Co. House

Company Number: 1517971

ELG Haniel Metals Limited

Financial Statements

For the year ended 31 December 2009

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

Secretary

J Greenwood

Auditors

Hawsons
Pegasus House
463a Glossop Road
Sheffield
S10 2QD

Bankers

Barclays Bank plc
Arena Court
Sheffield
S9 2WU

Solicitors

HLW
Commercial House
Commercial Street
Sheffield
S1 2AT

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The directors present their report together with the audited financial statements for the year ended 31 December 2009

Statement of directors' responsibilities

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

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

A final dividend of £5,000,000 has been paid

Business Environment

The financial year to December 2009 was a difficult year for our core business of stainless steel scrap We started the year with low metal prices (Ni, Cr, Mo and Fe), poor demand from steel producers and lower scrap availability

Things did however recover in Q3/Q4, Nickel prices rose from $12,707 (January 2009) to $18,475 (December 2009), steel mills were back to normal production levels and scrap availability improved Profits were limited by significant Nickel hedge losses incurred as a result of the strategy of covering a significant percentage of the company's long position

Non-core businesses, such as the Carrs Special Steels Division suffered in Q3/Q4 from a reduction of orders and problems associated with credit insurance

As part of the growth strategy, the two acquisitions made in 2008 (Consolidated Stainless Recycling Limited and Shearer Mormet Limited) were fully integrated into the ELG depot network in 2009

Future outlook

The company ended the year with high stock levels, but a healthy business outlook for 2010 The order book for Q1 2010 demonstrates that recovery in manufacturing has occurred both in Europe and in emerging markets

The company needs to continue to explore new markets in India and the Far East to provide greater sales flexibility going forward

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

	2009 %	2008 %	2007 %
(Decline)/growth in turnover	(34 3)	(18 2)	41 7
(Decline)/growth in sales volumes (tonnage)	(12)	3 0	(1 8)
Gross profit margin	8 8	11 2	12 4

Directors

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

M G Wright
J G Edmiston
D Drafz
N Spaker

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

16th April 2010

We have audited the financial statements of ELG Haniel Metals Limited for the year ended 31 December 2009 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 Directors' Responsibilities Statement on page 1, 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

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 2009 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 matters 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

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

Pegasus House
463a Glossop Road
Sheffield
S10 2QD

21 April 2010

	Note	2009 £	2008 £
Revenue	2	181,606,044	276,486,908
Cost of sales		(165,683,191)	(245,457,840)
Gross Profit		15,922,853	31,029,068
Administrative expenses		(7,667,612)	(10,905,044)
Other income		-	511,555
Profit from operations	3	8,255,241	20,635,579
Investment income	6	13,135	17,069
Dividend received from investments		20,425,479	-
Impairment charge on investments	12	(18,870,830)	-
Finance costs	7	(891,731)	(2,641,332)
Profit before tax		8,931,294	18,011,316
Taxation	8	(2,119,448)	(5,424,591)
Profit for the period		6,811,846	12,586,725
Attributable to:			
Equity holders of the parent company		6,811,846	12,586,725

All amounts relate to continuing operations

The notes on pages 11 to 33 form part of these financial statements

Statement of Comprehensive Income

for the year ended 31 December 2009

	2009 £	2008 £
Profit/loss after taxes (according to income statement)	6,811,846	12,586,725
Total comprehensive income	6,811,846	12,586,725
Attributable to:		
Equity holders of the parent company	6,811,846	12,586,725

The notes on pages 11 to 33 form part of these financial statements

Balance Sheet

as at 31 December 2009

	Note	2009 £	2008 £
Non-current assets			
Intangible assets	10	11,790,632	5,857
Property, plant and equipment	11	10,902,440	10,563,564
Retirement benefit assets	23	2,552,000	1,669,000
Investments	12	1,168,379	20,039,209
		26,413,451	32,277,630
Current assets			
Inventories	13	36,826,928	19,364,775
Asset held for sale	14	142,157	-
Trade and other receivables	15	20,917,324	20,277,460
Cash and cash equivalents	16	-	1,355
		57,886,409	39,643,590
Total assets		84,299,860	71,921,220
Equity			
Share capital	20	3,000,000	3,000,000
Retained earnings		21,920,800	20,108,954
Total equity		24,920,800	23,108,954
Current liabilities			
Trade and other payables	18	55,996,088	44,896,793
Tax liabilities		1,092,000	1,957,260
Bank overdraft	16	529,972	598,213
		57,618,060	47,452,266
Non-current liabilities			
Deferred tax liabilities	19	1,761,000	1,360,000
		1,761,000	1,360,000
Total liabilities		59,379,060	48,812,266
Total equity and liabilities		84,299,860	71,921,220

The financial statements were approved and authorised for issue by the board of directors on 16/4/10 and were signed on its behalf by

J G Edmiston
Director

The notes on pages 11 to 33 form part of these financial statements

Attributable to equity holders of the company

	Share Capital	Retained Earnings	Total
At 1 January 2008	3,000,000	22,522,229	25,522,229
Total comprehensive income	-	12,586,725	12,586,725
Dividends paid	-	(15,000,000)	(15,000,000)
At 1 January 2009	3,000,000	20,108,954	23,108,954
Total comprehensive income	-	6,811,846	6,811,846
Dividends paid	-	(5,000,000)	(5,000,000)
At 31 December 2009	3,000,000	21,920,800	24,920,800

The notes on pages 11 to 33 form part of these financial statements

Statement of Cash Flows

for the year ended 31 December 2009

	Note	2009 £	2008 £
Net cash flows from operating activities	21	5,520,032	41,396,209
Investing activities			
Proceeds from sale of property, plant and equipment		256,800	8,487
Interest received		13,135	17,069
Purchases of property, plant and equipment		(349,841)	(2,142,641)
Acquisition of subsidiaries		-	(20,039,209)
Acquisition of trade and assets		(373,240)	-
Net cash from investing activities		(453,146)	(22,156,294)
Cash flows from financing activities			
Dividends paid		(5,000,000)	(15,000,000)
Net cash from financing activities		(5,000,000)	(15,000,000)
Net increase in cash and cash equivalents		66,886	4,239,915
Cash and cash equivalents at 1 January 2009	16	(596,858)	(4,836,773)
Cash and cash equivalents at 31 December 2009	16	(529,972)	(596,858)

The notes on pages 11 to 33 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

Consolidation

As a wholly owned subsidiary of a company established under the law of an EEA state (see note 25), the company is exempt under section 400 of the Companies Act 2006 from preparing and delivering to the Registrar of Companies consolidated financial statements These financial statements therefore present information about the company as an individual undertaking and not about its group

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
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

Investments

Investments in subsidiary undertakings are stated at cost less provision for diminution in value

Inventories

Inventories are stated at the lower of cost and net realisable value Cost includes transport and handling costs 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 area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements is the annual review of goodwill impairment

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 At this stage, the directors do not believe that they will give rise to any significant impact on the company's financial statements

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	**2009** £	2008 £
United Kingdom	112,286,717	189,825,800
Rest of Europe	13,098,913	19,590,098
Rest of the World	56,220,414	67,071,010
	181,606,044	276,486,908

3 Profit from operations

Profit from operations has been arrived at after charging / (crediting):	2009 £	2008 £
Depreciation of property, plant and equipment	1,239,816	1,121,680
(Gain)/loss on disposal of property, plant and equipment	(83,983)	42,191
Amortisation of other intangible assets included in administrative expenses	6,411	9,630
Fair value (gain)/loss on derivatives	216,338	2,709,842
Foreign exchange (gains)	(832,323)	(1,036,888)
Staff costs (note 5)	7,838,295	10,803,908
Inventories recognised as an expense	151,477,316	231,115,634

4 Auditors' remuneration

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

	2009 £	2008 £
Fees payable to the auditor for the audit of the company's annual accounts	36,000	37,000
Fees payable to the auditor for other services		
-The audit of the company's subsidiaries pursuant to legislation	-	21,000
-Tax services	7,210	14,200
-Services relating to corporate finance transactions	-	45,500
-All other services	12,835	6,800
	56,045	124,500

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

Audit	6,000	5,900

5 Staff costs

Staff costs during the year were as follows	2009 £	2008 £
Wages and salaries	6,563,155	9,430,738
Social security costs	596,568	991,691
Other pension costs	678,572	381,479
	7,838,295	10,803,908

The average monthly number of employees, including directors, during the year was as follows	2009 Number	2008 Number
Selling and Distribution	125	79
Production	83	120
	208	199

6 Investment income

	2009	2008
	£	£
Bank interest	13,135	17,069

7 Finance costs

	2009	2008
	£	£
Interest on bank overdraft	60,331	168,209
Interest on group loans	713,816	1,447,395
Interest on debt factoring	117,584	1,025,728
	891,731	2,641,332

8 Taxation

	2009	2008
	£	£
Current tax		
UK Corporation tax	1,792,000	4,830,000
Prior year adjustment	84,343	4,591
	1,876,343	4,834,591
Deferred tax		
Origination and reversal of timing differences	243,105	590,000
	2,119,448	5,424,591

Reconciliation of tax charge	2009	2008
	£	£
Profit before tax	8,931,294	18,011,316
Tax at the UK corporation tax rate of 28% (2008 28 5%)	2,500,762	5,132,685
Effects of		
Expenses not deductible for tax purposes	5,236,351	59,482
Income not taxable	(5,730,334)	-
Effect of changes in tax rates and law	6,742	232,227
Other timing differences	105,927	197
	2,119,448	5,424,591

9 Dividends

	2009 £	2008 £
Equity shares		
'A' Ordinary shares – final paid of £1 67 per share (2008 £5 00)	4,500,000	13,500,000
'B' Ordinary shares – final paid of £1 67 per share (2008 £5 00)	500,000	1,500,000
	5,000,000	15,000,000

10 Intangible assets

	Goodwill £	Software £	Total £
Cost			
At 1 January 2008 and 1 January 2009	110,000	189,441	299,441
Additions	11,786,850	4,336	11,791,186
Disposals	-	(55,752)	(55,752)
At 31 December 2009	11,896,850	138,025	12,034,875
Amortisation and impairment			
At 1 January 2008	110,000	173,954	283,954
Charge for the year	-	9,630	9,630
At 31 December 2008	110,000	183,584	293,584
Charge for the year	-	6,411	6,411
Eliminated on disposal	-	(55,752)	(55,752)
At 31 December 2009	110,000	134,243	244,243
Carrying amounts			
At 31 December 2009	11,786,850	3,782	11,790,632
At 31 December 2008	-	5,857	5,857

Impairment tests for Goodwill

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

	2009	2008
	£	£
Yards	3,246,707	-
Consolidated Stainless Recycling	8,540,143	-
	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

	Yards	Consolidated Stainless Recycling
Operating margin	5 6%	11%
Growth rate	3%	3%
Discount rate	7 4%	7 4%

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 CGUs

11 Property, Plant and Equipment

	Freehold Land and Buildings	Plant and Machinery	Vehicles and Equipment	Total
Cost	£	£	£	£
At 1st January 2008	7,470,729	8,096,233	856,982	16,423,944
Additions	923,036	1,105,987	113,618	2,142,641
Disposals	(78,215)	(343,988)	(116,859)	(539,062)
At 1st January 2009	8,315,550	8,858,232	853,741	18,027,523
Additions	-	349,841	-	349,841
Acquired on hive-up	687,157	764,822	91,847	1,543,826
Disposals	(110,000)	(104,900)	(29,444)	(244,344)
Transfer to asset held for sale	(142,157)	-	-	(142,157)
At 31 December 2009	8,750,550	9,867,995	916,144	19,534,689
Accumulated Depreciation				
At 1st January 2008	1,620,264	4,633,008	577,379	6,830,651
Charge for the year	267,487	738,276	115,917	1,121,680
Eliminated on disposal	(31,966)	(340,573)	(115,833)	(488,372)
At 1st January 2009	1,855,785	5,030,711	577,463	7,463,959
Charge for the year	292,135	832,880	114,801	1,239,816
Eliminated on disposal	-	(46,926)	(24,600)	(71,526)
At 31 December 2009	2,147,920	5,816,665	667,664	8,632,249
Carrying amounts				
At 31 December 2009	6,602,630	4,051,330	248,480	10,902,440
At 31 December 2008	6,459,765	3,827,521	276,278	10,563,564

12 Investments

	Shares in group undertakings £
Cost	
At 1 January 2009 and 31 December 2009	20,039,209
Impairment	
At 1 January 2009	-
Charge for the year	(18,870,830)
At 31 December 2009	(18,870,830)
Carrying Amounts	
At 31 December 2009	1,168,379
At 31 December 2008	20,039,209

The company owns the entire issued ordinary share capital of S2B2 Limited, a holding company incorporated in England and Wales which owns 100% of the issued share capital of Consolidated Stainless Recycling Limited, a company incorporated in England and Wales that carried on the business of scrap metal merchants until it transferred the business to ELG Haniel Metals Limited on 1 January 2009

The company also owns the entire issued ordinary share capital of Shearer Mormet Limited, a company incorporated in Scotland which carried on the business of scrap metal merchants until it transferred the business to ELG Haniel Metals Limited on 1 January 2009

At 31 December 2009, the subsidiary undertakings had the following capital and reserves and net profit for the year then ended

	Capital and reserves £	Profit for the period £
S2B2 Limited	908,379	14,952,943
Consolidated Stainless Recycling Limited	12,000	8,540,143
Shearer Mormet Limited	260,000	3,246,707

13 Inventories

	2009 £	2008 £
Raw materials	31,923,478	14,557,066
Work in progress	1,484,148	1,705,578
Finished goods	3,419,302	3,102,131
	36,826,928	19,364,775

14 Asset held for sale

	2009	2008
	£	£
Property	142,157	-

15 Trade and other receivables

	2009	2008
	£	£
Trade receivables	18,463,138	18,667,147
Other receivables	1,763,358	1,230,669
Amounts due from group undertakings	317,277	142,707
Prepayments and accrued income	225,371	233,177
Fair value derivatives (note 26)	148,180	3,760
	20,917,324	20,277,460

The company has a factoring agreement with Barclays Bank with regard to one principal customer. Under the agreement the Bank may pay ELG Haniel Metals Limited up to 90% of the face value of such debt at any one time The Bank's right of recourse is limited to a fixed percentage of any shortfall occurring on the debts factored Interest is charged at an average of 1 0% over Barclays Bank's base rate Factoring charges incurred in the year amounted to £117,584 (2008 £1,025,728).

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

16 Cash and cash equivalents

	2009	2008
	£	£
Bank balances and cash in hand	-	1,355
Cash and cash equivalents	-	1,355
Bank overdrafts	(529,972)	(598,213)
Cash and cash equivalents in the statement of cash flows	(529,972)	(596,858)

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

17 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

18 Trade and other payables

	2009	2008
	£	£
Trade payables and accrued expenses	13,862,006	10,215,214
Amounts due to group undertakings	41,609,866	34,096,027
Fair value derivatives (note 26)	524,216	585,552
	55,996,088	44,896,793

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

19 Deferred tax

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

	Pension Contributions	Accelerated capital allowances	Retirement benefit obligations	Other	Total
	£	£	£	£	£
At 1 January 2008	(225,000)	633,000	362,000	-	770,000
Charge to income	225,000	257,000	108,000	-	590,000
At 1 January 2009	-	890,000	470,000	-	1,360,000
Transfer on hive-up	-	102,895	-	55,000	157,895
Charge to income	-	7,105	245,000	(9,000)	243,105
At 31 December 2009	-	1,000,000	715,000	46,000	1,761,000

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

	2009	2008
	£	£
Deferred tax liabilities	1,761,000	1,360,000

20 Share capital

	2009	2008
	£	£
Authorised		
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
Allotted, called up and fully paid		
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

21 Notes to the Cash Flow Statement

	2009 £	2008 £
Profit from operations	8,255,241	20,635,579
Fair value loss/(gain) on derivatives	(216,338)	2,709,842
Depreciation of property, plant and equipment	1,239,816	1,121,680
(Gain)/loss on disposal of property, plant and equipment	(83,983)	42,191
Amortisation of other intangible assets	6,411	9,630
(Increase) in retirement benefit asset	(883,000)	(464,000)
Operating cash flows before movements in working capital	8,318,147	24,054,992
(Increase)/decrease in inventories	(16,299,032)	22,216,978
Decrease in receivables	1,900,873	524,948
Increase in payables	15,741,978	5,193,032
Cash generated from operations	9,661,966	51,989,880
Taxation paid	(3,225,240)	(7,967,331)
Interest paid	(916,694)	(2,626,340)
Net cash from operating activities	5,520,032	41,396,209

22. 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

	2009		2008	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Within one year	82,625	284,688	79,500	322,382
Within two to five years	120,625	321,723	133,125	539,426
	203,250	606,411	212,625	861,808

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

	2009	2008
	£	£
Operating lease payments recognised in the income statement for the year -		
Plant and machinery	230,267	264,284
Other lease rentals	276,535	263,028
	506,802	527,312

23 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 2009

23 Retirement Benefit Schemes - cont'd

The financial assumptions used were

	% per annum 2009	% per annum 2008
Rate of increase in salaries	3 3	3 5
Rate of increase in pensions	2 5 and 3 3	2 5 and 2 7
Discount rate	5 5	6 3

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

	Long term expected rates of return %	**2009 Value £**	Long term Expected rates of return %	2008 Value £
Equities	7 5	9,097,000	6 8	7,812,000
Fixed income securities	5 7	8,430,000	6 6	2,697,000
Other – cash	2 0	1,042,000	2 0	2,639,000
Other – property	-	-	5 8	1,570,000
Purchased annuities	5 5	1,219,000	6 3	1,265,000
		19,788,000		15,983,000

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

	2009 £	2008 £
Current service cost	323,000	479,000
Past service cost amortised	8,000	8,000
Expected return on plan assets	(964,000)	(1,332,000)
Interest cost	1,106,000	1,100,000
Actuarial losses amortised	78,000	-
	551,000	255,000

The whole of this charge is included within administrative expenses

The actual return on plan assets was £2,670,000 (2008 loss of £3,243,000)

23 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

	2009 £	2008 £
Present value of defined benefit obligations	(21,501,000)	(17,263,000)
Fair value of scheme assets	19,788,000	15,983,000
Deficit in the scheme	(1,713,000)	(1,280,000)
Unrecognised actuarial losses	4,213,000	2,889,000
Unrecognised past service costs	52,000	60,000
Net pension asset	2,552,000	1,669,000

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

	2009 £	2008 £
At 1 January 2009	(17,263,000)	(18,791,000)
Current service cost including employees contributions	(578,000)	(755,000)
Interest cost	(1,106,000)	(1,100,000)
Benefits paid	431,000	340,000
Actuarial (losses)/gains	(2,985,000)	3,043,000
At 31 December 2009	(21,501,000)	(17,263,000)

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

	2009 £	2008 £
At 1 January 2009	15,983,000	18,742,000
Expected return on plan assets	964,000	1,332,000
Benefits paid	(431,000)	(340,000)
Actuarial gains/(losses)	1,583,000	(4,746,000)
Total contributions	1,689,000	995,000
At 31 December 2009	19,788,000	15,983,000

23 Retırement Benefit Schemes – cont'd

The movement durıng the year ın the net pensıon asset was as follows

	2009 £	2008 £
At 1 January 2009	1,669,000	1,205,000
Total expenses as above	(551,000)	(255,000)
Employer contrıbutıons	1,434,000	719,000
At 31 December 2009	2,552,000	1,669,000

History of experıence gains and losses	**2009**	2008	2007	2006	2005
Dıfference between the expected and actual return on scheme assets					
Amount (£000)	1,706	(4,575)	(1,065)	385	1,261
Percentage of scheme assets	8 6%	(28 6%)	(5 7%)	2 2%	8 5%
Experience gains and losses on scheme liabılıties					
Amount (£000)	(3,108)	2,872	591	366	(423)
Percentage of the present value of the scheme lıabılıtıes	(14 5%)	16 6%	3 1%	2%	(2 5%)
Present value of scheme liabilities (£000)	(21,501)	(17,263)	(18,791)	(18,010)	(17,079)
Faır value of scheme assets (£000)	19,788	15,983	18,742	17,222	14,866
(Deficit) in the scheme (£000)	(1,713)	(1,280)	(49)	(788)	(2,213)

The estımated amount of contrıbutıons expected to be paıd to the scheme durıng the year ended 31 December 2010 ıs £992,000

Defined contrıbution scheme

The company also operates a defined contrıbutıon pensıon scheme for staff not elıgıble to joın the defined benefits scheme and a defined contrıbutıons top up scheme for the benefit of the dırectors and certaın senıor management The pensıon cost for the defined contrıbutıon schemes, whıch represents contrıbutıons payable by the company, amounted to £52,080 (2008 £37,113)

24 Capital Commitments

	2009 £	2008 £
Contracts placed for future capital expenditure not provided in the financial statements	-	46,450

25 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 2009 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:	2009 £	2008 £
Fellow subsidiaries	353,706	985,543
Subsidiaries	-	758,094
	353,706	1,743,637

Purchase of goods and services from related parties:	2009 £	2008 £
Fellow subsidiaries	8,161,273	6,180,346
Subsidiaries	-	1,860,790
	8,161,273	8,041,136

Management expenses recharged to related parties.	2009 £	2008 £
Parent undertaking	291,942	438,213
Fellow subsidiaries	45,262	-
Subsidiaries	-	228,942
	337,204	667,155

25 Related Party Transactions – contd.

Loans received from related parties:	2009 £	2008 £
Parent undertaking	21,000,000	28,825,000
Subsidiaries	14,671,543	9,560,005
	35,671,543	38,385,005

Loans repaid to related parties:	2009 £	2008 £
Parent undertaking	8,000,000	24,500,000
Subsidiaries	20,425,479	3,000,000
	28,425,479	27,500,000

Interest paid to related parties:	2009 £	2008 £
Parent undertaking	713,816	1,334,206
Subsidiaries	-	113,188
	713,816	1,447,394

Year end balances with related parties are as follows

Amounts payable to related parties:	2009 £	2008 £
Fellow subsidiaries	616,947	572,954
Subsidiaries	-	138,068
	616,947	711,022

Amounts receivable from related parties:	2009 £	2008 £
Parent undertaking	12,371	70,789
Fellow subsidiaries	304,906	-
Subsidiaries	-	71,918
	317,277	142,707

25 Related Party Transactions – contd

Loans due to related parties:	2009 £	2008 £
Parent undertaking	39,825,000	26,825,000
Subsidiaries	1,167,919	6,560,005
	40,992,919	33,385,005

Loans from group undertakings are repayable on demand Interest is charged on outstanding loans at an average rate of 2 5 % (2008 5 8%) per annum No provision has been made for doubtful debts in respect of the amounts owed by related parties

Other transactions.

On 1 January 2009, the company acquired the trade, assets and liabilities of Consolidated Stainless Recycling Limited and Shearer Mormet Limited, both subsidiary companies The consideration paid was equal to the book value of the assets and liabilities acquired

At the same time, the company also acquired goodwill with a value of £8,540,143 and £3,246,707 from Consolidated Stainless Recycling Limited and Shearer Mormet Limited respectively

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"

	2009 £	2008 £
Short-term employee benefits	570,948	2,390,226
Post-employment benefits	72,667	86,138
	643,615	2,476,364

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

	2009 £	2008 £
Emoluments (including benefits in kind)	510,444	2,126,826
Contributions to money purchase pension schemes	14,581	19,715
	525,025	2,146,541

25 Related Party Transactions – contd.

Other directors disclosures in respect of qualifying services

	2009 Number	2008 Number
The number of directors to whom retirement benefits are accruing under money purchase pension schemes	2	2
The number of directors to whom retirement benefits are accruing under defined benefit pension schemes	2	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

	2009 £	2008 £
Aggregate emoluments – in respect of current year	339,971	754,977
Aggregate emoluments – in respect of previous year	-	1,105,580
Aggregate value of company contributions to money purchase pension schemes	11,981	17,115
Pension accrual as at year end under defined benefit pension scheme	92,491	85,467

26 Derivatives

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

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts that the company has committed to are as follows

	2009	2008
	£	£
Forward foreign exchange contracts	3,731,434	5,971,023

At 31 December 2009, the fair value of the company's currency derivatives is estimated to be approximately £10,582 (2008 £235,697), comprising £10,582 (2008 £nil) assets included in trade and other receivables and £nil (2008 £235,697) liabilities included in trade and other payables

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

At 31 December 2009, the fair value of the company's commodity derivatives is estimated to be approximately £376,036 (2008 £346,095), comprising £148,180 (2008, £3,760) assets included in trade and other receivables and £524,216 (2008 £349,885) liabilities included in trade and other payables