European Metal Recycling Limited

Annual report and consolidated financial statements

Registered number 2954623

31 December 2022

Contents

Strategic Report

The directors present their report together with the audited financial statements of European Metal Recycling Limited ("EMR" and the "Company") and its subsidiaries and joint ventures (the "Group"), for the year ended 31 December 2022.

Principal activities

The principal activities of the Group relate to the production of recycled raw materials from a range of waste streams such as end-of-life vehicles and durable consumer goods and from industrial, construction and demolition suppliers. The Group is actively engaged in all stages of the recycling supply chain including the acquisition, collection and processing of these waste streams and the marketing and distribution of these products to the Group's international customer base.

Business overview 2022

2022 should be set in the context that 2021 was an exceptionally strong year for the Group and the metals recycling sector in general. At the beginning of 2022 market sentiment continued to be positive, driven by strong demand for metals required for construction and physical goods in an environment where recycled metals arisings were still negatively impacted by logistical and operational disruption. Recycled steel prices at the beginning of the year increased to around $500/MT, which historically is a relatively high price level. However, in March prices surged rapidly to above $650/MT levels, the highest price seen since just before the 2008 financial crisis. Copper also reached new highs during March, reaching $10,730/MT (source: London Metal Exchange). These strong price increases were triggered by the start of the conflict between Russia and Ukraine and the anticipation of supply disruption of various commodities and high levels of uncertainty in global markets.

Market circumstances completely turned mid-way through the year and the performance of the business during the second half of year was weaker than in the first half. During the second quarter the impact of the war in Ukraine began to influence market conditions. Supply disruption in metals was limited, but the energy crisis it created, disruption to food supply and manufacturing constraints (notably automotive and EU steel, aluminium and copper producers) reduced economic activity substantially and drove up costs. Ongoing weakness of the Chinese economy and continuation of the zero tolerance COVID-19 policy also had a negative bearing on metals throughout 2022. Order books of steelworks weakened rapidly in the second half of the year resulting in lower sales demand for recycled steel. At the same time the sharp reduction in economic activity materially reduced the available volume to our recycling facilities and inflation increased manufacturing costs significantly. These effects were further compounded with rising costs of finance and borrowing as central banks raised interest rates to curb inflation. In line with this market weakness and sentiment, recycled steel prices then started to fall during the second quarter with a rapid price correction of over $300/MT, down to $320/MT at the end of the quarter. Copper prices followed a similar price trend with prices falling back to a price range of between $7,000 and $8,000/MT.

At the end of the year there were some signals of a more positive sentiment returning in the market. The Chinese government eased its COVID-19 restrictions and provided stimulus which improved the demand outlook for metals. There were indications that inflation had reached its peak and energy prices had started to fall. In line with this improved market sentiment recycled steel prices improved and ended the year just below $400/MT. However, due to the continued cost pressures and higher power and fuel costs, we believe the more difficult market conditions of 2022 will continue and are prepared for 2023 to be similar.

Although the short-term outlook is more challenging, we believe that in the mid-term there remain reasons to be optimistic about the prospects of the business. The increased focus on climate change and decarbonisation of metal production is expected to result in significant demand for recycled products and opportunities for the Group and the recycling sector in general.

Despite the market conditions during 2022, a strong performance was delivered overall in all regions. The significant investments made across the Group over the past few years continue to provide a solid basis for continued financial performance. In the UK, new recycling facilities were opened during the year in Scotland and London and substantial technology and capacity investments are in progress. In the US, the new zero-emissions shredder in Minnesota is performing well. The new shredder downstream operation in Camden, New Jersey started contributing in 2022 and further investments will become accretive in 2023. In the EU, a new recycling facility was opened in Duisburg, Germany and the site is expected to start contributing fully in 2023.

Strategic Report (continued)

Results and financial overview

The Group generated strong cash-flows in 2022 resulting in an EBITDA of £167m (2021: £311m) and operating profit (excluding goodwill amortisation) of £112m (2021: £261m). Profit after tax at a 100% basis and before goodwill amortisation was £100m, compared to £232m in 2021.

Total sales for the year are £4.8bn (2021: £4.7bn) which was a result of generally higher prices during the year. This resulted in a gross profit of £1,068m (2021: £1,063m).

Total distribution and administration costs in 2022 are £972m which were considerably higher than the previous year (2021: £848m) due to the effects of inflation across the business and continued investment in the necessary operational and people infrastructure to support business growth. Nevertheless, the Group continues to exercise strong monitoring and control of costs to mitigate inflationary pressures across the cost base and to also ensure the resources of the business can expand and contract to match the available volumes.

The Group continues to exercise strong financial control. The price fluctuations in 2022 resulted in strong fluctuations of working capital. Following the drop in prices and reduced volumes in the second half of the year there was overall a significant working capital reduction and related cash in-flow in the year. The strong cash flow generated in 2022 enabled the Group to fully fund the aggressive 2022 capital plan with internal cash flow and additionally reduce net debt during the year. Net debt on 31 December 2022 was £36m (2021: £104m), with very comfortable headroom on credit facilities.

The Group maintains a strong balance sheet with net assets (on a 100% basis) on 31 December 2022 of £760m (2021: £707m). The increase in the current year is driven by statutory net profit for the year of £98m and the effect of mainly US Dollar currency translation totalling £40m.

The Group uses several key financial performance indicators in assessing & driving performance, as shown below:

	2022	2021
Turnover (£m)	**4,782**	4,695
Gross margin	**22.3%**	22.8%
EBITDA (£m)	**167**	322
Depreciation (£m)	**(55)**	(56)
Operating profit (excluding goodwill) (£m)	**112**	266
Goodwill amortisation (£m)	**(2)**	(7)
Operating Profit (£m)	**110**	259
Profit after tax (excluding goodwill) (£m)	**100**	234
Goodwill amortisation (£m)	**(2)**	(7)
Statutory profit after tax for the financial year (£m)	**98**	227
Statutory net assets (£m)	**760**	723

The Group continues to invest for the future. Total capital expenditure on tangible fixed assets in the year was £115m (vs depreciation of £55m). This 2022 capital expenditure number is somewhat reduced by leasing activity. There is furthermore a substantial pipeline of assets that are on order and of which delivery is expected in 2023.

With several strategic initiatives starting to contribute to the business, and further initiatives underway, the Board are confident that the right long-term decisions have and will continue to be made and are optimistic for the future. The Group recognises that its success is only possible because of the commitment and diligence of its exceptional and dedicated people and the Board would like to thank them for their support. It has been great to see how our people have worked together and quickly adapted to the often rapidly changing circumstances in recent years.

Strategic Report (continued)

Looking Forward to 2023

In 2023 the on-going situation in Ukraine will continue to create economic repercussions in the global economy. Despite this more challenging short-term outlook, Management believes that the global net zero drive will create structurally stronger markets for recycled raw materials and substantial opportunities in the mid to long term. Management continues to track the short-term situation carefully and will manage with appropriate caution while making the right investments to preserve the long-term opportunities.

Generally, the proven track record of the Group of managing geopolitical and pandemic disruption together with continued prudent financial management, a very strong balance sheet and limited external debt, provides comfort and confidence that the Group will be capable of dealing with any additional disruption when it occurs.

The main macroeconomic risks for 2023 result from:

- Further impact of the Russia/Ukraine conflict on the world economy and more specifically its impact on commodity trading, logistical disruption, availability of goods, general inflation and energy costs
- Global recession/ strong deterioration of the Global economic environment - slow down of the Chinese and world economy resulting in less demand for metals in the sales markets and a reduction in material inflows due to reduced economic activity in our home markets
- Rising energy costs and disrupted supply negatively impacting steel, copper and aluminium production.
- Further COVID 19 disruptions in China
- Individual countries taking further protectionist measures that negatively impact free trade of metals and disrupting sales markets
- Deterioration of the Turkish economy and weakness of the Lira negatively impacting recycled steel sales to the Turkish steel producers
- Changing import and export regulations negatively impacting the flows of recycled raw materials to key markets like China, India and the EU
- Changing legislation/regulations regarding the handling and processing of metal and plastic rich waste streams which could result in additional costs

Principal risks and uncertainties

The directors have set out below the principal risks facing the business. Where possible, processes are in place to monitor and mitigate such risks.

- *Macroeconomic conditions*. The business has exposure to both metal prices and volumes, both of which are linked to the global economic environment. Changes in the levels of consumer and industrial activity have a direct impact on the supply of, and demand for, recycled metals and therefore level of activity and results achieved by the Group. In response to this risk, senior management aim to keep abreast of economic conditions and modify strategies accordingly.
- *Russia/ Ukraine conflict.* The conflict continues to have a significant impact on world trade, and this has continued for much longer than expected and hoped for, with further risk that the situation will escalate further. The business is confident it can continue to respond as necessary to any disruption which will result from this conflict as it has demonstrated during the COVID crisis. The Group no longer has any direct exposure to Russia and Ukraine.
- *Fluctuating commodity prices*. Policies to continuously monitor commodity prices, open positions and ongoing market analysis are in place to mitigate such risks.

  Safety, Health & Environmental. The Group's success is dependent on maintaining strong systems of occupational health and safety and having strong environmental controls. The Group places significant emphasis on safety, health and environmental systems which are constantly monitored by the Board. Policies and processes are in place to ensure our operations remain safe and compliant.

Strategic Report (continued)

- *Recruitment and retention of key people*. Our success is dependent on recruiting and retaining the right people in all areas of our business. The failure to attract and retain personnel of the right calibre could have an adverse impact on the business. Succession and talent development is regularly discussed at Board level. The Group has a strategy in place to attract, retain and motivate key individuals to ensure their commitment to the ongoing success of the business.
- *Climate Change & Nature*. The Group is carefully monitoring the potential for global economic change related to climate change and the preservation of nature and whether this has the potential to affect the costs or future returns of property, plant, equipment or investment. The Group is continually tracking emerging legislation and economic trends and broadly sees these changes as positive for the industry but recognises that the change will come with some increases in costs. The primary areas of impact are identified as follows:
    - Increased regulation of material movements & site emissions
    - Increased demand & pricing for recycled raw materials
    - Increased demand for reuse of end-of-life items
    - Carbon foot-printing of materials
    - Carbon taxation & green premiums
    - Transition of fuel use (transport & machinery) to renewable energy
    - Electrification of vehicles
    - Focus on energy productivity & resource use (water, wood, paper, plastics)

Financial risk management objectives and policies

The Group uses financial instruments, such as loans, loan notes, cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. In order to manage the Group's exposure to those risks, in particular the Group's exposure to currency risk and metal price risk, the Group enters into forward foreign currency contracts and London Metal Exchange ("LME") contracts.

- *Currency risk*. The Group is exposed to translational and transactional foreign currency risk. A substantial part of the Group's sales are denominated in currencies other than Sterling. Accordingly, transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts (note 26). The Group does not hedge Euro sales made by its European business or US Dollar sales by its US business.
- *Metal price risk*. The Group is exposed to the movement in metal prices. Where appropriate, LME contracts (note 26) are used to hedge any metal price exposure inherent in physical metal contracts.
- *Credit risk*. The Group seeks to manage the risk of customers defaulting through the use of stringent customer acceptance thresholds and credit limits. In addition, the Group, where appropriate, uses payment in advance, letters of credit and credit insurance.
- *Interest rate risk*. The Group has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets include cash which earns interest at a floating rate. The interest-bearing borrowings of the Group are detailed in note 19 to the financial statements and provide a mix of floating and fixed rate debt instruments.
- *Going concern and liquidity risk*. The Group and Company seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short term flexibility is achieved via overdraft and bank revolver facilities. Details of the Group's borrowings and available facilities can be found in note 19 of these financial statements.

The financial statements have been prepared on a going concern basis. The directors' assessment of the Group and Company as a going concern is disclosed within the principal accounting policies.

Strategic Report (continued)

Purpose, Mission & Culture

The Group aims to be a success for the benefit of its members as a whole and to have a positive impact on society and the environment through its business and operations.

Our Purpose is **to create a future where materials do not need to be extracted from the planet** and our Mission is **to be a global leader in sustainable materials and circular economy solution provider of choice to our customers**.

We aim to achieve this by building and maintaining a committed workforce with a strong culture. We want our colleagues to care about their colleagues, customers, workplaces and communities; to do solutions not problems, what was agreed, the right long-term decisions and without wasting time or money. Delivered with a little humour and humility, this is The EMR Way described simply as We Care and We Do.

Furthermore, the Group is committed to ensure that its colleagues do things right and hold themselves to high standards. Our Code of Conduct clearly sets out our values and is a simple guide to the EMR Way of doing things. It asks the following commitments from our colleagues:

- We keep people safe and healthy
- We are environmentally & socially responsible
- We treat people with respect and dignity
- We conduct business with integrity
- We protect the company's interests and reputation
- We do the right thing, challenge & speak up

The Group also looks to measure success more broadly than economic output across the dimensions of People, Planet & Profit.

People	**Planet**	**Profit**
- Colleague health, safety & wellbeing	- Business impact on nature	- Customer satisfaction
- Colleague engagement	- Nature positive products & services	- Quality earnings
- Communities Support	- Circular economy innovation	- Sustainable growth

The Group uses global frameworks to inform and guide its approach to governance and its wider social and environmental impact. The Group is additionally testing its approach and performance in this regard through the B-Corp and EcoVadis frameworks.

Directors' Duties

The Directors of the Company, as those of all UK companies must act in accordance with a set of general duties. These duties are detailed in the UK's Companies Act (section 172(1)) and include a duty to promote the success of the Company for the benefit of its members as a whole.

Furthermore, the Directors of the Company are additionally expected to act in the way he or she considers, in good faith, most likely to promote the success of the Company in achieving the objects set out in Purpose, Mission and Culture above.

The Directors of the Company shall, for each financial year of the Company, prepare and circulate to its members an impact report. The impact report shall contain a balanced and comprehensive analysis of the impact the Company's business has had, in a manner proportionate to the size and complexity of the business. The impact report shall contain such detail as is necessary to enable the members to have an understanding of the way in which the Company has promoted its success for the benefit of its members as a whole and, through its business and operations, sought to have a material positive impact on society and the environment.

Impact reporting

The following section of the strategic report seeks to fulfil the Directors duty to provide a comprehensive impact report. This is broadly structured according to the World Economic Forum principles of Stakeholder Capitalism of People, Planet, Prosperity and Governance. Furthermore, the Directors have sought to assess impact against the United Nations Development Program (UNDG) 17 Sustainable Development Goals (SDG).

Strategic Report (continued)

People – Health, Safety & Wellbeing of our Colleagues

The health, safety & wellbeing of our colleagues is always the first priority for the Group and the focus of ongoing continuous improvement. All sites operate a comprehensive Health and Safety training & management system, in the UK and EU this is to the accredited ISO45001 standard and in the US to OSHA federal standards. Where applicable the Group will participate in additional schemes to adopt a more advanced standard or best practice in relation to certain activities, for example UK Fleet Operator Recognition Scheme (FORS) for road haulage operators and International Shipbreaking Limited (ISL) is accredited to the EU Ship Recycling Regulations (EU SSR) and US Navy NAVSEA.

There are three areas of ongoing strategic focus and focussed improvement plans are in place throughout the Group with the aim to continue to develop SHE culture and improve performance:

- Life Rules designed specifically to prevent SIF (Serious Injuries & Fatalities)
- Stop Work Authority
- Safety, Health & Environment (SHE) Perfect Day

Life Rules - 8 clearly defined high risk activities and strict ways of working to ensure that these risks are minimised for all colleagues.

Stop Work Authority - Colleagues have the explicit authority to stop work at any time if they have any concern about the safety of an activity or job. Work is not resumed until the situation has been risk assessed and where appropriate actions taken to enable work to proceed safely.

SHE Perfect day - Our ambition is for every day to be a 'SHE Perfect day' which is defined as a day without injury or incident.

The Group aims to create a culture in which all colleagues and contractors feel safe to report all incidents, hazard interventions and near misses. Case and incident management software is used to coordinate the investigation, analysis and any remedial actions. There is close collaboration and alignment on strategy and an emphasis on shared learning across the Group.

A summary of the Health and Safety statistics for the Group is shown in the table below. The number of incidents increased slightly in 2022 vs 2021 from 193 to 245, but the incident rates (per 100,000 hours worked) improved across the board against a background of growth in employee numbers and many new starters. It is positive to note in 2022 that there were no major injuries. Consideration should be given to the variation of activity across the regions, in particular the manual labour intensity of ISL and MyAutostore.

2022 Health & safety Statistics		UK		US		EU		Total	
		2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**
Number of incidents	DART* Injuries (includes Major**)	35	**49**	82	**36**	4	**3**	121	**88**
	Total Number of incidents (Includes DART)	112	**129**	73	**111**	8	**5**	193	**245**
Incident rates* **	DART Incident rate	0.93	**1.05**	2.38	**1.03**	0.89	**0.61**	1.58	**1.02**
	Total Incident Rate (Includes DART)	3.9	**3.8**	4.5	**4.2**	2.7	**1.6**	4.1	**3.8**

**DART - Incident requiring Days Away (lost time), Restricted activities or Transferred to another job (includes Majors)*
***Major - Incident requiring hospitalisation and includes permanent disability*
**** Per 100,000 hours worked*

Wellbeing & Mental Health – the Group believes that good mental health is as important as physical fitness, and supports everyone working at EMR to look after themselves, to watch out for their colleagues and to ask for help, if needed. The Group takes measures to provide support to colleagues by working with partners to provide a 24/7 assistance programme for help and advice and financial support.

Strategic Report (continued)

People – Engagement of our Colleagues

The Group aims to be a **Safe, Great Place to Work for All** and works to provide an environment where all colleagues are safe, feel valued, can develop their individual potential and make a difference.

The **Code of Conduct** sets expectations for the conduct and behaviour of all colleagues and what they should expect from the Group. Colleagues are encouraged to follow the documented **Speak Up** process if they have any concerns, either through line management, or direct access to senior management and family shareholders. A confidential, anonymous, externally managed Speak Up process is also available as a mechanism of last resort. In 2022 there were no breaches of the Code of Conduct that were reported through the external Speak Up line.

The engagement of our colleagues is assessed annually via a comprehensive external survey in confidence. Results of this are shared directly back to our colleagues and continuous improvement is achieved through representative focus groups and an ongoing "you said, we did" conversation. These conversations are facilitated through multiple channels; regular operational "huddles" at sites, management roadshows, weekly newsletters, internal magazines, internal social media and management conferences.

People – Employment, Skills, Training and Career Development

Whilst labour markets throughout 2022 remained tight with employment levels remaining high, the Group continues to be successful in attracting new colleagues to enable future growth. Globally our direct employee headcount increased across all geographies to 3,762 (2021: 3,428) at the end of the year

Good Employment – The Group is committed to the principle of fair and equal pay and aims to apply a living wage approach to the entry level positions in the Group. We continue to invest in our people ensuring that we are well positioned in the employment market. At a time where people across the world are feeling cost of living pressures, we have funded significant pay awards whilst managing this upward pressure on our cost base in a challenging commercial environment.

Skills, Training and Career Development – The Group is committed to the principle of equal opportunities for all and looks to provide training and mentoring to build skills, experience and career development. We continue to expand our early careers programmes as a way of bringing fresh and diverse talent into the business. The UK and EU supports a wide range of apprenticeships and a graduate engineering programme with 26 young colleagues in such programmes at the end of 2022 and in the US the Future Leaders Programme is in its second year of operation with an expanded intake.

People – Diversity, Inclusion and Equality

The Group is committed to make its workplaces as diverse and inclusive as possible and paying people equally for the same or equivalent work. We have long seen the benefits of diversity of experience, background and culture, and good progress has been made as we have sought to bring in new colleagues into an expanding range of roles and disciplines. Whilst we have done much to raise awareness, we recognise significant opportunities still exist to promote a compelling employment proposition to groups that are still under-represented.

Gender Equality continues to be an opportunity across the Group with females constituting 13.6% of colleagues. Female representation in our office environments is reasonably balanced, but where job roles generally involve heavy industrial equipment, such as plant operators and heavy goods vehicles, we struggle to attract female applicants as these are typically viewed as more male roles. Although most roles in the Group are of this nature, we continue to work on the attractiveness of all roles and remove any barriers to more female applications.

Strategic Report (continued)

People – Social Impact

The Group aims to be mindful of the communities in which we work and make a positive contribution to them. The primary impact the Group can make is to provide rewarding, stable, local jobs with opportunities for learning, training and personal career development, as well as raising awareness of the need for a circular economy for the world to become Net Zero. In order to do this strategically the Group looks to engage with communities and understand the strategic needs, it can then determine how its resources can make a positive impact. Our Code of Conduct outlines our commitment as:

- Understand the community's needs and consider how we can help
- Provide good local jobs
- Go the extra mile to support people from disadvantaged backgrounds
- Minimise our environmental impact on your community
- Work with schools, colleges and universities to promote the environmental benefits of recycling

Examples of the Group's social impact are as follows:

Disasters Emergency Committee Humanitarian Appeal in March 2022 the Group made a special £250,000 donation to support the necessary humanitarian response as a result of the conflict in Ukraine.

The Camden Community Fund is a continuation of the Group's long-standing support for the city of Camden NJ and its residents. In 2022 a community fund was established to invest in Camden's future generations. The fund focuses on projects that improve the prospects of local young people.

The UK Community Fund has been established and will look to deliver strategic social impact in local communities through the UK Community Foundation network. The Cheshire Community Foundation will coordinate the sourcing and qualification of all projects. Colleagues will then work with local community foundation representatives and local people to make a difference.

Young Futures Reimagined is a programme that in 2022 supported employability training for 290 young adults, respite activities for 35 young carers, funded assistance for 25 individuals affected by homelessness and enabled access to online qualifications for 460 people.

Warrington Youth Zone is an institution committed to transforming the lives of young people across Warrington which the group is proud to be a founder patron. Through opportunities and challenges, it aims to inspire young people to lead healthier, happier, more positive lives; raising their aspirations to become caring and responsible citizens with more to offer themselves, their families, the community, and employers.

Social Impact Metals is an initiative working in partnership with our suppliers and charities to use materials from local construction or redevelopment projects and to promote circularity and generate social value in the process.

The Recyclabots Programme aims to inspire sustainable futures, collaborating with local schools and other youth organisations, educating future generations on the importance of the circular economy.

HMP Prisons Partnership employs inmates to develop skills and experience to support them into stable employment on their release.

Levy Transfer Programme supports other local businesses by transferring unused apprenticeship levy funds. We have worked with companies delivering childcare, conservation, and supporting those with learning difficulties on their apprenticeship programmes.

Strategic Report (continued)

Planet – Protecting the Environment

The impact of society on nature is abundantly clear in the recycling industry. In a linear economy, the more we consume, the more natural resources we demand and the more waste and pollution we produce.

The biggest impact the recycling industry can have on nature is the application of circular economy principles to reduce the impact of the extraction of natural resources such as metals, fossil fuels (plastics and energy), trees (paper, packaging and timber), sand and minerals (bricks, concrete and asphalt).

The circular economy really starts with designing the things we use every day for better resource efficiency. We must understand the provenance of the materials we use and design out any hazardous materials that would result in hazardous waste at end of life. If we can't reuse or re-manufacture, we must encourage high quality recycling rather than downcycling to preserve the longevity of these materials.

The Group recognises that it has a significant role to play in protecting the environment and has structured its approach to protecting the environment as follows:

1. **Climate Change (mitigation and adaption)**
   a. Reduction in Greenhouse Gas (GHG) Emissions
   b. Circular economy research, development & education to reduce downstream GHG emissions

2. **Nature Positive (managing wider biodiversity impacts)**
   a. Direct impacts on nature, land, water, and air arising from activities on sites
   b. Indirect impacts such as the overseas impacts from processing exported materials
   c. Avoided impacts such as circular economy benefits of avoided mineral extraction or virgin material production, and the destruction of toxins from hazardous waste materials

Climate Change - Greenhouse Gas Emissions

Using the Greenhouse Gas (GHG) Protocol[1], the Group has scoped its GHG emissions and have created a holistic model (illustrated in summary below) to understand the impact of its business activities. This model was derived from the outputs of a project with the Carbon Trust which aimed to establish the carbon footprint of key recycled raw materials and their impact in the production of new materials.

On Scope 1 and 2, the Group has focussed attention on the largest sources of emissions. This is almost exclusively electricity, gas, fuel use on sites (including offices) and fuel used by our fleet of vehicles moving goods and company cars. We estimate that other corporate emissions (those directly related to corporate offices) are small in comparison, accounting for less than 2% of total emissions of the Group.

On Scope 3, all businesses must decide what it is possible to reasonably control and influence. Our current approach is to align the measurement of scope 3 emissions within our operational control in the value chain. The Group will look to develop its approach to influencing the emissions of suppliers and customers. To account for 3rd party transportation of goods by road/rail/water, the model uses the mode of transport, distance travelled and government standard assumptions for an emissions estimate.

The impact of the resource efficiency and the circular economy is clearly illustrated by the scale of avoided GHG emissions (Scope 4) that are created from reuse and recycling activities. So that good, coherent decisions are made with regard to net zero, the Group believes that improving avoided emissions must also be a consideration.

For example, producing higher quality recycled materials or reuse could increase scope 1 & 2 carbon emissions but could have a much greater impact on scope 4. Scope 1 & 2 emissions may also increase in response to regulation or decisions to enhance air or water pollution controls.

The Group does not consider scope 4 emissions an offset to scope 1, 2 & 3 emissions and is still committed to the development of a 2040 Net Zero roadmap through **Science Based Targets Business Ambition for 1.5°C**.

[1] *Greenhouse Gas Protocol* - global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions. More can be seen at: https://ghgprotocol.org/

Strategic Report (continued)

Climate – 2022 GHG emissions Model

GHG DATA ELEMENTS *(elements marked * have not been quantified)*						
Supplier Emissions	Managed Supplier Collections MT CO2e	Site Product Handling & Processing MT CO2e	Managed Transport Between Sites MT CO2e	Managed Shipments to Customer MT CO2e	Customer Emissions MT CO2e	Corporate Emissions
INFLUENCE	**CONTROL**	**CONTROL**	**CONTROL**	**INFLUENCE**	**INFLUENCE**	**CONTROL**
EMISSIONS DIRECTLY RELATED TO PRODUCTIVE OPERATIONS (*not measured)						
*Scope 3** *Road Emissions* *Product Received* *Waste Received*	Scope 1 Road Fuel Scope 3 Road Emissions	Scope 1 Site Fuel Site Gases Waste Disposal Scope 2 Site Electricity Scope 3 Toll Emissions Ship Loading	Scope 1 Road Fuel Scope 3 Road Emissions Rail Emissions Barge Emissions Ship Emissions	Scope 3 Rail Emissions Barge Emissions Ship Emissions	Scope 4 Product Sold	Scope 1 Office Fuel Office Gases Scope 2 Office Electricity *Scope 3** *Business Travel* *IT emissions* *Commuting*
EMISSIONS DIRECTLY RELATED TO REGULATED ENVIRONMENTAL CONTROLS						
		Scope 1 Site Gases Scope 2 Site Electricity				
EMISSIONS MITIGATED THROUGH THE USE OF RENEWABLES OR RENEWABLE SELF-GENERATION						
		Scope 2 Site Electricity				
Not estimated	**22,299**	**76,031**	**41,616**	**486,558**	**-15,740,864**	**Included in Site**
% of Scope 1-3	3.6%	12.1%	6.6%	77.7%		
% of Scope 4	0.1%	0.5%	0.3%	3.1%		

The model makes separate estimates for the Scope 4 emissions associated with (a) recycled steel, (b) recycled aluminium, (c) recycled copper & copper alloys, (d) recycled other metals and (e) recycled plastics. We recognise that this is an approximation using global averages which does not account for an individual producer's emissions which will vary widely around this average dependent on the technology, raw materials and energy mix used.

To illustrate the process used to estimate scope 4 emissions, a study for EMR by the UK Carbon Trust project study showed that a tonne of steel produced from recycled materials using an Electric Arc Furnace (EAF) results in about 563kg CO_2e emissions (the EAF route is the most common method of producing new steel from recycled steel). This is a global average and does not consider the increasing use of renewable energy by some customers and includes the emissions attributed to recycling activities. The Group has separately estimated that emissions related to its steel recycling activities range regionally between 65kg-75kg CO_2e across scopes 1, 2 and 3.

The World Steel Association (WSA) estimates that CO_2e emissions per MT of steel produced globally are between 1.8-1.9 MT CO_2e over the last three years. So conservatively an estimate of scope 4 emissions could be based on 1.8 MT CO_2e (WSA average) less the 0.5 MT CO_2e (EAF production) which is approximately 1.3 MT CO_2e saved per MT of recycled steel produced. This is conservative as the WSA average already includes approximately 600 million MT of recycled steel consumed in the global production of approximately 2,000 million MT of new steel.

The GHG emissions model for the Group leads to the following conclusions for 2022:

- Total estimated scope 1, 2 & 3 emissions were 626,504 MT CO_2e
- Total controllable emissions across scopes 1, 2 & 3 were 139,946 MT CO_2e
- 486,558 MT CO_2e of scope 3 emissions are dependent on customer location & shipment modality
- Total estimated scope 4 emissions were 15.7 million MT CO2e (commensurate with the emissions of a large city - Rome 14.5 million MT / Berlin 12.8 million MT / Toronto 15.6 million MT in 2019)

Strategic Report (continued)

Climate Change - Scope 1 & 2 Greenhouse Gas Emissions

The detailed reporting for 2022 Scope 1 and 2 GHG emissions for the Group is based on actual consumption of fuel, gas and electricity and the emissions factors sourced from country level government guidance. Reporting includes the UK, the Netherlands, Germany and the US.

		2022	2021
Energy Consumption			
Grid	mWh	58,470	58,866
Grid - Renewable	mWh	95,078	94,947
Internally generated	mWh	63	-
Total Electricity Consumption	**mWh**	**153,611**	**153,814**
Site liquid fuels	**Litres**	21,193,302	21,072,281
Site gases	**Cubic Metres**	1,369,790	1,193,033
Road liquid fuels and gases	**Litres**	8,721,091	7,943,400
Metric CO_2e			
Electricity Consumption (Scope 2)	TCO_2e	18,456	19,364
Site liquid fuels (Scope 1)	TCO_2e	54,896	55,527
Site gases (Scope 1)	TCO_2e	2,710	2,905
Road liquid fuels and gases (Scope 1)	TCO_2e	22,307	19,956
Total	**TCO_2e**	98,369	97,752
Intensity Ratios			
Tonnes Purchased	million t	8.2	9.5
Tonnes Sold	million t	7.8	8.9
Carbon footprint per tonne purchased	**$kgCO_2e$**	11.9	10.3
Carbon footprint per tonne sold	**$kgCO_2e$**	12.6	11.0

To keep KPIs simple, for now the Group will report $kgCO_2e$ per MT purchased and sold. However, it should be noted that this KPI will be distorted by product mix, customer mix and product innovation. For example, it is desirable to increase the amount of work done to our recycled raw material products to further improve their performance in density, purity and chemistry.

Furthermore, GHG emissions will vary due to differences in the characteristics of each operating unit, particularly customer product preferences, the sources and types of material received. For example, recycling a large ship has a different carbon footprint than a car per MT of recycled steel produced.

	2022				2021			
$kgCO_2e$	UK	Europe	US	Group	UK	Europe	US	Group
Carbon footprint per tonne purchased	12.2	4.1	18.0	11.9	10.8	3.5	15.1	**10.3**
Carbon footprint per tonne sold	12.8	4.0	20.2	12.6	11.8	3.4	17.2	**11.0**

- Total energy consumption has remained broadly flat versus the previous financial year. GHG emissions per MT of recycled steel/non-ferrous material purchased and sold has slightly increased. This was due to a reduction in overall volume but an increased proportion of material that required extensive processing.
- Of the total metered electricity consumption, 95,078 MWh (62%) was procured as renewable and in accordance with the RE100 criteria[2]. In the UK, 87% of consumption was procured as renewable.
- Continental Europe has significantly lower energy consumption than the UK and US due to a smaller footprint and being less vertically integrated as a supply chain. GHG emissions per ton of recycled steel/non-ferrous material sold are about 4.0kg CO_2e (vs Group average of 12.6kg CO_2e).
- Carbon footprint of the US operation is impacted by low renewable energy consumption compared to the UK. Increased procurement of renewable energy is a focus area for the US business.

[2] RE100 criteria - renewable sources that include biomass (including biogas), geothermal, solar, water, and/or wind (either sourced from the market or self-produced).

Strategic Report (continued)

Climate Change – Decade of Action

In 2020 the Group committed to a Decade of Action on Sustainability, a clear GHG emission reduction roadmap developed with three programmes accredited by the Climate Group. These programmes relate to (1) energy productivity improvements (EP100), (2) renewable energy transition (RE100) and (3) the transition to electric vehicles (EV100). A fourth internal commitment focussed on emissions reduction related to Material Handling & Movement of Goods. Progress on these commitments is detailed below.

2030 objective	Progress to date
EP100 - Energy Productivity	
Energy management system (EnMS) at all sites	- EnMS implemented in key high energy use sites in the UK and US, an implementation programme is underway across all sites. - The UK business is working towards ISO50001 accreditation in a phased approach with 8 pilot sites being initially put forward. Formal accreditation of these sites is planned during 2023. Energy management reviews have been undertaken at each of the sites to identify and implement improvements. - A fuel management system has been introduced in the UK business to better manage and monitor liquid fuels on site and across our road fleet.
10% improvement energy productivity (kWh/MT handled)	- 2020 energy baseline of significant energy uses (SEUs) established. - Recommendations from energy management and ISO50001 audits being considered. - Further refinement of the energy productivity KPIs is planned for 2023 to remove product development and product mix issues.
RE100 - Renewable Electricity Transition	
100% of renewable electricity purchases at 100% of total use	- Renewable electricity use is at 62% for the Group in 2022 (UK 87%). - In Duisburg, Germany a solar wall is now in operation which is expected to contribute 500,000 kWh of renewable self-generation in 2023. - Further self-generation renewable energy projects are under review for 2023.
EV100 – Electrification of Vehicles	
100% of company cars & light commercial vehicles transitioned to extended range hybrid or hydrogen	- 2022 has seen the continued trend in electrification of our company car fleet. At the end of 2022, 48% and 40% of company cars were fully electric in the UK and EU respectively.
50% of small heavy goods vehicles (HGVs up to 7.5 tonnes) transitioned to battery electric, extended range hybrid or hydrogen	- Transition of small HGVs remain a challenge with current technology. Limitations in payload and range limit asset replacement for now. - Trials with alternative fuels as a transitional technology for HGVs.
Material Handling & Movement of Goods	
20% of new material handling equipment and Heavy Goods Vehicles (HGVs) powered by electrical, hybrid, fuel cell and/or bio-fuel sources	- Transition of material handling equipment remains a challenge with current technology. Limitations in size or mobility limit plant replacement. - Large machines for vessel loading and feeding production equipment are suitable and transition is underway, as are smaller machines like fork-lift trucks and tele-handlers. Replacements are made in conjunction with renewable energy infrastructure investments and availability. - Where possible inbound and outbound logistics are being transitioned to rail & sea with investments in Becker, Minnesota, USA (rail freight), Glasgow, UK (sea freight) and Duisburg, Germany (river freight).

Strategic Report (continued)

Climate Change - Circular economy research, development & education

The Group has also long promoted the Waste Hierarchy, which ranks waste management options according to what is best for the environment (reduce, reuse, recycle, recover, dispose). Recent and upcoming regulatory changes continue to provide real economic incentives to avoid the generation of waste in the first place and encourage the transition from a linear economy to one that is more circular. The Group continues to work on research and development initiatives in this space with academia, government agencies, business and industry worldwide. Examples of this are:

- RECOVAS – a partnership to develop a circular end-of-life supply chain for the electric vehicle industry and manage the environmental challenge of end-of-life lithium-ion batteries.
- RECTIFI – a partnership to create a new supply chain for high-grade recycled steel and sustainable, alternative raw materials for cement.
- Council for Sustainable Business (DEFRA industry engagement) – supporting avoidance and circularity in plastics, and GetNaturePositive.com (a business handbook for nature written by business).
- Subsidiary MyAutostore is investing in the de-manufacturing of end-of-life vehicle and reuse of parts.
- The automotive recycling facility in Becker, Minnesota, is developing more advanced solutions to further enhance site air and water pollution controls.
- Dedicated internal research and development to support the potential for automotive recycling rates of 98% such as the use of residual non-recyclable materials as solid fuels.
- Subsidiary Mayer Environmental supporting industry with research and consultancy services.

Nature - Direct impacts

The Group recognises that business activities have the potential to cause environmental harm and strong controls are essential to minimise these risks. Direct Impacts are already heavily regulated. Rigorous permitting and stringent pollution limits are established by regulatory bodies at all Group sites. In the UK and EU Best Available Techniques (BAT) and Reference Documents (BREFs) are clearly defined for waste and recycling activities. BREFs are regularly updated to tighten the limits on pollutants released and, in many cases, these are now at the limits of detection. Similar regulations also apply in the US.

The Group is committed to maintaining strong environmental management systems and ensuring that management are well trained to understand our regulated responsibilities and manage environmental issues appropriately. All colleagues must also understand the Group's environment objectives and procedures through effective training, communications and performance management. All sites operate a comprehensive Environmental training & management system, in the UK and EU this is to the accredited ISO14001 standard and in the US to state and federal standards. Where applicable the Group will adopt a more advanced standard or best practice in relation to certain activities, for example International Shipbreaking Limited (ISL) is accredited to the EU Ship Recycling Regulations (EU SSR) and US Navy NAVSEA. Key global programmes are:

- ISO14001 global accreditation
- Critical 5 Environmental Focus – Site specific focus and management on the top 5 environmental risks
- Site water management, enhanced water saving, circularity and waste controls
- Operational measures designed to prevent fire risks, emergency management plans in place in case of fire
- Fire service approved risk assessments, with staff trained in emergency fire response measures and fire-fighting equipment installed that is suitable to address a significant fire event together with the fire service
- Enhanced measures to minimise dust on site
- Global site biodiversity mapping & creating biodiversity net gain via Natural England's methodology

Strategic Report (continued)

Nature - Indirect Impacts

Group programmes that focus on indirect impacts on nature are generally related to product development towards higher specification (density, purity, chemistry) recycled raw materials and the re-direction of materials towards higher quality recycling routes:

- ISO9001 End of Waste on recycled raw material products – demonstrating that recycled products produced on site are of the highest standards (End of Waste protocols requiring operation within a certified ISO9001 framework and complying with for example Commission Regulations EU No 715/2013 and EU No 333/2011 for metal to demonstrate that the recycled materials have become a product).
- Product development of higher specification steel, aluminium, copper and plastic products.

Nature - Avoided Impacts

The global contribution to carbon emissions from the production of new metals and plastics is significant. Ore and mineral extraction is also damaging to the environment resulting in the destruction of natural habitats, significant water consumption and the potential for air and water pollution. Group programmes that focus on avoided impacts on nature are generally related to displacement of virgin materials through provenance, circular economy principles and avoiding landfill and wastewater generation.

- The production of solid derived fuels and alternative raw materials from the non-recyclable materials generated from the recycling of end of life vehicles and consumer goods.
- Separation, removal and destruction of Persistent Organic Pollutants (POPs) containing plastics from recycled materials.
- A commitment in 2023 to the Plastics Pact, which brings together businesses from across the entire plastics value chain with UK government and NGOs to tackle plastic waste. The aim is to create a circular economy for plastics, capturing their value by keeping them in the economy and out of the natural environment.
    - Targeting reductions in plastic consumption and waste
    - Eliminating flexible plastic packaging & problem plastics
    - Consulting & educating on design for recyclability & driving use of recycled plastic content
    - Promoting positive plastic recycling behaviours
- Protecting against plastic pellets or flakes entering wastewater systems from plastic recycling activities to mitigate microplastic pollution.
- Enhanced management of water
    - Reducing mains water consumption
    - Reducing wastewater discharge and enhancing pollution control systems
    - Rainwater capture and water recycling systems
- Enhanced management of carbon intensive materials such as paper, card, wood, plastics, metals, concrete
    - Sustainable procurement policies
    - Measurement and optimisation of consumption

Strategic Report (continued)

Profit - Prosperity

The Group aims to be a success for the benefit of its members as a whole and to have a positive impact on society and the environment through its business and operations. The economic contribution of all business is broader than profit. In 2022 this amounted to:

- £4,782m in sales of reusable products and recycled raw materials
- £159m in the provision of good employment
- £54m in payroll taxes & social security contribution related to the provision of good employment
- £9m in property taxes
- £27m in UK environmental waste disposal taxes

Resulting in:

- £100m in profit after tax (excluding goodwill amortisation)
- £8m in corporate income tax charged and £20.5m in income tax paid
- £115m of capital expenditure reinvested back into the business for the future

Profit – Taxation

The Group is committed to being a responsible taxpayer, complying with legislation of the countries in which we operate and paying the right amount in tax at the right time. The Group has established a robust compliance process to maintain this principle.

The Group pays corporation income taxes on profits based upon the value creation from its day-to-day business activities. The Group does not utilise any aggressive tax planning strategies or tax havens to minimise its tax burden. Any tax incentives are first considered in the commercial context of the business, and the Group has established controls to ensure the legislation and local guidance is carefully considered by skilled professionals and applied in the manner in which it is intended.

The table below specifies for the whole Group: the net sales, profit before tax, income tax charged, effective corporate tax rate and income tax paid in 2022. The tax charge reported in the income statement is the amount of current and deferred tax expense incurred in this financial year based on accounting rules. The tax paid means the net amount of corporate income tax actually paid to or received from the various tax authorities during the year.

£m	Sales	Profit before tax	Income tax charged	Effective corporate tax rate	Income tax Paid
Total	4,782	106.4	8.2	7.7%	20.5

The total income tax charged in 2022 of £8m (effective corporate income tax rate of 7.7%) is low in 2022 as the charge has been reduced by historical tax losses which prudently were not recognised at the time as a deferred tax asset, as well as the release of a provision spanning multiple tax years.

Strategic Report (continued)

Governance – Framework

The Company has adopted the Wates Principles as a clear and progressive structure for the governance of private companies. As a family business, we strive to blend the best of PLC standards with the strong people-centric culture and long-term outlook of the private family approach.
Building on these principles and our values, the Group has developed a Compliance & Risk Framework (CRF). This starts with an assessment of the risk and an approach to managing adverse outcomes. Strengthening the CRF is an ongoing continuous improvement process with new developments, risks and experiences taken into account.

Compliance & Risk Framework (CRF)

Ausurus/ EMR Group Compliance & Risk Framework (CRF)

1 Wates Principles & EMR Values

2 Risk Assessment & Insurance

3 Code of Conduct
- Cornerstone of Ausurus/EMR's Compliance Risk Framework
- Available in English on EMR's website. Spanish, German and Dutch versions of the Code are available.

4 Group Internal procedures
- Group Authorisation procedure and systems that represent the internal rules of Ausurus/EMR
- EMR Standard Investment Proposal

5 Specific compliance policies

• Health, Safety & Wellbeing • Environmental Management • Quality Management • Information Management • Energy Management • Climate Change • Nature Positive	• Diversity, Inclusion & Equality • Modern Slavery • Ethical Counterparty • Anti-trust • Anti-corruption • Anti-money Laundering • Tax

6 Communication & Training

7 Internal & External Audit

8 Speak up hotline

9 Others
- Internal controls
- Main Certifications; ISO 9001, ISO 14001, ISO 27001 and OSHA
- General data protection regulations
- Code of conduct for suppliers

By order of the board

Christopher Sheppard
Director

Sirius House
Delta Crescent
Westbrook
Warrington
WA5 7NS

31 March 2023

Directors' Report

Dividend

Dividends paid in the financial year to Ausurus Group Ltd, the Company's parent undertaking, totalled £86m (2021: £53m). The dividend paid to Ausurus was largely used to repay intercompany loans to European Metal Recycling Limited.

Directors

The directors who served throughout the year and up to the date of this report (unless otherwise stated) are set out below:

Christopher Sheppard	(Group Chief Executive Officer)
Edwin Leijnse	(Group Chief Financial Officer)
Robin Sheppard	

During the financial year, a qualifying third party indemnity provision for the benefit of all of the directors and other senior management was in force.

Employees

The necessity for, and importance of, good communication with all employees is recognised and practised by the Group. It is the policy of the Group to maintain the employment of disabled persons wherever practicable and to ensure appropriate opportunities exist for their training, career development and promotion. The Group operates bonus schemes to provide employee incentive payments.

Disclosure of information to auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Christopher Sheppard
Director

Sirius House
Delta Crescent
Westbrook
Warrington
WA5 7NS
31 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN METAL RECYCLING LIMITED

Opinion

We have audited the financial statements of European Metal Recycling Limited ("the Company") for the year ended 31 December 2022 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN METAL RECYCLING LIMITED (continued)

at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk that revenue is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We also performed additional procedures:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue or cash where the other side of the entry was posted to an unexpected account.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, environmental protection law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN METAL RECYCLING LIMITED (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 19, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Liam Finnigan

Liam Finnigan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One St. Peter's Square
Manchester
M2 3AE
31 March 2023

Consolidated Profit and Loss Account and Other Comprehensive Income

for year ended 31 December 2022

	Note	**2022** **£m**	2021 £m
Turnover	*2*	**4,782**	4,681
Cost of sales		**(3,714)**	(3,618)
Gross profit		**1,068**	1,063
Distribution costs		**(411)**	(359)
Administrative expenses		**(561)**	(489)
Other operating income	*3*	**14**	39
Operating profit before goodwill amortisation		**112**	261
Goodwill amortisation	*10*	**(2)**	(7)
Operating profit	*4*	**110**	254
Other interest receivable and similar income	*7*	**8**	5
Interest payable and similar charges	*8*	**(12)**	(9)
Profit before taxation		**106**	250
Tax on profit	*9*	**(8)**	(25)
Profit after tax before goodwill amortisation		**100**	232
Goodwill amortisation	*10*	**(2)**	(7)
Profit for the financial year		**98**	225
Other comprehensive profit/(loss)			
Foreign exchange differences on translation of foreign operations	*24*	**40**	1
Remeasurement of net defined benefit asset	*23/24*	**-**	(1)
Other comprehensive profit/(loss) for the year		**40**	-
Total comprehensive profit for the year		**138**	225
Profit or loss attributable to			
Shareholders of the parent company		107	216
Non-controlling interest		(9)	9
Total profit		**98**	225
Total comprehensive income attributable to			
Shareholders of the parent company		155	216
Non-controlling interest		(17)	9
Total comprehensive income		**138**	225

The notes on pages 31 to 70 form part of the financial statements.

Consolidated Balance Sheet
at 31 December 2022

	Note	2022		2021	
		£m	£m	£m	£m
Fixed assets					
Intangible assets - goodwill	*10*	**11**		13	
Tangible assets	*11*	**446**		357	
Investments					
Equity investments	*12*	**34**		30	
			491		400
Current assets					
Stocks	*13*	**332**		405	
Debtors (including £10m (2021: £10m) due after more than one year)	*14*	**394**		420	
Cash at bank and in hand	*15*	**85**		57	
		811		882	
Creditors: amounts falling due within one year	*16*	**(400)**		(430)	
Net current assets			**411**		452
Total assets less current liabilities			**902**		852
Creditors: amounts falling due after more than one year	*17*	**(121)**		(126)	
Provisions for liabilities					
Other provisions	*21*	**(21)**		(19)	
Pensions and similar obligations	*23*	**-**		-	
			(142)		(145)
Net assets			**760**		707
Capital and reserves					
Called up share capital	*24*		**-**		-
Share premium account			**7**		7
Other reserves			**2**		2
Profit and loss account			**840**		770
Total shareholders' equity			**849**		779
Non-controlling interest			**(89)**		(72)
Total equity			**760**		707

These financial statements were approved by the Board of directors on 31 March 2023 and were signed on its behalf by:

Christopher Sheppard
Director
Company registered number: 2954623
The notes on pages 31 to 70 form part of the financial statements.

Company Balance Sheet
at 31 December 2022

	Note	2022 £m	£m	2021 £m	£m
Fixed assets					
Intangible assets - goodwill	*10*	10		11	
Tangible assets	*11*	96		54	
Investments	*12*	709		738	
			815		803
Current assets					
Stocks	*13*	131		160	
Debtors (including £10m (2021: £10m) due after more than one year)	*14*	363		324	
Cash at bank and in hand		60		41	
		554		525	
Creditors: amounts falling due within one year	*16*	(447)		(381)	
Net current assets			107		144
Total assets less current liabilities			922		947
Creditors: amounts falling due after more than one year	*17*	(11)		(3)	
Provisions for liabilities					
Other provisions	*21*	(16)		(15)	
Pensions and similar obligations	*23*	-		-	
			(27)		(18)
Net assets			895		929
Capital and reserves					
Called up share capital	*24*		-		-
Share premium account			7		7
Hedging reserve			-		-
Profit and loss account			888		922
Shareholders' funds			895		929

These financial statements were approved by the Board of directors on 31 March 2023 and were signed on its behalf by:

Christopher Sheppard
Director

Company registered number: 2954623

The notes on pages 31 to 70 form part of the financial statements.

Consolidated Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Hedging reserve £m	Revaluation reserve £m	Profit & loss account £m	Total shareholders' equity £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2021	-	7	2	2	607	**618**	(81)	**537**
Total comprehensive profit for the year								
Profit for the year	-	-	-	-	216	**216**	9	**225**
Other comprehensive income (see note 24)	-	-	-	-	-	-	-	-
Total comprehensive profit for the year	-	-	-	-	216	**216**	9	**225**
Hedging loss	-	-	(2)	-	-	**(2)**	-	**(2)**
Transactions with owners, recorded directly in equity								
Dividends paid	-	-	-	-	(53)	**(53)**	-	**(53)**
Total contributions by and distributions to owners	-	-	-	-	(53)	**(53)**	-	**(53)**
Balance at 31 December 2021	-	7	-	2	770	779	(72)	707

The notes on pages 31 to 70 form part of the financial statements.

Consolidated Statement of Changes in Equity *(continued)*

	Called up share capital £m	Share premium account £m	Hedging reserve £m	Revaluation reserve £m	Profit & loss account £m	Total shareholders' equity £m	Non-controlling interest £m	Total equity £m
Balance at 1 January 2022	-	7	-	2	770	779	(72)	707
Total comprehensive profit for the year								
Profit for the year	-	-	-	-	107	107	(9)	98
Other comprehensive income (see note 24)	-	-	-	-	48	48	(8)	40
Total comprehensive profit for the year	-	-	-	-	155	155	(17)	138
Hedging profit	-	-	1	-	-	1	-	1
Transactions with owners, recorded directly in equity								
Dividends paid	-	-	-	-	(86)	(86)	-	(86)
Total contributions by and distributions to owners	-	-	-	-	(86)	(86)	-	(86)
Balance at 31 December 2022	-	7	1	2	839	849	(89)	760

The notes on pages 31 to 70 form part of the financial statements.

Company Statement of Changes in Equity

	Called up share capital £m	Share premium account £m	Hedging reserve £m	Profit & loss account £m	Total equity £m
Balance at 1 January 2021	-	7	2	913	922
Total comprehensive income for the year					
Profit for the year	-	-	-	63	63
Other comprehensive loss	-	-	-	(1)	(1)
Dividends paid	-	-	-	(53)	(53)
Hedging loss	-	-	(2)	-	(2)
Balance at 31 December 2021	**-**	**7**	**-**	**922**	**929**

The notes on pages 31 to 70 form part of the financial statements.

Company Statement of Changes in Equity *(continued)*

	Called up share capital £m	Share premium account £m	Hedging reserve £m	Profit & loss account £m	Total equity £m
Balance at 1 January 2022	-	7	-	922	929
Total comprehensive income for the year					
Profit for the year	-	-	-	52	52
Other comprehensive loss	-	-	-	-	-
Dividends paid	-	-	-	(86)	(86)
Hedging loss	-	-	-	-	-
Balance at 31 December 2022	-	7	-	**888**	**895**

The notes on pages 31 to 70 form part of the financial statements.

Consolidated Cash Flow Statement
for year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit for the year		**98**	225
Adjustments for:			
Depreciation, amortisation and impairment		**57**	57
Foreign exchange differences		**-**	(1)
Change in value of equity investment		**-**	(16)
Interest receivable and similar income		**(8)**	(5)
Interest payable and similar charges		**12**	9
Gain on sale of tangible fixed assets		**(2)**	-
Taxation		**8**	25
Decrease/(increase) in trade and other debtors		**26**	(77)
Decrease/(increase) in stocks		**73**	(96)
(Decrease)/increase in trade and other creditors		**20**	98
Increase/(decrease) in provisions and employee benefits		**2**	(3)
Dividends paid		**(86)**	(53)
Interest paid		**(12)**	(9)
Tax paid		**(21)**	(12)
Net cash from operating activities		**167**	142
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**9**	3
Interest received		**8**	5
Acquisition of tangible fixed assets		**(102)**	(41)
Net cash used in investing activities		**(85)**	(33)
Cash flows from financing activities			
Proceeds from new borrowings		**-**	-
Repayment of borrowings		**(27)**	(115)
Net cash used in financing activities		**(27)**	(115)
Net increase in cash and cash equivalents		**55**	(6)
Cash and cash equivalents at 1 January		**29**	35
Cash and cash equivalents at 31 December	*15, 18*	**84**	29

The notes on pages 31 to 70 form part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

European Metal Recycling Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2017, which were effective immediately, have been implemented. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest one million pounds.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been and will continue to be applied:

- no separate parent company cash flow statement with related notes is included;
- key management personnel compensation has not been included a second time;
- no financial instrument disclosures are included as the information is included in the consolidated disclosures; and
- the reconciliation of the number of shares from the beginning to the end of the period has not been presented a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis, except for derivative financial instruments and financial instruments classified at fair value through the profit or loss which are stated at their fair value.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Group is funded by a combination of its own cash resources and credit facilities with separate designated facilities for certain elements of the Group. In forming their conclusions in respect of the going concern basis of preparation the Directors therefore consider each of these separable elements and their designated facilities and the ability to operate within them.

- The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that the group and Company will have sufficient funds to meet its liabilities as they fall due for that period. In forming this conclusion the Directors have considered the possible impact of global events outside of the control of the Group and determined that there is sufficient headroom in respect of facilities and covenants to withstand significant downside scenarios.
- The Group has been compliant on all covenants throughout the period and is forecasted to remain compliant under the base case and stress test scenarios.
- The Group refinanced during 2022 and all key existing credit facilities are committed and have a remaining duration of more than one year from the date of approval of the financial statements.
- The Group has generated a positive cash flow from operating activities and has been profitable during 2022. The Group has continued to remain profitable in Q1 2023 and the outlook for the full year is positive.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern (continued)

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights.

Equity investments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised through the profit and loss account.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

In the parent company financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill, equity investments and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

1.5 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Classification of financial instruments issued by the group (continued)

- where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of basic financial instruments, are recognised initially at fair value. Subsequent to initial recognition, other financial instruments are measured at fair value with changes recognised in profit or loss, except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Other financial instruments (continued)

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income ("OCI") is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Net investment hedges

Where the hedged item is the translation risk for the net assets of overseas subsidiaries in the consolidated financial statements, the Group may designate borrowings in the same currency as that overseas subsidiary's functional currency as a hedging instrument. In that case, the effective portion of the hedge is recognised in other comprehensive income, and only the ineffective portion of the hedging item's translation value is recorded in profit or loss.

Cumulative exchange differences recognised in OCI relating to a hedge of a net investment in a foreign operation shall not be reclassified to profit or loss on disposal or partial disposal of that foreign operation.

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings and long leasehold properties	25 - 50 years or over the term of the lease
Short leasehold properties	Period of lease
Plant and machinery	3 - 20 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognises goodwill as:
the fair value of the consideration (excluding contingent consideration) transferred; plus

- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.10 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any amount exceeding the fair value of non-monetary assets acquired shall be recognised in the profit or loss account in the periods expected to benefit.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses. The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years. The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment when there is an indication that goodwill or an intangible asset may be impaired.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

1.13 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability/asset, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.16 Turnover

Turnover is measured at the fair value of consideration receivable by the Group for goods supplied and a service produced, excluding VAT and trade discounts, and is recognised on despatch of goods over the weighbridge or on departure of vessels from ports for bulk shipments. Adjustments relating to price and weight differences are accrued against turnover as identified.

1.17 Exceptional items

When appropriate, the Group's consolidated profit and loss account identifies exceptional items. Such items are those that in the opinion of the directors are one-off in nature or non-operating and need to be disclosed as a result of their size or nature. Such items may include, but are not limited to, impairment provisions, restructuring costs, acquisition-related costs and income from legal settlements. In determining whether an item should be disclosed in this way, the directors consider quantitative and qualitative factors such as frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing exceptional items separately provides additional understanding of the underlying performance of the Group.

1.18 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the profit and loss account over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy in 1.4 above).

Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.19 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are prudently not recognised unless the Directors consider it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits in the near future.

Notes *(continued)*

2 Turnover

The turnover is attributable to the purchasing, processing and sale of ferrous and non–ferrous recycled metal and associated activities.

The analysis of turnover by geographical market required by the Companies Act 2006 has not been provided as, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Group.

3 Other operating income

	2022	2021
	£m	£m
Other operating income	**12**	20
Net gain on disposal of tangible fixed assets	**2**	3
Gain on remeasurement of investments to fair value	**-**	16
	14	39

4 Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2022	2021
	£m	£m
Depreciation and other amounts written off tangible fixed assets – group	**55**	50
Amortisation of goodwill – subsidiaries	**2**	7
Hire of plant and machinery – operating leases	**18**	13
Hire of other assets – operating leases	**25**	25

There are no exceptional items included in administrative expenses and other operating income (2021: nil).

Notes *(continued)*

4 Expenses and auditor's remuneration *(continued)*

Auditor's remuneration:

	2022	2021
	£000	£000
Audit of these financial statements	**276**	200
Amounts receivable by the Group's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Group	**742**	538
Other services	**19**	17

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by geographical location, was as follows:

	2022	2021
	No.	No.
United Kingdom	**1,854**	1,790
Europe	**224**	212
USA	**1,566**	1,497
Other	**4**	4
	3,648	3,503

The aggregate payroll costs in respect of these persons:

	2022	2021
	£m	£m
Wages and salaries	**182**	163
Social security costs	**31**	19
Other pension costs	**6**	7
	219	189

Pension costs are amounts charged to operating profit and do not include amounts charged/credited to net interest (notes 7 and 8) and amounts recognised in other comprehensive income.

Notes *(continued)*

6 Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	**2,979**	2,679
Amounts receivable under long term incentive schemes	**2,459**	2,620
Company contributions to money purchase pension schemes	**8**	6
	5,446	5,305

The Directors of the Company are remunerated by the Company's parent, Ausurus Group Limited. The table above represents an estimated allocation of that remuneration for European Metal Recycling Limited and its subsidiaries. Further details of this directors' remuneration can be found in the Group financial statements of Ausurus Group Ltd for the year ended 31 December 2022.

The estimated allocation of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £2,664,000 (2021: £2,873,000).

7 Other interest receivable and similar income

	2022 £m	2021 £m
Interest receivable on financial assets at amortised cost	**2**	4
Interest receivable from group undertakings	**-**	1
Net foreign exchange gain	**6**	-
Total interest receivable and similar income	**8**	5

8 Interest payable and similar charges

	2022 £m	2021 £m
Interest payable on financial liabilities at amortised cost	**9**	6
Interest payable to group undertakings	**1**	-
Other interest and charges	**2**	3
Total interest payable and similar charges	**12**	9

Notes *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

	2022		2021	
	£m	£m	£m	£m
Current tax				
Current tax on income for the period	2		18	
Adjustments in respect of prior periods	(7)		1	
Overseas tax	7		6	
Total current tax expense		2		25
Deferred tax (see note 20)				
Origination and reversal of timing differences	8		1	
Adjustments in respect of prior periods	(2)		(1)	
Total deferred tax expense		6		-
Total tax expense		8		25

Notes *(continued)*

9 Taxation *(continued)*

	2022			2021		
	Current tax £m	**Deferred tax £m**	**Total tax £m**	Current tax £m	Deferred tax £m	Total tax £m
Recognised in profit and loss account	**2**	**6**	**8**	25	-	25
Total tax charge	**2**	**6**	**8**	25	-	25

Analysis of current tax recognised in profit and loss:

	2022 £m	2021 £m
UK corporation tax	**2**	25

Reconciliation of effective tax rate:

	2022 £m	2021 £m
Profit/(loss) for the year	**98**	225
Total tax expense	**8**	25
Profit/(loss) before taxation	**106**	250
Tax using the UK corporation tax rate of 19% (2021: 19%)	**20**	47
Effect of tax rates in foreign jurisdictions	**2**	5
Non-deductible expenses/(Non-taxable income)	**1**	(5)
Change in rate of tax	**2**	-
Movement in deferred tax not recognised	**(8)**	(20)
Adjustment in respect of prior years	**(3)**	-
Adjustment in respect of prior years – Release of uncertain tax provision	**(6)**	-
Group relief claimed for nil payment	**-**	(2)
Total tax expense included in profit or loss	**8**	25

The UK corporation tax rate for 2022 is 19% (2021: 19%). In the 2022 Budget released on 3 March 2021, the Government announced its intention to increase the corporation tax rate from 19% to 25% which is effective from 1 April 2023. This was substantively enacted on 24 May 2021 therefore the deferred tax liability as at 31 December 2022 has been calculated at the prevailing rate of the expected unwind of the deferred tax liability.

Notes *(continued)*

10 Intangible fixed assets - goodwill

Group

	Goodwill £m
Cost	
Balance at 1 January 2022	370
Acquisitions	-
Effect of movements in foreign exchange	22
Balance at 31 December 2022	392
Amortisation and impairment	
Balance at 1 January 2022	357
Amortisation for the year	2
Effect of movements in foreign exchange	22
Balance at 31 December 2022	381
Net book value	
At 1 January 2022	13
At 31 December 2022	11

Amortisation is recognised within administrative expenses in the profit and loss account.

Notes *(continued)*

10 Intangible fixed assets - goodwill *(continued)*

Company

	Goodwill £m
Cost	
Balance at 1 January 2022	49
Acquisitions	-
Balance at 31 December 2022	49
Amortisation and impairment	
Balance at 1 January 2022	38
Amortisation for the year	1
Balance at 31 December 2022	39
Net book value	
At 1 January 2022	11
At 31 December 2022	**10**

Notes *(continued)*

11 Tangible fixed assets

Group	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold land and buildings £m	Plant and machinery £m	Total £m
Cost					
Balance at 1 January 2022	208	25	2	641	876
Additions	14	-	-	101	115
Disposals	(9)	-	-	(18)	(27)
Effect of movements in foreign exchange	25	3	-	46	74
Balance at 31 December 2022	238	28	2	770	1,038
Depreciation and impairment					
Balance at 1 January 2022	66	10	2	441	519
Depreciation charge for the year	12	-	-	43	55
Disposals	(9)	-	-	(11)	(20)
Effect of movements in foreign exchange	7	-	-	31	38
Balance at 31 December 2022	76	10	2	504	592
Net book value					
At 1 January 2022	142	15	-	200	357
At 31 December 2022	**162**	**18**	**-**	**266**	**446**

The Group's freehold property includes land of £61m (2021: £48m), which is not depreciated.

Plant and machinery includes assets in the course of construction amounting to £27m (2021: £64m), which is not depreciated.

All other assets are depreciated.

Leased plant and machinery

At 31 December 2022, the net carrying amount of plant and machinery leased under a finance lease was £36m (2021: £37m).

Notes *(continued)*

11 Tangible fixed assets *(continued)*

Company

	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold land and buildings £m	Plant and machinery £m	Total £m
Cost					
Balance at 1 January 2022	6	2	1	238	247
Additions	-	-	-	56	56
Disposals	-	-	-	(6)	(6)
Balance at 31 December 2022	6	2	1	288	297
Depreciation and impairment					
Balance at 1 January 2022	2	2	1	188	193
Depreciation charge for the year	-	-	-	14	14
Disposals	(1)	(1)	-	(4)	(6)
Balance at 31 December 2022	1	1	1	198	201
Net book value					
At 1 January 2022	4	-	-	50	54
At 31 December 2022	**5**	**1**	**-**	**90**	**96**

Plant and machinery includes assets in the course of construction amounting to £13m (2021: £4m), which is not depreciated.

All other assets are depreciated.

Leased plant and machinery

At 31 December 2022, the net carrying amount of plant and machinery leased under a finance lease was £nil (2021: £nil).

Notes *(continued)*

12 Fixed asset investments

Group

	Equity investment £m
Cost	
At beginning of year	30
Gain on remeasurement of investments to fair value	4
At end of year	34
Net book value	
At 1 January 2022	30
At 31 December 2022	**34**

Notes *(continued)*

12 Fixed asset investments *(continued)*

Company

	Shares in group undertakings £m	Loans to group undertakings £m	Total £m
Cost			
At beginning of year	737	41	778
Additions	-	-	-
Repayments	(31)	-	(31)
Exchange movements	-	2	2
At end of year	706	43	749
Provisions			
At beginning of year	(40)	-	(40)
At end of year	(40)	-	(40)
Net book value			
At 1 January 2022	697	41	738
At 31 December 2022	**666**	**43**	**709**

The undertakings in which the Group and Company held an interest at the year-end are detailed in note 30.

Notes *(continued)*

13 Stocks

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Raw materials	**327**	403	**131**	159
Consumables	**5**	2	**-**	1
	332	405	**131**	160

14 Debtors

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Trade debtors	**267**	286	**118**	75
Amounts owed by group undertakings	**-**	-	**169**	192
Other debtors	**84**	96	**44**	26
Corporation tax debtors	**2**	-	**-**	-
Deferred tax assets (see note 20)	**-**	2	**-**	3
Other financial assets (see note 19)	**-**	3	**-**	3
Prepayments and accrued income	**41**	33	**32**	25
	394	420	**363**	324
Due within one year	**384**	410	**353**	314
Due after more than one year	**10**	10	**10**	10
	394	420	**363**	324

Included in trade debtors is accrued income of £160m (2021: £99m) related to trade sales not yet invoiced.

Notes *(continued)*

15 Cash and cash equivalents

	2022 **£m**	2021 £m
Cash at bank and in hand	**85**	57
Cash and cash equivalents	**85**	57

16 Creditors: amounts falling due within one year

	Group **2022** **£m**	2021 £m	**Company** **2022** **£m**	2021 £m
Bank loans and overdrafts (see note 18)	**1**	28	**-**	27
Trade creditors	**210**	251	**114**	119
Amounts owed to group undertakings	**-**	-	**259**	157
Taxation and social security	**4**	19	**4**	14
Accruals and deferred income	**170**	121	**67**	63
Other financial liabilities (see note 19)	**4**	1	**3**	1
Finance leases (see note 22)	**11**	10	**-**	-
	400	430	**447**	381

Included in trade creditors are accruals of £157m (2021: £227m) related to trade purchases for which invoices have not yet been received.

Notes *(continued)*

17 Creditors: amounts falling after more than one year

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Shares classified as debt (see note 24)	**4**	3	**4**	3
Accruals and deferred income	**9**	-	**7**	-
Bank loans and overdrafts (see note 18)	**79**	98	**-**	-
Finance leases (see note 22)	**29**	25	**-**	-
	121	126	**11**	3

The directors have reviewed the share capital and have determined that the following shares should be classified as financial liabilities:

	2022 Number	2022 £m	2021 Number	2021 £m
Allotted, called up and fully paid				
"B" Ordinary shares of 1p each	**42,600**	**-**	42,600	-

The "B" Ordinary shares represent a compound financial instrument, of which the liability component's value is £4m (2021: £3m).

The "B" Ordinary shares are redeemable at the option of the shareholder and attract a minimum redemption price of £4.74 per share. The consideration payable on the redemption of the "B" Ordinary shares is due within 12 months of redemption notice being given.

Notes *(continued)*

18 Interest-bearing loans and borrowings

The contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost, are set out below:

	Group 2022 £m	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Creditors falling due within less than one year				
Bank borrowings and overdrafts	1	28	-	27
	1	28	-	27
Creditors falling due more than one year				
Bank borrowings and overdrafts	79	98	-	-
	79	98	-	-

Borrowings at 31 December 2022

As at 31 December 2022, the Group had the following borrowings:

- *Revolving credit facility - UK.* This is a committed £195m revolving credit facility with an expiry date of March 2025.

- *Asset-based lending facility - EU.* This is a committed facility with an expiry date of January 2025, after a one year extension option was triggered in January 2023. It is subject to a maximum drawdown of €110m.

- *Asset-based lending facility - US.* This is a committed facility with an expiry date of October 2027. The availability of the facility is dependent on the level of stocks and trade receivables available for refinancing in the EMR USA business and is subject to a maximum drawdown of $350m.

In addition to the above, the Group also has access to other material bank and ancillary credit facilities.

The Group incurs non-utilisation fees for its committed bank facilities.

Bank facilities are provided subject to standard banking covenants, including net debt/EBITDA and interest cover ratios for the UK revolving credit facility.

Notes *(continued)*

19 Other financial liabilities/ (assets)

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Amounts falling due within one year				
Derivative financial instruments measured at fair value through profit or loss	4	1	2	1
Derivative financial instruments measured at fair value and designated in an effective hedging relationship	-	(3)	1	(3)
	4	(2)	3	(2)

20 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2022 £m	Assets 2021 £m	Liabilities 2022 £m	Liabilities 2021 £m	Net 2022 £m	Net 2021 £m
Decelerated capital allowances	-	-	(26)	-	(26)	-
Other short term timing differences	22	2	-	-	22	2
Net tax assets/(liabilities)	22	2	(26)	-	(4)	2

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £262m (restated 2021: £227m). In line with the Group's accounting policy these are not recognised as the Directors do not consider it probable that they can be utilised in the future (see note 29) within the relevant territory and entity.

Company	Assets 2022 £m	Assets 2021 £m	Liabilities 2022 £m	Liabilities 2021 £m	Net 2022 £m	Net 2021 £m
Decelerated capital allowances	-	-	(8)	-	(8)	-
Other short term timing differences	4	3	-	-	4	3
Net tax assets	4	3	(8)	-	(4)	3

In the 2022 Budget released on 3 March 2021, the Government announced its intention to increase the corporation tax rate from 19% to 25% which is effective from 1 April 2023. This was substantively enacted later in 2021 therefore the deferred tax liability has been calculated at the prevailing tax rate of the expected unwind of the deferred tax liability.

Notes *(continued)*

21 Other provisions

Group

	£m
Balance at 1 January 2022	19
Provisions charged during the year	2
Balance at 31 December 2022	**21**

Company

	£m
Balance at 1 January 2022	15
Provisions charged during the year	1
Balance at 31 December 2022	**16**

Other provisions includes deferred tax provisions in for both the Group and Company of £4m (2021: £nil). Further detail included in Note 20.

Other provisions relate to those costs expected to be incurred by the Group and Company in the future where a present obligation exists at the year end date and a reliable estimate can be made of the obligation. In particular, provision has been made for contractual or constructive obligations on vacating operating sites where these require remedial environmental action prior to vacation. Such remediation costs are reviewed annually and updated where the basis of calculation has changed as a result of, for example, changes in site utilisation plans and dirt disposal costs.

Further provision is made for costs to be incurred with regards to onerous leases, with these costs being determined by the annual lease cost and the unexpired lease term. Also included in other provisions are the costs for insurance claims relating to current and prior periods, having been valued by a qualified professional.

22 Finance leases

The future minimum lease payments are as follows:

	Group 2022 £m	Group 2021 £m
Within one year	**12**	11
Later than one year and not later than five years	**28**	26
More than five years	**2**	-
Total gross payments	**42**	37
Less: finance charges	**(2)**	(2)
Carrying amount of liability	**40**	35

Notes *(continued)*

23 Employee benefits

The Group contributes to a number of pension schemes as described below.

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £2m (2021: £2m).

Contributions amounting to £nil were payable to the scheme at the year-end (2021: £nil).

Defined benefit scheme

The Group operates a funded defined benefit pension scheme for the benefit of certain of the Group's employees. The scheme closed to future accrual in April 2021. The assets of the scheme are administered by trustees in a fund independent from the assets of the Group.

During the year, the Board took the decision to prepare the defined benefit pension scheme for buyout during 2023. In preparation for this, a decision was also taken to adjust the investment portfolio and reduce funding risk in the period to buy out completion. This was executed before the year end date.

The execution of a buyout could lead to a return of surplus funds to the Company if the scheme was in a position of buyout surplus. However, due to the uncertainty of both the timing of a potential buyout and the final buy out position, the Group has not recognised the net pension asset.

Net pension asset:

	Group and Company 2022 £m	Group and Company 2021 £m
Defined benefit obligation	**(34)**	(50)
Plan assets	**51**	59
Net pension asset (not recognised, see above)	**17**	9

Movements in present value of defined benefit obligation:

	Group and Company 2022 £m	Group and Company 2021 £m
At 1 January	**50**	52
Current service cost	**-**	-
Curtailment gain	**-**	(1)
Interest expense	**1**	1
Re-measurement: actuarial (gains)/losses	**(16)**	-
Benefits paid	**(1)**	(2)
At 31 December	**34**	50

Notes *(continued)*

23 Employee benefits *(continued)*

Movements in fair value of plan assets:

	Group and Company 2022 £m	Group and Company 2021 £m
At 1 January	59	55
Re-measurement: return on plan assets less interest income	(7)	6
Benefits paid	(1)	(2)
At 31 December	**51**	59

Expense recognised in the Group profit and loss account:

	2022 £m	2021 £m
Current service cost	-	-
Curtailment gain	-	(1)
Net interest on net defined benefit liability	-	-
Total (income)/ expense recognised in the profit and loss account	-	(1)

The curtailment gain in 2021 arose from the closure of the pension scheme and was recognised in employer pension costs in the group's profit and loss account.

Notes *(continued)*

23 Employee benefits *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	Group and Company	
	2022	2021
	£m	£m
Diversified growth	**3**	38
Gilts and bonds	**48**	21
	51	59
Actual return on plan assets	**(6)**	6

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	Group and Company	
	2022	2021
	%	%
Discount rate	**4.60**	1.70
Expected rate of return on plan assets	**4.60**	1.70
Expected return on plan assets at beginning of the period	**1.25**	1.25
Future salary increases	**n/a**	n/a
Rate of price inflation - RPI	**3.50**	3.70
Rate of price inflation - CPI	**3.00**	3.10
Rate of LPI 5% pension increases based on RPI	**3.30**	3.60
Rate of LPI 3% pension increases based on RPI	**2.65**	2.75
Rate of LPI 3% pension increases based on CPI	**2.40**	2.55
Rate of LPI 2.5% pension increases based on RPI	**2.30**	2.40

The last full actuarial valuation was performed on 5 April 2022. As the Scheme closed to future accrual from 5 April 2021, there was no requirement to take an assumption of the future expected salary increases.

In valuing the liabilities of the pension fund at 31 December 2022, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65: 21 years (male), 24 years (female).
- Future retiree upon reaching 65: 23 years (male), 25 years (female).

The mortality rate is based on publicly available mortality tables for the UK.

Notes *(continued)*

24 Capital and reserves

Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
10,000,000 (2021: 10,000,000) "A" Ordinary shares of 1p each	**100**	100
42,600 (2021: 42,600) "B" Ordinary shares of 1p each	**-**	-
	100	100
Shares classified in shareholders' funds	**100**	100
Shares classified as financial liabilities	**-**	-
	100	100

The "B" Ordinary shares have been classified as liabilities and compound instruments. Further details on these classifications are set out in note 17.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

24 Capital and reserves *(continued)*

Other comprehensive income

2022 Group	**Profit and loss Account £m**	**Total other comprehensive income/(loss) £m**
Other comprehensive income		
Foreign exchange differences on translation of foreign operations	40	40
Remeasurement of the net defined benefit liability	-	-
Total other comprehensive loss	40	40

2021 Group	**Profit and loss Account £m**	**Total other comprehensive income/(loss) £m**
Other comprehensive income		
Foreign exchange differences on translation of foreign operations	1	1
Remeasurement of the net defined benefit liability	(1)	(1)
Total other comprehensive income	-	-

The Company had no other comprehensive income or losses in the year ended 31 December 2022 (2021: £nil).

Notes *(continued)*

25 Financial instruments - Group

25(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	Note	**2022 £m**	2021 £m
Derivative financial instruments –(liabilities) measured at fair value through profit or loss			
Forward commodity contracts	*16/19*	**(4)**	(1)
Derivative financial instruments –assets measured at fair value and designated in an effective hedging relationship			
Forward currency contracts and swaps	*14/19*	**-**	3
Assets measured at amortised cost			
Trade receivables	*14*	**267**	286
Other receivables	*14*	**84**	96
Liabilities measured at amortised cost			
Secured loans and loan notes	*18*	**-**	-
Bank borrowings	*18*	**(80)**	(126)
Trade creditors	*16*	**(210)**	(251)
Finance leases	*22*	**(40)**	(35)

25(b) Derivative financial instruments

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for future foreign currency commitments. At 31 December 2022, the fair value of the forward foreign currency contracts is an asset of £773,000 (2021: £2,035,000 asset) and all of the outstanding contracts mature within six months (2021: six months).

The Group enters into forward commodity contracts to protect against movements in the underlying commodity of the related material purchase or sale. The Group's primary exposure is to non-ferrous metal prices. At 31 December 2022, the fair value of the forward commodity contracts is a liability of £4,247,000 (2021: £1,061,000 liability) and all of the outstanding contracts mature within one year (2021: one year).

The Group enters into foreign currency swaps to manage its short term foreign currency position. At 31 December 2022, the fair value of the currency swaps is a liability of £671,000 (2021: £1,153,000 asset) and all of the outstanding contracts mature within one month (2021: one month).

The fair values of all derivatives above are determined by using broker valuations obtained by the Group.

Notes *(continued)*

25 Financial instruments - Group *(continued)*

25(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	2022						2021					
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Forward currency contracts and swaps:												
Assets	-	-	-	-	-	-	3	3	3	-	-	-
	-	-	-	-	-	-	3	3	3	-	-	-

Notes *(continued)*

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Less than one year	**39**	34	**28**	27
Between one and five years	**121**	93	**80**	75
More than five years	**161**	113	**92**	98
	321	240	**200**	200

During the year, £43m was recognised as an expense in the profit and loss account in respect of operating leases (2021: £35m).

27 Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were:

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Contracted	**30**	28	**21**	22

28 Related parties

All key management personnel are also directors of the entity therefore no separate key management personnel disclosures are made.

Notes *(continued)*

29 Key accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. Estimates and judgments 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 resulting accounting estimates will, by definition, seldom equal the related actual results.

Judgements

Control assessment

Judgement is required when determining whether the Group has control over entities in which it has an ownership stake of less than 100% to determine the level of control or influence the group can exercise over those investee companies and the consequential accounting treatment for those entities in the financial statements as outlined in the accounting policies of the group in note 1.3. In forming these conclusions the Directors have considered whether they have the right to govern the financial and operating policies of the investee company. In making this judgement they considered the most significant activities of the entities and whether rights over those activities were substantive or protective in nature.

Estimates

Provisions (note 21)
Provisions are made for dilapidations and contingencies. These provisions require management's best estimate of the cost that will be incurred based on legislative and contractual requirements and the timing of the cash flows.

Defined benefit pension scheme (note 23)

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, asset valuations and the discount rate on corporate bonds. Management estimate these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Impairment of goodwill (note 10)

At each balance sheet date, the Group considers whether goodwill is impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Impairment of trade and other debtors (note 14)

The Group regularly reviews the recoverability of trade and other debtors. A provision for impairment is made where the Group believes that it will not be able to collect amounts due according to the original terms of trade. Provisions for impairment are estimates of future events and are therefore uncertain.

Stock provisioning (note 13)

It is necessary to consider the recoverability of the cost of stock and the associated provisioning required given the changes in metal prices and the global market trends. When calculating the stock provision, management considers the nature and condition of the stock as well as applying assumptions around anticipated saleability of the raw materials.

Deferred taxation (note 20)

The Group considers whether potential deferred tax assets relating to losses previously accumulated should be recognised in the balance sheet. Such assets are recognised only when it is deemed probable that they will be utilised in the future.

Notes *(continued)*

30 Group entities

The undertakings in which the Group and Company held an interest at the year-end are as follows.

	Country of incorporation	Principal activity	Class and percentage of shares held Company	Group
Subsidiary undertakings				
American Iron & Steel Company *10	USA	Metal recycler	-	100%
American Steel & Industrial Supply Co LP *11	USA	Metal recycler	-	87%
Auto Shred Recycling LLC *12	USA	Dormant company	-	100%
Automotive Recycling Services LLC *11	USA	Dormant company	-	100%
CD Jordan and Son (Transport) Limited *1	United Kingdom	Dormant company	-	100%
CD Jordan and Son Limited *1	United Kingdom	Dormant company	-	100%
Cleveland Metals Limited *1	United Kingdom	Dormant company	-	100%
Cooper Barnes Metals Limited *1	United Kingdom	Dormant company	-	100%
Coopers Holdings Limited *1	United Kingdom	Dormant company	-	100%
Coopers Metals (Holdings) Limited *1	United Kingdom	Dormant company	-	100%
E Barnes & Co Limited *1	United Kingdom	Dormant company	-	100%
EMR (USA Holdings) Inc *13	USA	Holding company	-	100%
EMR 2003 *1	United Kingdom	Dormant company	-	100%
EMR Advanced Recycling LLC *13	USA	Metal recycler	-	100%
EMR Eastern LLC *13	USA	Holding company	-	100%
EMR Energy LLC *13	USA	Dormant company	-	100%
EMR European Metal Recycling GmbH *3	Germany	Metal recycler	-	100%
EMR Exports Limited *1	United Kingdom	Dormant company	-	100%
European Metal Recycling USA Holdings Limited *1	United Kingdom	Holding company	-	100%
EMR Financing LLC *13	USA	Holding company	-	100%
EMR GmbH *4	Switzerland	Metal recycler	100%	100%
EMR Gold Export Services Inc *13	USA	Dormant company	-	100%
EMR Gold Recycling LLC *13	USA	Metal recycler	-	100%
EMR Holdings BV *5	Netherlands	Holding company	100%	100%
EMR (Jersey) Limited *9	Jersey	Metal recycler	100%	100%
EMR Management Services LLC *13	USA	Holding company	-	100%
EMR Marine Terminals LLC *13	USA	Metal recycler	-	100%
EMR Maritime GmbH *3	Germany	Export company	100%	100%
EMR Midland Shredders Limited *1	United Kingdom	Dormant company	-	100%
EMR Polymers LLC *13	USA	Dormant company	-	100%
EMR Shipping Limited *1	United Kingdom	Dormant company	-	100%
EMR Swindon Limited *1	United Kingdom	Dormant company	100%	100%
EMR Trading LLC *13	USA	Metal recycler	-	100%

Notes *(continued)*

30 Group entities *(continued)*

	Country of incorporation	Principal activity	Class and percentage of shares held	
			Company	Group
Subsidiary undertakings (continued)				
European Metal Recycling (Dormant) Ltd *1	United Kingdom	Holding company	100%	100%
European Metal Recycling (Hong Kong) Limited *7	Hong Kong	Metal recycler	100%	100%
European Metal Recycling (International) Ltd *1	United Kingdom	Holding company	100%	100%
European Metal Recycling (USA) Limited *1	United Kingdom	Holding company	100%	100%
European Metal Recycling B.V *5	Netherlands	Metal recycler	-	100%
European Metal Recycling S.R.L. *8	Italy	Metal recycler	-	100%
Ever 1052 Limited *1	United Kingdom	Dormant company	-	100%
Evinco Stevedoring LLC *13	USA	Metal recycler	-	100%
Gainesville Homestead Properties LLC *14	USA	Property company	-	100%
GMFW Real Property LLC *14	USA	Property company	-	100%
GMR Recycling Inc *14	USA	Metal recycler	-	100%
GMY Enterprises LLC *14	USA	Metal recycler	-	100%
GMY Ltd *14	USA	Metal recycler	-	100%
GNR Operations Inc *14	USA	Metal recycler	-	100%
GNR Recycling LP *14	USA	Metal recycler	-	100%
Gold Metal Recyclers Fort Worth LLC *14	USA	Metal recycler	-	100%
Gold Metal Recyclers Gainesville LLC *14	USA	Metal recycler	-	100%
Gold Metal Recyclers Ltd *14	USA	Metal recycler	-	100%
Gold Metal Recyclers Management LLC *14	USA	Metal recycler	-	100%
Gold Metal Recyclers Oklahoma LLC *14	USA	Metal recycler	-	100%
Goldberg Industries Inc *14	USA	Dormant company	-	100%
Great Western Recycling Inc *15	USA	Metal recycler	-	100%
GW Acquisition Inc *15	USA	Holding company	-	100%
Henderson Kerr (Scrap Processors) Limited *2	United Kingdom	Dormant company	-	100%
Henderson Kerr Limited *2	United Kingdom	Dormant company	100%	100%
International Metal Recycling UK Limited *1	United Kingdom	Dormant company	100%	100%
International Shipbreaking Limited LLC *16	USA	Metal recycler	-	100%
Island Recycling Limited *1	United Kingdom	Dormant company	-	100%
J T Broadhurst & Sons Limited *1	United Kingdom	Dormant company	-	100%
Jackson Dunn Limited *1	United Kingdom	Dormant company	-	100%
Jordans (Newhaven) Limited *1	United Kingdom	Dormant company	-	100%
Joseph Holloway Limited *1	United Kingdom	Freight transport company	100%	100%
Mayer Environmental Ltd *1	United Kingdom	Environmental consultants	100%	100%
Mayer Parry (East Anglia) Limited *1	United Kingdom	Dormant company	-	100%
Mayer Parry Recycling (Holdings) Limited *1	United Kingdom	Dormant company	-	100%
Mayer Parry Recycling Limited *1	United Kingdom	Dormant company	-	100%
Meon Valley Metals Limited *1	United Kingdom	Dormant company	-	100%
Metals Reduction Company, LLC *10	USA	Dormant company	-	100%
Mossdale Metals (Durham City) Limited *1	United Kingdom	Dormant company	100%	100%
Mountstar Metal Corporation Limited *1	United Kingdom	Dormant company	100%	100%
Northern Metals LLC *10	USA	Metal recycler	-	100%
Northern Metals Recovery LLC *10	USA	Dormant company	-	100%
Phillips Recycling Systems LLC *10	USA	Metal recycler	-	100%
Premier Granules UK Limited *1	United Kingdom	Dormant company	-	100%
Recource Recycling LLC *12	USA	Dormant company	-	100%

Notes *(continued)*

30 Group entities *(continued)*

	Country of incorporation	Principal activity	Class and percentage of shares held Company	Group
Subsidiary undertakings (continued)				
Robinson Group Ltd *1	United Kingdom	Dormant company	-	100%
Robinson Shipping Services Limited *1	United Kingdom	Dormant company	-	100%
Scrap Processing (Portsmouth) Limited *1	United Kingdom	Dormant company	-	100%
Sheppard Group Limited *1	United Kingdom	Dormant company	-	100%
Southern Recycling LLC *12	USA	Metal recycler	-	100%
Southern Recycling Sales LLC *12	USA	Metal recycler	-	100%
Southern Scrap Material Co LLC *12	USA	Dormant company	-	100%
Southern Scrap Recycling Morgan City LLC *12	USA	Dormant company	-	100%
SSX LLC *12	USA	Dormant company	-	100%
T Holloway & Sons (Metals) Limited *1	United Kingdom	Dormant company	-	100%
T Lethbridge Limited *1	United Kingdom	Dormant company	-	100%
The Auto Store LLC *13	USA	Metal recycler	-	100%
Toy Eau Claire Properties LLC *17	USA	Property company	-	100%
Toy Properties LLC *17	USA	Property company	-	100%
Toy's Custom Shearing LLC *17	USA	Dormant company	-	100%
Toy's Scrap and Salvage Corp *17	USA	Metal recycler	-	100%
Toy's Transport LLC *17	USA	Transport company	-	100%
Viking Land Holdings LLC *12	USA	Property company	-	100%
Atlas Traders, LLC *13	USA	Metal recycler	-	50%
Auto Recycling Real Estate, Inc *13	USA	Metal recycler	-	50%
Camden Iron & Metal Inc *13	USA	Metal recycler	-	50%
Camden Iron & Metal, LLC *13	USA	Metal recycler	-	50%
Camden Metal Company, Inc *13	USA	Metal recycler	-	50%
Delco Metals Inc *13	USA	Metal recycler	-	50%
Eastern Metal Recycling Inc *13	USA	Metal recycler	-	50%
Eastern Metal Recycling LLC *13	USA	Metal recycler	-	50%
Eastern Metal Recycling Terminal, LLC *13	USA	Metal recycler	-	50%
Girard Point Corp *13	USA	Metal recycler	-	50%
The Auto Store of Egg Harbor LLC *13	USA	Metal recycler		50%
Innovative Recovery Products, LLC *13	USA	Metal recycler	-	50%
L&L Acquisition Company *13	USA	Metal recycler	-	50%
L&L Waste Disposal & Metal Recycling Inc. *13	USA	Metal recycler	-	50%
Preston Terminals Inc *13	USA	Metal recycler	-	50%
R. Kelly Freedman Holding Group, LLC *13	USA	Holding company	-	50%
R Fanelle & Sons Inc *13	USA	Metal recycler	-	50%
Rhino Recycling Inc *13	USA	Metal recycler	-	50%
SPC Corporation *13	USA	Metal recycler	-	50%
Tioga Real Estate, LLC *13	USA	Property company	-	50%
TPE Advanced Recycling LLC *13	USA	Metal recycler	-	50%
United Compressed Steel Company *13	USA	Metal recycler	-	50%
Vineland Processing Inc *13	USA	Metal recycler	-	50%
Equity investments				
1751 Kenilworth Land, LLC *18	USA	Property company	-	50%
Allegany Scrap, Inc. *18	USA	Metal recycler	-	50%
Beaver Heights Associates, LLC *18	USA	Metal recycler	-	50%
Capitol Heights Metal Recycling Inc *18	USA	Metal recycler	-	50%
Caroline Lands LLC *18	USA	Property company	-	50%
Caroline Scrap Metal Inc *18	USA	Metal recycler	-	50%
Carroll Land LLC *18	USA	Property company	-	50%
Carroll Scrap Metal Inc *18	USA	Metal recycler	-	50%
CRJ Property Co., LLC *18	USA	Property company	-	25%
Cumberland Land, LLC *18	USA	Property company	-	50%
David Paul Inv., LLC *18	USA	Holding company	-	50%
Day Road Land LLC *18	USA	Property company	-	50%

Notes *(continued)*

30 Group entities *(continued)*

	Country of incorporation	Principal activity	Class and percentage of shares held Company	Group
Equity investments (continued)				
Deenah, LLC *21	USA	Property company	-	25%
Denton Scrap Metal Recycling *18	USA	Metal recycler	-	50%
EMR IT Services India Private Limited*26	India	Support services	<1%	<1%
F&K, Inc. *18	USA	Metal recycler	-	50%
FDR, LLC *18	USA	Property company	-	50%
Frederick Motor Company, Inc. *18	USA	Metal recycler	-	50%
Frederick Scrap Inc *18	USA	Metal recycler	-	50%
Fredericksburg Land LLC *18	USA	Property company	-	50%
General Auto Parts, Inc. *18	USA	Metal recycler	-	50%
Harrisonburg Land, LLC *18	USA	Property company	-	50%
Hayden Auto Service Inc *18	USA	Metal recycler	-	50%
Henderson Land, LLC *18	USA	Property company	-	50%
Henderson Scrap Metal Inc *18	USA	Metal recycler	-	50%
Johnstown Lands LLC *18	USA	Property company	-	50%
Johnstown Scrap Metal, Inc *18	USA	Metal recycler	-	50%
Joppa 420, LLC *18	USA	Property company	-	50%
Joppa 500, LLC *18	USA	Property company	-	50%
Joppa Auto Salvage, Inc. *18	USA	Metal recycler	-	50%
Joseph Smith & Sons, Inc. *18	USA	Metal recycler	-	50%
JS Trucking, Inc. *18	USA	Metal recycler	-	50%
Kenilworth Recovery Systems, LLC *18	USA	Metal recycler	-	50%
Lands of Shenandoah LLC *18	USA	Property company	-	50%
Lands of Somerset, LLC *18	USA	Property company	-	50%
Lands of Westover, LLC *18	USA	Property company	-	50%
Lands of Woodbridge LLC *18	USA	Property company	-	50%
Manassas Land, LLC *18	USA	Property company	-	50%
Martinsburg Land LLC *18	USA	Property company	-	50%
Martinsburg Scrap LLC *18	USA	Metal recycler	-	50%
Metal Properties, Inc. *18	USA	Property company	-	50%
Olive Street Property, LLC *18	USA	Property company	-	50%
Prince Georges Scrap, Inc. *18	USA	Metal recycler	-	50%
Prince William Metal Recycling, Inc *18	USA	Metal recycler	-	50%
R.P. Smith Properties, LLC *18	USA	Property company	-	50%
Recovermat Mid-Atlantic LLC *18	USA	Metal recycler	-	50%
Recycling Properties LLC *18	USA	Property company	-	50%
Ritchie Road Land, LLC *18	USA	Property company	-	50%
RPS Land, LLC *18	USA	Property company	-	50%
RPS Marine, LLC *18	USA	Metal recycler	-	50%
RPS Mid-Atlantic Marine Terminal, LLC *18	USA	Metal recycler	-	50%
RPS Realty Holdings LLC *18	USA	Holding company	-	50%
S Street Land, LLC *18	USA	Property company	-	50%
Salisbury Scrap Metal Inc *18	USA	Metal recycler	-	50%
Satellite Services Inc *18	USA	Holding company	-	50%
Service Bays, LLC *18	USA	Metal recycler	-	50%
Shenandoah Scrap Metal Inc *18	USA	Metal recycler	-	50%
Smith Camden Disc Inc *18	USA	Holding company	-	50%
Smith CRI, LLC *18	USA	Metal recycler	-	50%
Smith Industries, Inc. *18	USA	Holding company	-	50%
Smith Railroad Company Inc *18	USA	Transport company	-	50%
Somerset Scrap Metal, Inc *18	USA	Metal recycler	-	50%
Springfield Scrap Metal Inc *18	USA	Metal recycler	-	50%
Stafford Scrap Metal Inc *18	USA	Metal recycler	-	50%
US Electronics Land LLC *18	USA	Property company	-	25%
US Electronics, LLC *18	USA	Metal recycler	-	25%
Westernport Land, LLC *18	USA	Property company	-	50%
Westernport Salvage, Inc. *18	USA	Metal recycler	-	50%
Westover Scrap Metal Inc *18	USA	Metal recycler	-	50%
Wicomico Land LLC *18	USA	Property company	-	50%

Notes *(continued)*

30 Group entities *(continued)*

	Country of incorporation	Principal activity	Class and percentage of shares held	
			Company	Group
Equity investments (continued)				
Winchester Land, LLC *18	USA	Property company	-	50%
Woodbridge Metal Recycling Inc *18	USA	Metal recycler	-	50%
Baltimore Western Marine Terminal LLC *19	USA	Metal recycler	-	25%
Cohen Recycling, Inc. *20	USA	Metal recycler	-	25%
Delmar Industries, LLC *22	USA	Property company	-	50%
Dover Scrap Metal Inc *22	USA	Metal recycler	-	50%
Hartly Land, LLC *22	USA	Property company	-	50%
Halethorpe Farms Land Inc. *23	USA	Property company	-	50%
Kent Land, LLC *22	USA	Property company	-	50%
Kent Scrap Metal, Inc. *22	USA	Metal recycler	-	50%
RPM Realty LLC *22	USA	Property company	-	45%
Smith Export Terminal, Inc. *22	USA	Metal recycler	-	50%
Sussex Scrap Metal, Inc. *22	USA	Metal recycler	-	50%
Wilmington Metal Recycling Inc *24	USA	Metal recycler	-	50%
Joint ventures				
EMR / Smith Industries LLC *13	USA	Holding company	-	50%

**1 registered office: Sirius House, Delta Crescent, Westbrook, Warrington, WA5 7NS.*
**2 registered office: Kirklee Road, Moss End, Bellshill, ML4 2QW.*
**3 registered office: Harburger Schlosstraße 28, 21079 Hamburg, Germany*
**4 registered office: Hinterbergstrasse 9, 6330 Cham, Switzerland*
**5 registered office: Quebecstraat 3, 3197 KL, Rotterdam, Netherlands*
**6 registered office: 192021, Saint-Petersburg, Glukhoozerskoye shosse, 4*
**7 registered office: Unit 902, 9/F, 118 Connaught Road West, Hong Kong*
**8 registered office: Via Iseo 2, 25030 Erbusco (BS), Italy*
**9 registered office: Thomas Edge House, Tunnell Street, St Helier, Jersey, JE2 4LU*
**10 registered office: 2800 Pacific Street, Minneapolis, MN 55411*
**11 registered office: 1803 N 2nd Street, Minneapolis, MN 55411*
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**13 registered office: 201 North Front Street, Camden, NJ 08102*
**14 registered office: 4305 S Lamar Street, Dallas, TX 75215*
**15 registered office: 521 Barge Channel Road, St. Paul, MN 55107*
**16 registered office: 18201 R.L. Ostos Road, Brownsville, TX 78521*
**17 registered office: 8010 Olson Drive, Eau Claire, WI 54703*
**18 registered office: 2001 Kenilworth Avenue, Capitol Heights, MD 20743*
**19 registered office: 920 N. King Street, Floor 2, Wilmington, DE 19801*
**20 registered office: 4551 Tanglewood Drive, Bladensburg, MD 20710*
**21 registered office: 529 Terminal Avenue, New Castle, DE 19720*
**22 registered office: 251 Little Falls Drive, Wilmington, DE 19808*
**23 registered office: 2202 Halesthorpe Farms Road, Baltimore, MD 22102*
**24 registered office: 601 Christiana Avenue, Wilmington, DE 19801*

31 Ultimate parent company and parent undertaking of larger group

The Company is a subsidiary undertaking of Ausurus Group Ltd which is the ultimate parent company and which is registered in England and Wales.

The largest group of undertakings for which group accounts have been drawn up, which include the results of the Company and its group, is that headed by Ausurus Group Ltd.

Copies of the ultimate parent undertaking's financial statements are available from Companies House, Cardiff.

The directors are of the opinion that there is no ultimate controlling party.