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Company Number: 1517971

ELG Haniel Metals Limited

Financial Statements

For the year ended 31 December 2011

HAWSONS
Chartered Accountants

Pegasus House, 463a Glossop Road, Sheffield S10 2QD Telephone (0114) 266 7141

Registered Office

Templeborough Works
Sheffield
S9 1RT

Directors

M G Wright
J G Edmiston
D Drafz
N Spaker
J Greenwood

Secretary

J Greenwood

Auditors

Hawsons
Pegasus House
463a Glossop Road
Sheffield
S10 2QD

Bankers

Barclays Bank plc
Arena Court
Sheffield
S9 2WU

Solicitors

hlw Keeble Hawson
Commercial House
Commercial Street
Sheffield
S1 2AT

The directors present their report together with the audited financial statements for the year ended 31 December 2011

Principal activity and business review

The principal activity of the company continued to be that of metal trading

The results for the year are detailed in the financial statements

Business Environment

The financial year to December 2011 was again challenging for our core business of stainless steel scrap recycling Q1 saw a sharp rise in metal prices (Ni, Cr, Mo & Fe) and strong demand from all the major steel producers The majority of the profit reported was made in this period due to the high volume of material despatched

The rest of the year saw a gradual reduction in LME Ni prices, lower demand for scrap from the mills and pressure on margins

Stock levels at the year-end were half the levels at the beginning of the year reflecting the reduced scrap availability in Q3/Q4 linked to a lower LME Ni price

The non-core business, i e Carrs Stainless Steels had another excellent year benefiting from strong demand for their long products from the energy sector

Future outlook

The outlook for 2012 looks encouraging Steel production in Q1 appears to be back to full capacity and the challenge for ELG is to satisfy the demand for scrap in the face of lower than normal levels of inventory at the year end

We anticipate overall sale values in 2012 will not increase and the emphasis will be to increase profitability by improving the quality and range of our products and the efficiency of our operations

Carrs Stainless Steels however are planning a significant increase in production in 2012 and the upgrade of their power capacity and their strong forward order book should make this achievable

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks affecting the company are considered to be

- Market volatility – the company's hedging strategy protects its performance from the volatility of the LME Nickel price,
- The decline in the UK manufacturing base means that the only opportunity for future growth is through purchasing material overseas,
- Environmental issues, especially radiation risks,
- Health and safety issues

As part of its management control, the Board formally reviews business risks Furthermore, an external BSI audit of management systems is performed each year as part of the company's ISO 9001 accreditation, as well as internal audits at regular intervals by the parent company

Key performance indicators ("KPIs")

The Board monitors progress on the company's strategy by reference to three KPIs Performance during the year, together with historical trend data, is as follows

	2011 %	2010 %	2009 %
Growth/(decline) in turnover	7 8	70 2	(34 3)
Growth/(decline) in sales volumes (tonnage)	0	24	(12)
Gross profit margin	5 9	6 7	8 8

Dividends

A final dividend of £7,000,000 has been paid

Directors

The directors of the company, who served during the year, were as follows

M G Wright
J G Edmiston
D Drafz
N Spaker
J Greenwood (appointed 6 September 2011)

Statement of disclosure of information to auditors

The directors of the company who held office at the date of approval of this Annual Report, as set out above, each confirm that

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and

- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

The Auditors, Hawsons Chartered Accountants, are deemed to be reappointed under section 487(2) of the Companies Act 2006

By Order of the Board

J Greenwood
Company Secretary

7th March 2012

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

The directors are responsible for the maintenance and integrity of the company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

We have audited the financial statements of ELG Haniel Metals Limited for the year ended 31 December 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

- the financial statements are not in agreement with the accounting records and returns, or

- certain disclosures of directors' remuneration specified by law are not made, or

- we have not received all the information and explanations we require for our audit

Hawsons

Martyn Weatherall (Senior Statutory Auditor)
for and on behalf of Hawsons Chartered Accountants,
Statutory Auditor

15 March 2012

Pegasus House
463a Glossop Road
Sheffield
S10 2QD

Income Statement

for the year ended 31 December 2011

	Note	2011 £	2010 £
Revenue	2	333,261,678	309,033,732
Cost of sales		(313,484,410)	(288,289,964)
Gross Profit		19,777,268	20,743,768
Administrative expenses		(9,191,312)	(8,718,775)
Operating profit	3	10,585,956	12,024,993
Investment income	6	72,243	10,006
Dividend received from investments		-	1,168,379
Impairment charge on investments		-	(1,168,379)
Finance costs	7	(2,411,391)	(1,843,961)
Profit before income tax		8,246,808	10,191,038
Income tax expense	8	(1,914,886)	(2,945,500)
Profit for the year		6,331,922	7,245,538
Attributable to			
Equity holders of the parent company		6,331,922	7,245,538

All amounts relate to continuing operations

The notes on pages 11 to 31 form part of these financial statements

Statement of Comprehensive Income

for the year ended 31 December 2011

	2011 £	2010 £
Profit/loss after taxes (according to income statement)	6,331,922	7,245,538
Total comprehensive ıncome	6,331,922	7,245,538
Attrıbutable to·		
Equıty holders of the parent company	6,331,922	7,245,538

The notes on pages 11 to 31 form part of these fınancıal statements

Balance Sheet

as at 31 December 2011

	Note	2011 £	2010 £
Non-current assets			
Intangible assets	10	11,868,294	11,859,293
Property, plant and equipment	11	12,558,618	11,258,219
Retirement benefit assets	21	4,060,000	3,241,000
		28,486,912	26,358,512
Current assets			
Inventories	12	35,741,486	63,711,405
Trade and other receivables	13	26,596,463	28,344,606
Derivative financial instruments	24	167,629	203,687
		62,505,578	92,259,698
Total assets		90,992,490	118,618,210
Equity			
Share capital	18	3,000,000	3,000,000
Retained earnings		16,498,260	17,166,338
Total equity		19,498,260	20,166,338
Current liabilities			
Trade and other payables	16	66,651,835	91,485,590
Current income tax liabilities		768,300	1,220,000
Bank overdraft	14	2,027,595	2,462,167
Derivative financial instruments	24	92,500	1,394,115
		69,540,230	96,561,872
Non-current liabilities			
Deferred income tax liabilities	17	1,954,000	1,890,000
		1,954,000	1,890,000
Total liabilities		71,494,230	98,451,872
Total equity and liabilities		90,992,490	118,618,210

The financial statements were approved and authorised for issue by the board of directors on 7th March 2012 and were signed on its behalf by

J G Edmiston
Director

The notes on pages 11 to 31 form part of these financial statements

Attributable to equity holders of the company

	Share Capital	Retained Earnings	Total
	£	£	£
At 1 January 2010	3,000,000	21,920,800	24,920,800
Total comprehensive income	-	7,245,538	7,245,538
Dividends paid	-	(12,000,000)	(12,000,000)
At 1 January 2011	3,000,000	17,166,338	20,166,338
Total comprehensive income	-	6,331,922	6,331,922
Dividends paid	-	(7,000,000)	(7,000,000)
At 31 December 2011	3,000,000	16,498,260	19,498,260

The notes on pages 11 to 31 form part of these financial statements

Statement of Cash Flows

for the year ended 31 December 2011

	Note	2011 £	2010 £
Net cash flows from operating activities	19	10,003,593	11,540,484
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		94,117	30,287
Interest received		72,243	10,006
Purchases of property, plant and equipment		(2,735,381)	(1,812,972)
Disposal of asset held for sale		-	300,000
Net cash used in investing activities		(2,569,021)	(1,472,679)
Cash flows from financing activities			
Dividends paid		(7,000,000)	(12,000,000)
Net cash used in financing activities		(7,000,000)	(12,000,000)
Net increase/(decrease) in cash and cash equivalents		434,572	(1,932,195)
Cash and cash equivalents at 1 January 2011	14	(2,462,167)	(529,972)
Cash and cash equivalents at 31 December 2011	14	(2,027,595)	(2,462,167)

The notes on pages 11 to 31 form part of these financial statements

1 Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value

Revenue Recognition

Revenue represents amounts receivable for goods supplied and services provided in the normal course of business, excluding VAT and trade discounts

Sales of goods are recognised when goods are delivered and title has passed

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Rentals payable in respect of operating leases are charged to income on a straight-line basis over the term of the lease

Intangible Assets

(a) *Goodwill*

Goodwill is the difference between the fair value of consideration paid for the trade and assets of a business and the aggregate of the fair value of those assets

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses Impairment losses on goodwill are not reversed

Goodwill is allocated to cash generating units for the purpose of impairment testing

(b) *Software*

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software These costs are amortised over an average estimated useful life of three years Any amortisation charge is included within administrative expenses

1 **Significant Accounting Policies – cont'd.**

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years A reversal of an impairment loss is recognised immediately in the income statement

The cost of property, plant and equipment is purchase cost, together with any incidental expenses of acquisition

Depreciation is calculated to write down the cost, less estimated residual values, of all tangible fixed assets, other than freehold land, over their estimated economic lives The rates generally applicable are

Freehold buildings	4% straight line
Short leasehold property	Straight line over 17 years
Plant and equipment	12 5% straight line
Motor vehicles	20% straight line
Fixtures and fittings	10%/33 3% straight line

Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Assets and liabilities denominated in foreign currencies are translated at year end exchange rates These differences on exchange are dealt with through the income statement

Inventories

Inventories are stated at the lower of cost and net realisable value Cost of scrap is determined by average cost and a review is undertaken periodically to ensure average cost approximates to actual cost In the case of manufactured products, cost includes all direct expenditure and an appropriate proportion of production overheads based on the normal activity Where necessary, provision is made for obsolete, slow moving and defective stocks

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

1 **Significant Accounting Policies – cont'd**

Bank borrowings

Interest-bearing bank overdrafts and debt factoring agreements are recorded at the proceeds received Finance and factoring charges are taken to the income statement, analysed between interest and charges, in the period that they are incurred

Trade payables

Trade payables are non interest-bearing and are stated at their nominal value

Employee benefits

The company operates a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds The scheme is funded by contributions partly from the employees and partly from the company at rates determined by independent actuaries

The cost of providing benefits under the defined benefit retirement scheme is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date Actuarial gains and losses are recognised using the "corridor approach" described in IAS 19,'Employee Benefits', through the income statement

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses, unrecognised past service cost and as reduced by the fair value of scheme assets

The company also operates a defined contribution pension scheme for staff not eligible to join the defined benefits scheme and a defined contributions top up scheme for the benefit of the directors and certain senior management The costs relating to the schemes are charged to the income statement as they fall due

The company provides no other post retirement benefits to its employees

Taxation

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible

Deferred tax is provided using the balance sheet liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes The company has not adopted a policy of discounting deferred tax assets and liabilities

1 **Significant Accounting Policies – cont'd.**

Derivatives

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and nickel prices The company uses foreign exchange forward contracts and forward nickel contracts to hedge these exposures The company does not use derivative financial instruments for speculative purposes

Changes in the fair value of derivatives are recognised in the income statement as they arise

Judgements and key assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the company's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are the annual review of goodwill impairment and the accounting for the defined benefit pension obligation

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

Impact of Standards and Interpretations in issue but not yet effective and not early adopted by the company

The company has not adopted early any new standards, amendments to existing standards or interpretations that have been issued but are not yet effective

A review of the impact of new standards, amendments to existing standards and interpretations in issue but not yet effective is ongoing

IAS 19 'Employee benefits' was amended in June 2011 The impact on the company will be as follows to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur, to immediately recognise all past service costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset or liability The company is yet to assess the full impact of the amendments

At this stage, there are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company

2 **Revenue**

The revenue and profit before tax is wholly attributable to the principal activities of the company

Revenue relates wholly to the sale of goods

The geographical analysis of revenue is as follows	**2011**	2010
	£	£
United Kingdom	222,683,904	194,210,473
Rest of Europe	36,312,610	26,623,236
Rest of the World	74,265,164	88,200,023
	333,261,678	309,033,732

3 Profit from operations

Profit from operations has been arrived at after charging / (crediting):	2011 £	2010 £
Depreciation of property, plant and equipment	1,336,068	1,234,143
(Gain)/loss on disposal of property, plant and equipment	(37,138)	122,190
Gain on disposal of asset held for sale	-	(157,843)
Amortisation of other intangible assets included in administrative expenses	32,934	1,912
Fair value (gain)/loss on derivatives	(1,265,557)	824,974
Foreign exchange (gains)	(1,532,994)	(484,406)
Staff costs (note 5)	9,196,425	8,942,356
Inventories recognised as an expense	295,775,579	270,645,103

4 Auditors' remuneration

During the year, the company obtained the following services from the company's auditor

	2011 £	2010 £
Fees payable to the auditor for the audit of the company's annual accounts	38,000	38,400
Fees payable to the auditor for other services		
-Tax services	7,500	7,450
-All other services	18,125	10,050
	63,625	55,900

Fees in respect of the ELG Haniel Metals Limited Pension and Assurance Scheme

Audit	6,500	6,200

5 Staff costs

Staff costs during the year were as follows	2011 £	2010 £
Wages and salaries	7,942,567	7,662,031
Social security costs	766,953	702,842
Other pension costs	486,905	577,483
	9,196,425	8,942,356

The average monthly number of employees, including directors, during the year was as follows	2011 Number	2010 Number
Production	133	130
Selling and Distribution	87	85
	220	215

6 Investment income

	2011 £	2010 £
Bank interest	72,243	10,006

7 Finance costs

	2011 £	2010 £
Interest on bank overdraft	78,165	63,788
Interest on group loans	2,066,976	1,649,838
Interest on debt factoring	266,250	130,335
	2,411,391	1,843,961

8 Income tax expense

	2011 £	2010 £
Current tax		
Current tax on profit for the year	1,875,000	2,800,000
Prior year adjustment	(24,114)	16,500
	1,850,886	2,816,500
Deferred tax		
Origination and reversal of timing differences	64,000	129,000
	1,914,886	2,945,500

Reconciliation of tax charge

	2011 £	2010 £
Profit before tax	8,246,808	10,191,038
Tax at the effective UK corporation tax rate of 26 5% (2010 28%)	2,184,839	2,853,491
Effects of		
Expenses not deductible for tax purposes	66,763	395,283
Income not taxable	-	(345,467)
Effect of changes in tax rates and law	(123,560)	24,288
Group relief claimed	(193,411)	-
Other timing differences	(19,745)	17,905
	1,914,886	2,945,500

9 Dividends

	2011 £	2010 £
Equity shares		
'A' Ordinary shares – final paid of £2 33 per share (2010 £4)	6,300,000	10,800,000
'B' Ordinary shares – final paid of £2 33 per share (2010 £4)	700,000	1,200,000
	7,000,000	12,000,000

10 Intangible assets

	Goodwill £	Software £	Total £
Cost			
At 1 January 2010	11,896,850	138,025	12,034,875
Additions	-	70,574	70,574
Disposals	-	(133,688)	(133,688)
At 1 January 2011	11,896,850	74,911	11,971,761
Additions	-	41,935	41,935
At 31 December 2011	11,896,850	116,846	12,013,696
Amortisation and impairment			
At 1 January 2010	110,000	134,243	244,243
Charge for the year	-	1,912	1,912
Eliminated on disposal	-	(133,687)	(133,687)
At 1 January 2011	110,000	2,468	112,468
Charge for the year	-	32,934	32,934
At 31 December 2011	110,000	35,402	145,402
Carrying amounts			
At 31 December 2011	11,786,850	81,444	11,868,294
At 31 December 2010	11,786,850	72,443	11,859,293

Impairment tests for Goodwill

Goodwill is allocated to the company's cash-generating units (CGUs) as follows

	2011	2010
	£	£
Yards	11,786,850	11,786,850

The recoverable amount of a CGU is determined based upon value-in-use calculations These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below

The key assumptions used for value-in-use calculations are as follows

Operating margin	2 9%-3 1%
Growth rate	3%
Discount rate	5 6%

Management determined budgeted operating margin based on past performance and its expectations of market development The weighted average growth rates are consistent with forecasts The discount rates used are pre-tax and reflect specific risks relating to the CGU

11 Property, Plant and Equipment

	Freehold Land and Buildings	Short Leasehold Property	Plant and Machinery	Vehicles and Equipment	Total
Cost	£	£	£	£	£
At 1st January 2010	8,750,550	-	9,867,995	916,144	19,534,689
Additions	385,098	520,001	778,436	58,863	1,742,398
Disposals	(208,704)	-	(182,749)	(59,583)	(451,036)
At 1st January 2011	8,926,944	520,001	10,463,682	915,424	20,826,051
Additions	1,440,396	-	1,006,878	246,172	2,693,446
Disposals	-	-	(444,284)	(46,712)	(490,996)
At 31 December 2011	10,367,340	520,001	11,026,276	1,114,884	23,028,501
Accumulated Depreciation					
At 1st January 2010	2,147,920	-	5,816,665	667,664	8,632,249
Charge for the year	294,173	2,634	852,871	84,465	1,234,143
Eliminated on disposal	(97,821)	-	(156,639)	(44,100)	(298,560)
At 1st January 2011	2,344,272	2,634	6,512,897	708,029	9,567,832
Charge for the year	312,979	31,154	906,887	85,048	1,336,068
Eliminated on disposal	-	-	(395,362)	(38,655)	(434,017)
At 31 December 2011	2,657,251	33,788	7,024,422	754,422	10,469,883
Carrying amounts					
At 31 December 2011	7,710,089	486,213	4,001,854	360,462	12,558,618
At 31 December 2010	6,582,672	517,367	3,950,785	207,395	11,258,219

12 Inventories

	2011	2010
	£	£
Raw materials	30,686,763	59,015,133
Work in progress	2,672,058	1,745,471
Finished goods	2,382,665	2,950,801
	35,741,486	63,711,405

13 Trade and other receivables

	2011	2010
	£	£
Trade receivables	23,415,867	24,870,899
Other receivables	2,474,474	3,186,858
Amounts due from group undertakings	505,024	13,013
Prepayments and accrued income	201,098	273,836
	26,596,463	28,344,606

The company has a factoring agreement with BHF Bank with regard to one principal customer Under the agreement the bank may purchase a specific receivable due from this customer, subject to facility limits The bank assumes the risk that receivables it purchases are uncollectable Interest is charged at a rate of 1 5% over LIBOR

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

14 Cash and cash equivalents

	2011	2010
	£	£
Bank overdrafts	(2,027,595)	(2,462,167)
Cash and cash equivalents in the statement of cash flows	(2,027,595)	(2,462,167)

The bank overdraft is unsecured and repayable on demand The bank overdraft interest is at a floating rate thus exposing the company to cash flow interest rate risk

The fair value of the company's borrowings are not considered to be materially different from the carrying amounts

15 **Credit risk**

The company's principal financial assets are bank balances and cash, and trade and other receivables which represent the company's maximum exposure to credit risk in relation to financial assets

The company's credit risk is primarily attributable to its trade receivables The amounts presented on the balance sheet are net of allowances for doubtful receivables, estimated by the company's management, based upon prior experience and their assessment of the current economic environment

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

16 **Trade and other payables**

	2011 £	2010 £
Trade payables	16,069,833	17,790,470
Amounts due to group undertakings	48,906,555	72,305,789
Other tax and social security	473,817	420,312
Other payables	42,700	9,597
Accrued expenses	1,158,930	959,422
	66,651,835	91,485,590

The directors consider that the carrying amount of trade and other payables approximates to their fair value

17 **Deferred income tax**

The following are the deferred tax liabilities recognised by the company and movements thereon during the current and prior year

	Accelerated capital allowances £	**Retirement benefit obligations** £	**Other** £	**Total** £
At 1 January 2010	1,000,000	715,000	46,000	1,761,000
Charge to income	(56,000)	192,000	(7,000)	129,000
At 31 December 2010	944,000	907,000	39,000	1,890,000
Charge to income	(78,000)	148,500	(6,500)	64,000
At 31 December 2011	866,000	1,055,500	32,500	1,954,000

The following is the analysis of the deferred tax balances for financial reporting purposes

	2011 £	2010 £
Deferred tax liabilities	1,954,000	1,890,000

18 Share capital

Allotted, called up and fully paid	2011 £	2010 £
2,700,000 'A' ordinary shares of £1 each	2,700,000	2,700,000
300,000 'B' ordinary shares of £1 each	300,000	300,000
	3,000,000	3,000,000

The 'A' ordinary shares and the 'B' ordinary shares rank pari passu in all respects

19 Notes to the Cash Flow Statement

	2011 £	2010 £
Profit from operations	10,585,956	12,024,993
Fair value (gain)/loss on derivatives	(1,265,557)	824,974
Depreciation of property, plant and equipment	1,336,068	1,234,143
(Gain)/loss on disposal of property, plant and equipment	(37,138)	122,190
Amortisation of other intangible assets	32,934	1,912
(Gain) on disposal of asset held for sale	-	(157,843)
(Increase) in retirement benefit asset	(819,000)	(689,000)
Operating cash flows before movements in working capital	9,833,263	13,361,369
Decrease/(increase) in inventories	27,969,919	(26,884,477)
Decrease/(increase) in receivables	1,748,143	(7,586,044)
(Decrease)/increase in payables	(24,856,628)	37,184,609
Cash generated from operations	14,694,697	16,075,457
Taxation paid	(2,302,586)	(2,688,500)
Interest paid	(2,388,518)	(1,846,473)
Net cash from operating activities	10,003,593	11,540,484

20 Operating Lease Arrangements

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2011		2010	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	85,032	246,454	97,407	290,641
Within two to five years	105,628	367,548	148,753	384,440
Greater than five years	235,500	-	257,407	-
	426,160	614,002	503,567	675,081

Operating lease payments represent rentals payable by the company for certain of its depots, motor cars and other equipment Rentals are fixed over the term of the lease, which varies from lease to lease

	2011 £	2010 £
Operating lease payments recognised in the income statement for the year -		
Plant and machinery	208,006	247,419
Other lease rentals	268,539	279,174
	476,545	526,593

21 Retirement Benefit Schemes

Defined Benefit Scheme

The main pension scheme to which the company is a party is the ELG Haniel Metals Limited Pension & Assurance Scheme ("the scheme") This is a defined benefit scheme providing benefits based on final pay and service at retirement The scheme is operated under trust and its assets are invested independently of the company

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by S Tidy, Fellow of the Institute of Actuaries, at 31 December 2011

21 Retirement Benefit Schemes - cont'd

The financial assumptions used were

	% per annum 2011	% per annum 2010
Rate of increase in salaries	3 0	3 3
Rate of increase in pensions	2 2 and 3 0	2 5 and 3 3
Discount rate	4 6	5 4

The assets in the scheme and the expected rates of return were

	Long term expected rates of return %	**2011 Value £**	Long term Expected rates of Return %	2010 Value £
Equities	5 5	9,156,000	7 0	8,363,000
Fixed income securities	4 6	14,167,000	5 4	12,858,000
Other – cash	0 5	192,000	2 0	224,000
Purchased annuities	4 6	1,302,000	5 4	1,277,000
		24,817,000		22,722,000

Amounts recognised in income in respect of the defined benefits scheme are as follows

	2011 £	2010 £
Current service cost	370,000	401,000
Past service cost amortised	9,000	8,000
Expected return on plan assets	(1,378,000)	(1,275,000)
Interest cost	1,254,000	1,190,000
Actuarial losses amortised	74,000	138,000
	329,000	462,000

The whole of this charge is included within administrative expenses

The actual return on plan assets was £1,572,000 (2010 £1,997,000)

21 Retirement Benefit Schemes - cont'd

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefits scheme is as follows

	2011	2010
	£	£
Present value of defined benefit obligations	(26,893,000)	(22,929,000)
Fair value of scheme assets	24,817,000	22,722,000
Deficit in the scheme	(2,076,000)	(207,000)
Unrecognised actuarial losses	6,102,000	3,405,000
Unrecognised past service costs	34,000	43,000
Net pension asset	4,060,000	3,241,000

Movements in the present value of defined benefit obligations in the current year were as follows

	2011	2010
	£	£
At 1 January 2011	(22,929,000)	(21,501,000)
Current service cost including employees contributions	(645,000)	(653,000)
Interest cost	(1,254,000)	(1,190,000)
Benefits paid	858,000	460,000
Actuarial (losses)	(2,923,000)	(45,000)
At 31 December 2011	(26,893,000)	(22,929,000)

Movements in the fair value of scheme assets in the current year were as follows

	2011	2010
	£	£
At 1 January 2011	22,722,000	19,788,000
Expected return on plan assets	1,378,000	1,275,000
Benefits paid	(858,000)	(460,000)
Actuarial gains	152,000	716,000
Total contributions	1,423,000	1,403,000
At 31 December 2011	24,817,000	22,722,000

21 Retirement Benefit Schemes – cont'd

The movement during the year in the net pension asset was as follows

	2011 £	2010 £
At 1 January 2011	3,241,000	2,552,000
Total expenses as above	(329,000)	(462,000)
Employer contributions	1,148,000	1,151,000
At 31 December 2011	4,060,000	3,241,000

History of experience gains and losses	**2011**	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets					
Amount (£000)	194	722	1,706	(4,575)	(1,065)
Percentage of scheme assets	0 8%	3 2%	8 6%	(28 6%)	(5 7%)
Experience gains and losses on scheme liabilities					
Amount (£000)	(242)	(51)	(3,108)	2,872	591
Percentage of the present value of the scheme liabilities	(0 9%)	(0 2%)	(14 5%)	16 6%	3 1%
Present value of scheme liabilities (£000)	(26,893)	(22,929)	(21,501)	(17,263)	(18,791)
Fair value of scheme assets (£000)	24,817	22,722	19,788	15,983	18,742
(Deficit) in the scheme (£000)	(2,076)	(207)	(1,713)	(1,280)	(49)

The estimated amount of contributions expected to be paid to the scheme during the year ended 31 December 2012 is £972,000

Defined contribution scheme

The company also operates a defined contribution pension scheme for staff not eligible to join the defined benefits scheme and a defined contributions top up scheme for the benefit of the directors and certain senior management The pension cost for the defined contribution schemes, which represents contributions payable by the company, amounted to £133,545 (2010 £88,755)

22 Capital Commitments

	2011 £	2010 £
Contracts placed for future capital expenditure not provided in the financial statements	488,000	50,000

23 Related Party Transactions

Ultimate parent undertaking

The directors regard ELG Haniel GmbH and Franz Haniel & Cie GmbH, companies incorporated in Germany, as the company's immediate and ultimate parent company and controlling party respectively According to the register kept by the company, ELG Haniel GmbH has a 100% interest in the equity of ELG Haniel Metals Limited at 31 December 2011 Copies of the parent's consolidated financial statements may be obtained from Kremerskamp 16, D-47138 Duisberg, Germany

Transactions with related parties

During the year the company entered into the following transactions with related parties

Sales of goods to related parties:	2011 £	2010 £
Fellow subsidiaries	4,557,771	2,511,329

Purchase of goods and services from related parties:	2011 £	2010 £
Fellow subsidiaries	3,450,362	9,325,882

Management expenses recharged to related parties:	2011 £	2010 £
Parent undertaking	285,849	278,420

23 Related Party Transactions – contd.

Loans received from related parties:	2011 £	2010 £
Parent undertaking	76,000,000	95,000,000

Loans repaid to related parties:	2011 £	2010 £
Parent undertaking	98,133,557	63,000,000

Amounts payable to related parties:	2011 £	2010 £
Fellow subsidiaries	521,822	486,944

Amounts receivable from related parties:	2011 £	2010 £
Parent undertaking	4,457	13,013
Fellow subsidiaries	500,567	-
	505,024	13,013

23 Related Party Transactions – contd

Loans due to related parties:	2011 £	2010 £
Parent undertaking	48,384,733	71,818,845

Loans from group undertakings are repayable on demand Interest is charged on outstanding loans at an average rate of 3% (2010 3%) per annum No provision has been made for doubtful debts in respect of the amounts owed by related parties

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures"

	2011 £	2010 £
Short-term employee benefits	1,139,806	860,230
Post-employment benefits	125,280	64,963
	1,265,086	925,193

The disclosure of directors' remuneration in accordance with the Companies Act 2006 is as follows

	2011 £	2010 £
Emoluments (including benefits in kind)	1,002,647	777,045
Contributions to money purchase pension schemes	23,308	20,334
	1,025,955	797,379

23 Related Party Transactions – contd.

Other directors disclosures in respect of qualifying services

	2011 Number	2010 Number
The number of directors to whom retirement benefits are accruing under money purchase pension schemes	3	2
The number of directors to whom retirement benefits are accruing under defined benefit pension schemes	3	2

M Wright is a director of both the company and the parent company His emoluments are paid by the company, which makes a recharge to the parent company for the services he provides to the parent company Accordingly, the above details include an apportionment of his emoluments for his services to ELG Haniel Metals Limited only

D Drafz and N Spaker are directors of other group companies in addition to being directors of this company They are paid by other group companies It is not possible to make an apportionment of their emoluments in respect of each individual company Accordingly, the above details include no emoluments in respect of these directors

Highest paid director

	2011 £	2010 £
Aggregate emoluments	744,009	581,001
Aggregate value of company contributions to money purchase pension schemes	17,115	17,115
Pension accrual as at year end under defined benefit pension scheme	106,328	99,457

24 Derivative financial instruments

	2011 Assets £	2011 Liabilities £	2010 Assets £	2010 Liabilities £
Forward foreign exchange contracts	89,927	-	158,518	35,923
Forward commodity contracts	77,702	92,500	45,169	1,358,192
	167,629	92,500	203,687	1,394,115

Currency derivatives

The company utilises currency derivatives to hedge significant future transactions and cash flows The company is a party to foreign currency forward contracts in the management of its exchange rate exposures The instruments purchased are primarily denominated in the currencies of the company's principal markets

	2011 £	2010 £
Forward foreign exchange contracts	23,619,614	28,190,322

Commodity derivatives

The company utilises commodity derivatives to hedge significant future transactions and cash flows The company from time to time is a party to forward nickel contracts in the management of its exposure to fluctuations in global nickel prices