to review through:* A factory visit conducted by investigators and physical inspection of the products produced and manufacturing processes, to confirm the company’s operations.
* Analysing their sales transactions

This confirmed that only the goods subject to review are produced by Rimstock. |
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| Exceptions/Findings/Adjustments |
| None. |
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| Conclusions |
| We have a reasonable level of assurance that the data Rimstock provided us in relation to their goods, can be treated as relevant, complete and accurate and can therefore be used by the TRA for the dumping likelihood assessment, the EIT assessment, the injury likelihood assessment, and for any other purpose related to this review. |
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## C. Costs

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| What information was verified |
| Upwards verificationRimstock submitted their cost and purchases data for the goods subject to review in their questionnaire responses. The upwards verification is the process of verifying this information submitted by Rimstock ‘upwards’ to its audited financial statements, to test the completeness and relevance of the financial data provided. We compared Period of Investigation (POI) cost data with audited financial accounts, to assess whether the cost data provided by Rimstock in relevant and complete:* Rimstock’s total cost to make and sell figure for the like goods for the POI
* Rimstock’s management accounts covering 1 July 2020 to 30 June 2021 and the first half of 2020, 1 January to 30 June, and the audited accounts for the year ended December 2020
* Rimstock’s reconciliation of its management accounts to its audited financial statements
* Rimstock’s methodology for allocating costs for the like goods

Downwards verificationRimstock submitted their cost and purchase data for the goods subject to the review in their questionnaire responses. The downwards verification is the process of verifying this information by confirming whether it is consistent with Rimstock’s source documentation. The volume, value, and other fields of information of the cost and purchase information is traced downwards to validate the accuracy of the data submitted relating to the goods subject to review so that we are able to place reliance on the accuracy of the cost and purchase information submitted.We analysed the data provided by Rimstock to identify anomalies, outliers, differences, and trends, to highlight high-risk areas. We selected a sample of transactions on a risk basis to test accuracy and relevance of the information we have been provided, relating to the following costs:* Raw materials
* Manufacturing overheads
* Direct Labour
* Depreciation
* Administrative, selling, and general (AS&G) costs
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| How the information was verified |
| Upwards verificationWe performed upwards verification to confirm the completeness of the total cost data set, by reconciling cost to make and sell data provided by Rimstock in their questionnaire response annex, to financial accounts, management accounts and trial balances.Rimstock’s financial year ends on 31 December – and so their financial year to 31 December 2020 does not end in line with the POI for this case which ends on 30 June 2021. As a result the reported total cost data in Rimstock’s management accounts do not directly align to the data Rimstock’s TRA questionnaire submission.Rimstock provided the TRA with both audited statutory accounts and a reconciliation of their monthly management accounts for the PoI. To further confirm reliability of Rimstock’s management accounts, we compared them to their trial balance and did not identify any unreconciled variances. We therefore conclude the management accounts are reliable for the purposes of our upwards verification of total costs. We were able to reconcile the cost data Rimstock provided in their questionnaire response, to the management accounts for the POI, July 2020 to June 2021. We are satisfied that the cost data provided by Rimstock can be considered as complete.We verified the total debt charges for the period, testing to assess the reasonableness of the costs against market rates.Downwards verification We performed downwards verification to confirm the relevance and accuracy of the cost data set. We tested a sample of transactions and assessed the reasonableness of the cost allocations.*Raw materials*We:* walked through the purchase and payment approval processes for raw material purchases
* Undertook the following tests on each of the sampled transactions from Rimstock’s data:
	+ Traced raw materials purchase to goods received into stock
	+ Checked order had been made and appropriately authorised
	+ Traced purchase to the supporting supplier invoice
	+ Reconciled the invoice to the goods received notes

We are satisfied that the transactional tests have been met, that the raw material costs have been reasonably reported, and that the raw material costs reported by Rimstock are relevant and accurate.*Manufacturing overheads* We:* Conducted a walkthrough of the purchase and payment approval processes for manufacturing overheads
* Confirmed during a site visit that Rimstock only produces forged ARWs and therefore accept that all costs would be allocated to the goods under review and any ancillary costs relating to any other products and activities during the POI are immaterial
* Tested Rimstock’s costs by sampling transactions based on an assessment of risk and materiality and comparing individual sampled transactions against supplier invoices and payment authorisations.

We are satisfied that the manufacturing overhead costs have been reasonably reported in the questionnaire response. The manufacturing overheads costs reported by Rimstock can be considered as reasonably relevant and accurate.*Direct Labour*As direct labour figures are reported in the audited accounts, we are satisfied that the direct labour costs have been reasonably reported. We consider the direct labour costs reported by Rimstock as reasonably relevant and accurate.*AS&G Costs* We:* Identified an appropriate sample of AS&G costs for testing based on risk and materiality
* Identified staff costs as the highest proportion of AS&G costs. However, based on an assessment of the risk to the accuracy of the data and as noted in the direct labour section above that these are audited figures, we did not see a reason to test this
* Identified finance charges and rent as the next highest proportion of AS&G, that evidence provided in relation to these costs was inadequate for our purposes, and accordingly requested further information
* Reviewed the workings for the operating lease disclosure in the accounts, covering rent for Rimstock’s leases.

We are satisfied that the transactional tests have been met, and the AS&G costs have been reasonably reported. We are satisfied that the AS&G costs reported by Rimstock are reasonably relevant and accurate.*Depreciation* We: * Identified an appropriate sample of depreciation charges based on risk and materiality
* Identified Rimstock’s depreciation and amortisation policies from the financial statements
* Requested the fixed asset register and selected the highest asset costs
* Considered depreciation costs to assess the reasonableness of the depreciation charged to each item, using the original asset costs and calculations of the total expected useful economic life for each item
* Confirmed that the fixed asset register is maintained in Navision with the depreciation calculations being automated

We found no variances between expected and actual depreciation charged, which is automatically calculated with no manual manipulation. We are satisfied that the transactional tests have been met and depreciation costs reported by Rimstock are reasonably relevant and accurate. |
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| Exceptions/Findings/Adjustments |
| None.  |
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| Conclusions |
| We have verified to a reasonable level of assurance that the cost data provided by the interested party can be treated as relevant, complete and accurate and can therefore be used by the TRA for the dumping likelihood assessment, the EIT assessment, the injury likelihood assessment, and for any other purpose related to this review. |
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## D. Sales

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| What information was verified |
| Upwards verification We compared POI sales data with audited financial accounts, to ensure the data we are relying on is complete, accurate, and relevant.We reviewed Rimstock’s:* transaction listing figures for domestic and exports sales
* total sales reconciliation figures for the POI
* monthly management accounts for the financial year to 31 December 2020 and their audited statutory accounts of the same period
* reconciliation of its management accounts to its audited financial statements

Downwards verificationWe sought to identify anomalies, outliers, differences, and trends in the data provided to highlight high-risk areas. From this we selected a sample of transactions on a risk basis to test accuracy and relevance of the information provided.We reviewed Rimstock’s:* sales documents for a risk-based sample of domestic and export sales,
* sales revenue recognition policy – turnover, which is stated net of value added tax, represents amounts invoiced to third parties and group companies and is attributable to the manufacture of aluminium road wheels; turnover is recognised upon shipment
 |
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| How the information was verified |
| Upwards verificationWe performed upwards verification to confirm the completeness of the total sales data set. As Rimstock’s financial year to 31 December 2020 is different to the TRA’s POI period we were unable to reconcile the reported total sales data to Rimstock’s financial statements. We therefore relied on Rimstock’s management accounts which are prepared on a monthly basis.Rimstock provided the TRA with a reconciliation of its management accounts for the financial year to 31 December 2020 to the statutory accounts of the same period. To rely on Rimstock’s management accounts we reviewed the reconciliation and did not identify any unreconciled variances. We can therefore rely on the management accounts for our upwards verification of total sales.We reconciled Rimstock’s submitted data in respect of total sales of goods to the management accounts for the POI. We are satisfied that the sales data provided reconciles to Rimstock’s audited financial statements and is complete and relevant.Downwards verificationWe reconciled the domestic and export sales listings, as reported in Rimstock’s completed questionnaire and annex, against a sample of transactions and their source documentation (from the point of order through to the payment of the sale) to verify the accuracy of the data.We asked Rimstock to provide a complete set of sales documents for each transaction sample, consisting of:* Copy purchase orders
* Copy invoices
* Proof of dispatch
* Transportation documents
* Proof of payment receipt

We assessed the accuracy of the domestic and export sales data by agreeing the information submitted against the source documents Rimstock provided.No issues were noted.We tested Rimstock’s sales transaction listing, by selecting a risk-based sample and:* Matching invoice to purchase order
* Matching invoice to delivery note
* Matching customer order to Navision order and despatch note
* Matching payment to invoice
* Matching revenue to the POI
* Checking authorisation of credit notes (where applicable)
* Checking authorisation of goods delivery notes

We requested a further random sample of sales, to gain assurance through transactional testing that the sales data is accurate and relevant. We are satisfied that the transactional tests have been met and we can rely on the data that Rimstock provided for the purposes of this transition review.*Revenue recognition*Rimstock advised us they recognise their revenue on delivery. The TRA selected a sample of items to check that revenue was recognised on delivery and that the cut-off of revenue transactions around the year end was appropriate. We are satisfied that revenue has been recorded in the correct period and in accordance with Rimstock’s revenue recognition policy. |
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| Exceptions/Findings/Adjustments |
| None. |
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| Conclusions |
| We have verified the data relating to sales provided by the interested party. Based on the work we have done, we have a reasonable level of assurance that the data can be treated as relevant, complete and accurate and can therefore be used by the TRA for the dumping likelihood assessment, the EIT assessment, the injury likelihood assessment, and for any other purpose related to this review. |
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## E. Injury

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| What information was verified |
| The TRA reviewed:* Domestic and export sales value
* Domestic and export sales volumes
* Profitability
* Market share
* Production volumes
* Investments
* Employment and wages
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| How the information was verified |
| *Domestic and export sales volumes and value*Rimstock stated that the COVID-19 pandemic and market situation were factors in a decrease in both domestic and export sales volumes and value in the POI. These trends can be observed in Appendix 2 Figures 1, 2, 3, and 4 (confidential). The TRA completed independent research into the prevailing market conditions across the injury period. This supported Rimstock’s commentary regarding general trends.Please refer to section D for the TRA sales downwards verification activities, as a result of which we are assured that the information relating to sales data that Rimstock provided is relevant, complete and accurate and can be used for this transition review.*Profitability* Rimstock stated that the decline in its profitability can be attributed to the fall in sales due to the COVID-19 pandemic and due to the casting element of their business which was no longer economically viable. These trends can be observed in Appendix 2 Figures 5 and 6 (confidential). Rimstock noted that competition from global exporters meant that Rimstock was finding this product line to be increasingly loss-making resulting in their decision at the start of the first COVID-19 lockdown to close the foundry.Rimstock provided full figures of the cost of production during the injury period. Both supported Rimstock’s commentary regarding general trends.We found the cost of sales figures in Rimstock’s management accounts reconciled to the cost of sales figures in their financial statements over the injury period (accessed on Companies House). Based on this, we are assured that the profitability data is relevant, complete, and accurate and can be used by the TRA for this review.*Market Share*Rimstock estimated its market share figures using current production volumes against approximate domestic market size based on their own market intelligence such as ‘Requests for Quotations’ they have received. The TRA used various third-party sources, including UK Trade data, to verify this data. We estimate the level of imports into the UK is in line with the information Rimstock provided. Accordingly, we are assured that the market share data is reasonable and can be used by the TRA for this review.*Production volumes* Rimstock stated its production levels are dictated by demand which would mean that production volumes would decrease alongside sale volumes. The TRA completed independent research into industry trends across the injury period which supported Rimstock’s general commentary. We also reconciled the reported production figures for the POI to the stock report from Navision. Accordingly, we have verified the data relating to production volumes and assured this can be treated as relevant, complete and accurate and can be used by the TRA for this review.*Investments* Rimstock stated its investment figures were exclusively related to the production of the like goods. It also clarified the increase in investment during the POI was related to the type of capital expenditure being made during the period - with more investment being made in improvement projects rather than maintenance. We were able to reconcile Rimstock’s investment from invoices, business strategy, and plans. We have verified the data relating to investments and accordingly we are assured that the investment data is relevant, complete and accurate and can be used by the TRA for this review.*Employment and wages*Rimstock stated they only produced like goods during the POI and therefore all employees’ activities were related to the production and facilitation of selling these goods. This statement is supported in the audited financial accounts. Likewise, Rimstock stated the reported median wage figure was based on the average basic salary of all company employees as listed in the financial accounts and verified in its totality. A decline in Rimstock’s employment figures during the POI resulted from the cast foundry closure, which accompanied an increase in the median wage as higher value forge-related jobs were retained. These trends can be observed in Appendix 2 Figures 7 and 8 (confidential).We have verified the data relating to employment and wages and accordingly we are assured that the employment and wages data is relevant, complete and accurate and can be used by the TRA for this review. |
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| Exceptions/Findings/Adjustments |
| None.  |
| *Please indicate the confidentiality status of the information summarised above:* |
| [x]  non-confidential |  [ ]  confidential |
| *If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also* [*public guidance*](https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#how-we-handle-confidential-information)*):* |
|       |
| Conclusions |
| We have verified the data relating to injury factors provided by the interested party. Accordingly, we are assured that the data is relevant, complete and accurate and can be used by the TRA for the dumping likelihood assessment, the EIT assessment, the injury likelihood assessment, and for any other purpose related to this review.  |
| [ ] *lease indicate the confidentiality status of the information summarised above:* |
| [x]  non-confidential |  [ ]  confidential |
| *If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also* [*public guidance*](https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#how-we-handle-confidential-information)*):* |
|       |

## F. Economic Interest Test

|  |
| --- |
| What information was verified |
| We verified the following regarding the UK producer: * Location of site
* Structure of supply chain
* Employment and median wage
* Market share
* Relative significance of ARW to Rimstock
* Value of exports and exports share
 |
| *Please indicate the confidentiality status of the information summarised above:* |
| [x]  non-confidential | [ ]  confidential |
| *If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also* [*public guidance*](https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#how-we-handle-confidential-information)*):* |
|       |
| How the information was verified |
| *The UK producer of forged ARW*Rimstock identified itself as the only ‘volume producer’ of ARW in the UK. We understand this to mean that Rimstock identify as the only UK producer to transform aluminium billets into ARW. Other UK producers import blank ARW and finish the wheels domestically. This information was verified during the course of our investigation by conducting desk-based research. Two other interested parties to the case also claimed Rimstock to be the only UK producer of ARWs.*Location of site*The TRA verified the location details provided by Rimstock through web-based research (including the individual companies’ own websites) and Companies House. *Structure of supply chain*The TRA verified the supply chain as we verified upstream supply during transaction selection for costs and downstream users through transaction selection for sales, as well as during injury with the sales forecasts.*Employment and median wage*Please refer to Section E for direct verification activities for information provided for Rimstock employees.The TRA also completed its own third-party research. This research, primarily reviewing financial data sourced from Companies House, supported our findings regarding employment and median wages. *Market share*Please refer to Section E for direct verification activities for information provided regarding market share.*Relative significance of ARW to Rimstock*Rimstock only sells ARW which as a result are critical to the business. Rimstock produces forged ARW for sale and also imports and sells cast ARW.*Value of exports and exports share*The TRA completed upwards and downwards verification of Rimstock’s costs of production as set in out in Section C.We also cross-referenced export sales with data retrieved from HMRC.Considering that Rimstock’s turnover from UK sales accounts for approximately 74% of total turnover the TRA concluded that the like good represents a significant part of its business based on the portion of its total production costs and sales revenue.  |
| *Please indicate the confidentiality status of the information summarised above:* |
| [x]  non-confidential | [ ]  confidential |
| *If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also* [*public guidance*](https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#how-we-handle-confidential-information)*):* |
|       |
| Exceptions/Findings/Adjustments |
| None. |
| *Please indicate the confidentiality status of the information summarised above:* |
| [x]  non-confidential | [ ]  confidential |
| *If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also* [*public guidance*](https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#how-we-handle-confidential-information)*):* |
|       |
| Conclusions |
| We have verified the data relating to the economic interest test provided by the interested party. Accordingly we are assured that the data is relevant, complete and accurate and can be used by the TRA for this transition review. |
| [ ] *lease indicate the confidentiality status of the information summarised above:* |
| [x]  non-confidential | [ ]  confidential |
| *If applicable, please specify what particular information you consider to be confidential, provide reasons as to why we should treat it as such, and create a non-confidential version of it (see also* [*public guidance*](https://www.gov.uk/government/publications/the-uk-trade-remedies-investigations-process/an-introduction-to-our-investigations-process#how-we-handle-confidential-information)*):* |
|       |

# Conclusions

We have completed our verification of the data provided to us by Rimstock for use in our assessments.

We have obtained appropriate evidence and conducted sufficient testing to conclude that the information provided by Rimstock in their questionnaire response is verifiable and based on the work we have conducted, we are satisfied that we have a reasonable level of assurance that the data we will use in this review, is relevant, complete and accurate.