Co. House

Company Number: 1517971

ELG Haniel Metals Ltd

Annual Report and Financial Statements

For the year ended 31 December 2019

HAWSONS

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

Registered Office

Templeborough Works
Sheffield Road
Sheffield
S9 1RT

Directors

D Drafz
M Vaughan
J Bower

Auditors

Hawsons Chartered Accountants
Pegasus House
463a Glossop Road
Sheffield
S10 2QD

Bankers

Barclays Bank plc
Arena Court
Sheffield
S9 2WU

Solicitors

Keebles LLP
Commercial House
Commercial Street
Sheffield
S1 2AT

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The directors present their strategic report on the company for the year ended 31 December 2019.

Review of the business

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

Tonnage accumulated from the poor H2/2018 production forecasting was carried over into 2019. Overall, 2019 tonnage was reduced to reflect declining domestic stainless steel production.

Stainless steel is priced by valuing the quantity of Nickel, Chromium, Molybdenum and Iron contained. The year opened at $10,440 LME Cash Nickel, closing at $14,000, with volatility along the way. This 34.1% increase was not generally reflected in mill pricing of their raw materials, with the erosion of pricing terms from the stainless steel mills throughout 2018 continuing throughout 2019.

The market witnessed a significant increase in price of LME Nickel in the summer, which went unsupported by stainless steel mills. Through our financial instruments, this had a significant impact on M8 figures. Sales and tonnage continued to be affected for the remainder of the year, but some recovery was achieved.

The substantial investment into our ELG Midlands operation facilitated the merger of the Rowley Regis site in M4 and later the closure of the Gloucester operation in M12. The expanded site includes new office accommodation, warehouse, entrance and bunker walling.

Of particular focus is the investment in human resource through apprenticeships and training. The company continues to place emphasis on Quality, Health & Safety and Environmental Management Systems.

Future Outlook

The company maintains a position as a strong partner of stainless steel mills throughout the world, mitigating regional production fluctuation risks. Demand around the globe for quality raw materials is expected to continue throughout 2020 as stainless steel continues to be a growth material.

Global geopolitical issues, particularly the UK's departure from the EU, continue to present some business volatility, specifically commodity pricing and foreign exchange.

The impact of the COVID-19 pandemic is unprecedented, thus a challenging year is anticipated.

Management continue to work closely with the British Metals Recycling Association in Huntingdon and EuRIC in Brussels, engaging with governments and other stakeholders to minimise the ever-increasing burden of legislation and policy within our industrial sector.

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 as far as possible from the volatility of the nickel price;
- 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.

Principal risks and uncertainties (continued)

In March 2020, the COVID-19 pandemic hit. In line with Government guidelines, the company immediately put measures in place to protect both the health of individuals and the business. As global business activity rapidly declined, with lockdown restrictions implemented in many regions, strict cost control measures were introduced, in addition to taking advantage of the Government Coronavirus Job Retention Scheme. Pandemic plans for each of the operations and global bi-weekly coronavirus status updates were quickly established. The Board continues to regularly monitor the situation closely.

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:

	2019 %	2018 %	2017 %
Growth/(decline) in turnover – all operations	(17)	(7)	26
Growth/(decline) in sales volumes (tonnage)	(11)	(13)	2
Gross profit margin – all operations	3.9	4.1	7.0

Duty to promote the success of the company

The directors of the company continue to act in the way they consider, in good faith, would be the most likely to promote the success of the company for the benefit of its members as a whole, and in doing this the directors have taken into account:

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

The company provides training and career development support, making use of the Haniel Akademie training facility in Duisburg, Germany.

Climate goals are taken seriously. As a market leading company, every effort is taken to sustainably minimise CO_2 emissions. By recycling metals that are already part of the value-added cycle, the company contributes to group savings of 4.28 million tonnes of CO_2 emissions every year. The company is proud of this valuable contribution in protecting the environment.

The company has donated and supported local charities throughout the year in addition to sponsoring local sporting teams within the community.

Signed for and on behalf of the Board by:

....

M Vaughan
Director

25\09\2020

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

Directors

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

D Drafz
M Vaughan
J Bower
J Greenwood (resigned 10 July 2020)
K Mueller (resigned 12 June 2020)
S Landwehrmann (resigned 15 June 2019)

Dividends

No dividends have been paid or declared in the year.

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:

M Vaughan
Director
25/09/2020

The directors are responsible for preparing the Annual Report and 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 corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion on financial statements

We have audited the financial statements of ELG Haniel Metals Ltd (the 'company') for the year ended 31 December 2019, 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 notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, it is difficult to evaluate all of the potential implications of the current COVID-19 outbreak on the company's trade, employees, customers, suppliers and the wider economy.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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.

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Christopher Hill (Senior Statutory Auditor)
for and on behalf of Hawsons Chartered Accountants,
Statutory Auditor

25th September 2020

Pegasus House
463a Glossop Road
Sheffield
S10 2QD

	Note	**2019** £	2018 £
Revenue	2	140,290,646	168,312,165
Cost of sales		(134,837,559)	(161,349,213)
Gross profit		5,453,087	6,962,952
Administrative expenses		(6,083,677)	(5,960,504)
Operating (loss)/profit		(630,590)	1,002,448
Finance costs	6	(1,488,050)	(1,423,403)
(Loss)/profit before income tax		(2,118,640)	(420,955)
Income tax	7	402,656	45,280
(Loss)/profit for the year	3	(1,715,984)	(375,675)
Attributable to:			
Equity holders of the company		(1,715,984)	(375,675)

All amounts relate to continuing operations.

Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	**2019** £	2018 £
(Loss)/ profit for the year		(1,715,984)	(375,675)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations		1,121,850	(1,448,280)
Other comprehensive income for the year, net of tax	7	1,121,850	(1,448,280)
Total comprehensive income for the year		(594,134)	(1,823,955)
Attributable to:			
Equity holders of the company		(594,134)	(1,823,955)

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 7.

Balance Sheet

as at 31 December 2019

	Note	**2019**	2018
		£	£
Non-current assets			
Intangible assets	8	11,795,651	11,794,394
Property, plant and equipment	9	9,068,826	7,102,750
Right-of-use assets	10	777,465	-
Investments	12	2	2
Deferred income tax asset	18	465,000	545,000
Retirement benefit asset	23	4,062,000	2,015,000
		26,168,944	21,457,146
Current assets			
Inventories	13	22,608,063	28,699,216
Trade and other receivables	14	12,446,998	18,892,915
Derivative financial instruments	25	1,457,680	1,027,176
Cash and cash equivalents	15	2,833	132,974
Assets classified as held for sale	11	-	1,642,228
		36,515,574	50,394,509
Total assets		62,684,518	71,851,655
Equity			
Share capital	19	5,100,000	5,100,000
Retained earnings	20	12,114,472	12,708,606
Total equity		17,214,472	17,808,606
Current liabilities			
Trade and other payables	17	42,608,209	53,851,966
Lease liabilities	22	239,052	-
Bank overdraft	15	1,967,153	185,597
Derivative financial instruments	25	118,290	5,486
		44,932,704	54,043,049
Non-current liabilities			
Lease liabilities	22	537,342	-
Total liabilities		45,470,046	54,043,049
Total equity and liabilities		62,684,518	71,851,655

The financial statements were approved and authorised for issue by the board of directors on ....25\9\.....2020 and were signed on its behalf by:

....

M Vaughan
Director

Attributable to equity holders of the company

	Share Capital £	Retained Earnings £	Total £
At 1 January 2018	5,100,000	14,532,561	19,632,561
(Loss) for the year	-	(375,675)	(375,675)
Other comprehensive income for the year	-	(1,448,280)	(1,448,280)
Total comprehensive income for the year	-	(1,823,955)	(1,823,955)
At 31 December 2018	5,100,000	12,708,606	17,808,606
(Loss) for the year	-	(1,715,984)	(1,715,984)
Other comprehensive income for the year	-	1,121,850	1,121,850
Total comprehensive income for the year	-	(594,134)	(594,134)
At 31 December 2019	5,100,000	12,114,472	17,214,472

The notes on pages 13 to 34 form part of these financial statements

Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019 £	2018 £
Net cash generated from/(used in) operating activities	21	(307,937)	3,531,269
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,852,900	4,500
Purchases of property, plant and equipment		(3,129,463)	(1,141,462)
Net cash generated from/(used in) investing activities		(1,276,563)	(1,136,962)
Cash flows from financing activities			
Lease payments		(327,197)	-
Net cash generated from/(used in) financing activities		(327,197)	-
Net (decrease)/increase in cash and cash equivalents		(1,911,697)	2,394,307
Cash and cash equivalents at 1 January 2019	15	(52,623)	(2,446,930)
Cash and cash equivalents at 31 December 2019	15	(1,964,320)	(52,623)

The notes on pages 13 to 34 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.

Going Concern

After due consideration of all relevant factors, including the impact of the current COVID-19 pandemic on the business and the support of the parent company demonstrated in the past, the directors consider that the company will continue to operate within the financial facilities available, and that it is appropriate to prepare the financial statements on a going concern basis.

Consolidation

The company is not required to prepare consolidated financial statements because all the subsidiary undertakings of the company are immaterial and fall within the exclusion provided for in section 405(2) of the Companies Act 2006. 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 control of the goods has passed to the customer. In the case of UK sales, this is when goods are delivered to the customer. In the case of overseas sales, this is when the shipping documents are passed to the customer.

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

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. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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

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.

Trade receivables are derecognised when the company transfers the receivable, and substantially all the risks and rewards of ownership of the receivable, to a third party under debt factoring arrangements.

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 certain employees, the assets of which are held separately from those of the company in independently administered funds. The scheme is funded by contributions from the company at rates determined by an independent actuary.

The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income.

The company also operates defined contribution pension arrangements for staff. The costs relating to these are charged to the income statement as they fall due.

The company provides no other post retirement benefits to its employees.

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

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.

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.

Leases

Leases are accounted for in accordance with IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability, except for leases of low value assets and leases with a duration of twelve months or less, which are accounted for by recognising the lease payments as an expense on a straight-line basis.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the incremental borrowing rate on commencement of the lease is used.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease, any initial direct costs incurred and the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

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

Leases – cont'd

Initial application of IFRS 16

The date of initial application of IFRS 16 was 1 January 2019. Prior to this date, leases were accounted for in accordance with IAS 17.

On transition to IFRS 16, the company has elected to apply IFRS 16 retrospectively, with the cumulative effect of initially applying the standard recognised at the date of initial application ("modified retrospective approach"). At this date, the company recognised the right-of-use assets in relation to leases at an amount equal to the lease liabilities.

In applying IFRS 16 using the modified retrospective approach, the company applied the following practical expedients:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- leases with a remaining term of twelve months or less from the date of initial application have been accounted for as short-term leases and not recognised in the balance sheet; and
- the company did not reassess whether contracts contained a lease at the date of initial application.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the balance sheet at the date of initial application was 3.16%.

The difference between the operating lease commitments disclosed in accordance with IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application, and the lease liabilities recognised at the date of initial application is due to the practical expedients for short-term leases used by the company.

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. At this stage, the directors do not expect that the adoption of IFRSs or IFRIC interpretations that are not yet effective will have a material impact on the financial statements of the company in future periods.

2. Revenue

The revenue and profit or loss 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:	**2019**	2018
	£	£
United Kingdom	64,659,901	125,434,001
Rest of Europe	27,882,685	8,908,246
Rest of the World	47,748,060	33,969,918
	140,290,646	168,312,165

3. (Loss)/profit for the year

(Loss)/profit for the year has been arrived at after charging / (crediting):	**2019** **£**	2018 £
Depreciation of property, plant and equipment	877,304	875,875
Depreciation of right-of-use assets	298,830	-
Loss/(gain) on disposal of property, plant and equipment	68,707	(4,499)
Amortisation of other intangible assets included in administrative expenses	5,447	4,377
Fair value (gain)/loss on derivatives	(317,700)	(2,370,061)
Foreign exchange (gain)/loss	(1,211,280)	1,963,449
Staff costs (note 5)	5,037,600	5,084,420
Write down of inventories recognised as an expense	1,132,389	1,071,952
Cost of inventories recognised as an expense	125,871,105	152,323,738

4. Auditors' remuneration

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

	2019	2018
	£	£
Fees payable to the auditor for the audit of the company's annual accounts	42,000	43,000
Fees payable to the auditor for other services:		
-Taxation compliance services	650	9,500
-All other non-audit services	3,100	5,600
	45,750	58,100

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

Audit	8,500	8,150

5. Staff costs

Staff costs during the year were as follows:	2019 £	2018 £
Wages and salaries	3,960,496	3,964,603
Social security costs	429,374	448,203
Pension costs – defined benefit plans (note 23)	(62,000)	(54,000)
Pension costs – defined contribution plans (note 23)	654,935	649,315
Other post-employment benefits	54,795	76,299
	5,037,600	5,084,420

The average monthly number of employees, including directors, during the year was as follows:	2019 Number	2018 Number
Production	77	80
Selling and Distribution	38	42
	115	122

6. Finance costs

	2019 £	2018 £
Interest on group loans	1,415,170	1,415,653
Bank interest and factoring charges	45,584	7,750
Interest on lease liabilities	27,296	-
Total finance costs	1,488,050	1,423,403

7. Income tax

	2019 £	2018 £
Current tax		
Group relief credit	(219,506)	-
	(219,506)	-
Deferred tax		
Origination and reversal of timing differences	(183,150)	(45,280)
Total income tax (credit)/expense	(402,656)	(45,280)

Reconciliation of tax (credit)/expense	2019 £	2018 £
(Loss)/profit before tax	(2,118,640)	(420,955)
Tax at the effective UK corporation tax rate of 19% (2018 - 19%)	(402,542)	(79,981)
Effects of:		
Expenses not deductible for tax purposes	13,527	33,381
Other differences	(13,641)	1,320
Tax (credit)/expense	(402,656)	(45,280)

The tax (charge)/credit relating to components of other comprehensive income is as follows:

2019	**Before tax** £	**Deferred tax (charge)/ credit** £	**After tax** £
Remeasurement of post-employment benefit liabilities	1,385,000	(263,150)	1,121,850

2018	**Before tax** £	**Deferred tax (charge)/ credit** £	**After tax** £
Remeasurement of post-employment benefit liabilities	(1,788,000)	339,720	(1,448,280)

8. Intangible assets

	Goodwill £	Software £	Total £
Cost			
At 1 January 2018	11,896,850	128,133	12,024,983
Additions	-	10,679	10,679
At 1 January 2019	11,896,850	138,812	12,035,662
Additions	-	6,704	6,704
At 31 December 2019	11,896,850	145,516	12,042,366
Amortisation and impairment			
At 1 January 2018	110,000	126,891	236,891
Charge for the year	-	4,377	4,377
At 1 January 2019	110,000	131,268	241,268
Charge for the year	-	5,447	5,447
At 31 December 2019	110,000	136,715	246,715
Carrying amounts			
At 31 December 2019	11,786,850	8,801	11,795,651
At 31 December 2018	11,786,850	7,544	11,794,394

Impairment tests for Goodwill

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

	2019 £	2018 £
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:

Gross margin	9.5%
Growth rate	2%
Discount rate	5.4%

Management determined budgeted gross 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.

9. Property, Plant and Equipment

	Freehold Land and Buildings	Short Leasehold Property	Plant and Machinery	Vehicles and Equipment	Total
Cost	£	£	£	£	£
At 1 January 2018	10,148,779	520,001	7,846,039	1,470,756	19,985,575
Additions	660,555	-	464,510	5,718	1,130,783
Disposals	-	-	-	(25,600)	(25,600)
Transfer to held for sale	(2,128,656)	-	-	-	(2,128,656)
At 1 January 2019	8,680,678	520,001	8,310,549	1,450,874	18,962,102
Additions	1,468,428	-	1,377,222	277,109	3,122,759
Disposals	(649,199)	-	(189,413)	(170,000)	(1,008,612)
At 31 December 2019	9,499,907	520,001	9,498,358	1,557,983	21,076,249
Accumulated Depreciation					
At 1 January 2018	3,725,400	220,183	6,564,593	985,328	11,495,504
Charge for the year	310,304	30,901	374,170	160,500	875,875
Eliminated on disposal	-	-	-	(25,599)	(25,599)
Transfer to held for sale	(486,428)	-	-	-	(486,428)
At 1 January 2019	3,549,276	251,084	6,938,763	1,120,229	11,859,352
Charge for the year	292,607	30,852	365,982	187,863	877,304
Eliminated on disposal	(372,138)	-	(187,097)	(169,998)	(729,233)
At 31 December 2019	3,469,745	281,936	7,117,648	1,138,094	12,007,423
Carrying amounts					
At 31 December 2019	6,030,162	238,065	2,380,710	419,889	9,068,826
At 31 December 2018	5,131,402	268,917	1,371,786	330,645	7,102,750

10. Right-of-use assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 January 2019	-	-	-	-
Recognition on initial application of IFRS16	207,180	441,429	158,283	806,892
Additions	-	214,793	54,610	269,403
Disposals	-	(8,610)	(12,123)	(20,733)
At 31 December 2019	207,180	647,612	200,770	1,055,562
Accumulated Depreciation				
At 1 January 2019	-	-	-	-
Charge for the year	24,045	180,744	94,041	298,830
Disposals	-	(8,610)	(12,123)	(20,733)
At 31 December 2019	24,045	172,134	81,918	278,097
Carrying amounts				
At 31 December 2019	183,135	475,478	118,852	777,465
At 31 December 2018	-	-	-	-

11. Assets classified as held for sale

	2019	2018
	£	£
Land and buildings	-	1,642,228

12. Investments

	Shares in group undertakings
	£
Cost and net book value	
At 1 January 2019 and 31 December 2019	2

The company owns 100% of the ordinary share capital of Shearer Mormet Limited and Consolidated Stainless Recycling Limited, both of which are companies incorporated in England and Wales and which have been dormant since incorporation.

At 31 December 2019, the subsidiary undertakings had the following capital and reserves and net profit for the period then ended:

	Capital and reserves	Profit for the period
	£	£
Consolidated Stainless Recycling Limited	1	-
Shearer Mormet Limited	1	-

13. Inventories

	2019	2018
	£	£
Raw materials	22,608,063	28,447,644
Finished goods	-	251,572
	22,608,063	28,699,216

14. Trade and other receivables

	2019 £	2018 £
Trade receivables	9,753,849	17,256,587
Other receivables	2,019,295	1,136,879
Amounts due from group undertakings	244,539	221,340
Prepayments and accrued income	429,315	278,109
	12,446,998	18,892,915

The company has a factoring agreement with SEB AG with regard to certain customers. Under the agreement, the bank may purchase a specific receivable due from these customers, subject to facility limits. The bank assumes 100% of the risk that receivables it purchases are uncollectable. Interest is charged at a rate of 2.75% over LIBOR. Receivables purchased by the bank under this agreement are derecognised.

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

15. Cash and cash equivalents

	2019 £	2018 £
Cash in hand	2,833	132,974
Bank overdrafts	(1,967,153)	(185,597)
Cash and cash equivalents in the statement of cash flows	(1,964,320)	(52,623)

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 is not considered to be materially different from the carrying amounts.

16. 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.

17. Trade and other payables

	2019 £	2018 £
Trade payables	7,913,049	6,998,646
Amounts due to group undertakings	34,285,330	46,308,242
Other tax and social security	139,421	144,811
Other creditors	55,270	49,717
Accrued expenses	215,139	350,550
	42,608,209	53,851,966

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

18. Deferred income tax

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

	Accelerated capital allowances £	Deferred pension contribution relief £	Retirement benefit obligation £	Losses £	Total £
At 1 January 2018	340,000	-	(410,000)	230,000	160,000
Credit/(charge) to income statement	120,000	90,000	(309,720)	145,000	45,280
Credit/(charge) to other comprehensive income	-	-	339,720	-	339,720
At 31 December 2018	460,000	90,000	(380,000)	375,000	545,000
Credit/(charge) to income statement	70,000	(90,000)	(126,850)	330,000	183,150
Credit/(charge) to other comprehensive income	-	-	(263,150)	-	(263,150)
At 31 December 2019	530,000	-	(770,000)	705,000	465,000

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

	2019 £	2018 £
Deferred tax assets	465,000	545,000

At the balance sheet date, the company has unused tax losses of £3,715,115 (2018 - £1,953,180) available for offset against future profits. A deferred tax asset has been recognised in respect of such losses on the basis of future profits being forecast by the company.

19. Share capital

Allotted, called up and fully paid

	2019 £	2018 £
4,800,000 'A' ordinary shares of £1 each	4,800,000	4,800,000
300,000 'B' ordinary shares of £1 each	300,000	300,000
	5,100,000	5,100,000

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

20. Retained earnings

Included within retained earnings is an amount of £11,786,850 (2018 - £11,786,850) that represents unrealised profits.

21. Note to the statement of cash flows

	2019 £	2018 £
(Loss)/ profit for the year	(1,715,984)	(375,675)
Adjustments for:		
Finance costs	1,488,050	1,423,403
Income tax (credit)/expense	(402,656)	(45,280)
Fair value (gain)/loss on derivatives	(317,700)	(2,370,061)
Depreciation of property, plant and equipment	877,304	875,875
Depreciation of right-of-use assets	298,830	-
Loss/(gain) on disposal of property, plant and equipment	68,707	(4,499)
Amortisation of other intangible assets	5,447	4,377
Adjustment for pension funding	(662,000)	(1,654,000)
Operating cash flows before movements in working capital	(360,002)	(2,145,860)
Decrease in inventories	6,091,153	208,285
Decrease in receivables	6,665,423	12,286,008
(Decrease) in payables	(11,229,737)	(5,318,936)
Cash generated from operations	1,166,837	5,029,497
Payment for group relief losses	-	(70,674)
Interest paid	(1,474,774)	(1,427,554)
Net cash from/(used in) operating activities	(307,937)	3,531,269

22. Lease Arrangements

The company leases certain property from which it operates, in addition to certain items of plant, equipment and vehicles.

Disclosure of the additions to right-of-use assets, the depreciation charge for right-of-use assets and the carrying amount of right-of-use assets at the balance sheet date by class of underlying asset is made in note 10.

The interest expense on lease liabilities is disclosed in note 6.

The total cash outflow for leases is disclosed in the Statement of Cash Flows on page 12.

Maturity analysis for lease liabilities	**2019**	2018
	£	£
Due within one year	239,052	-
Due after one year and within five years	537,342	-
	776,394	-

23. Retirement Benefit Schemes

Defined Benefit Scheme

The company is a party to the ELG Haniel Metals Ltd 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. As at 31 December 2019, the scheme is closed to future accrual and to new members.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by K. Taylorson, Fellow of the Institute of Actuaries, at 31 December 2019.

23. Retirement Benefit Schemes - cont'd

The amounts recognised in income in respect of the defined benefit scheme are as follows:

	2019	2018
	£	£
Net interest income	(62,000)	(74,000)
Past service cost	-	20,000
Components of defined benefit cost recognised in profit or loss within administrative expenses	(62,000)	(54,000)

The amounts recognised in other comprehensive income in respect of the defined benefit scheme are as follows:

	2019	2018
	£	£
The return on plan assets (excluding interest income)	4,536,000	(2,607,000)
Actuarial gains/(losses) from changes in demographic assumptions	378,000	314,000
Actuarial gains/(losses) from changes in financial assumptions	(3,529,000)	1,553,000
Actuarial gains/(losses) from experience adjustments	-	(1,048,000)
Remeasurement of the net defined benefit asset	1,385,000	(1,788,000)

The amount recognised in the balance sheet in respect of the defined benefit scheme is as follows:

	2019	2018
	£	£
Present value of defined benefit obligations	(40,951,000)	(38,601,000)
Fair value of scheme assets	45,013,000	40,616,000
Asset on the balance sheet	4,062,000	2,015,000

The movement during the year in the net defined benefit asset was as follows:

	2019	2018
	£	£
At 1 January 2019	2,015,000	2,149,000
Net interest income	62,000	74,000
Past service cost	-	(20,000)
Remeasurements	1,385,000	(1,788,000)
Employer contributions	600,000	1,600,000
At 31 December 2019	4,062,000	2,015,000

23. Retirement Benefit Schemes – cont'd

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

	2019 **£**	2018 £
At 1 January 2019	(38,601,000)	(45,009,000)
Interest expense	(1,018,000)	(1,042,000)
Past service cost	-	(20,000)
Benefits paid	1,819,000	6,651,000
Gain/(loss) from experience adjustment	-	(1,048,000)
Gain/(loss) from change in demographic assumptions	378,000	314,000
Gain/(loss) from change in financial assumptions	(3,529,000)	1,553,000
At 31 December 2019	(40,951,000)	(38,601,000)

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

	2019 **£**	2018 £
At 1 January 2019	40,616,000	47,158,000
Interest income on plan assets	1,080,000	1,116,000
The return on plan assets (excluding interest income)	4,536,000	(2,607,000)
Benefits paid	(1,819,000)	(6,651,000)
Total contributions	600,000	1,600,000
At 31 December 2019	45,013,000	40,616,000

The significant actuarial assumptions were as follows:

	2019	2018
Discount rate	2.0%	2.7%
Inflation (RPI/CPI)	2.8%/2.0%	3.2%/2.2%
Salary growth rate	2.0%	2.2%
Pension growth rate (max 5%)	2.7%	3.1%
Pension growth rate (max 2.5%)	2.0%	2.1%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring now at age 65 of:

	2019	2018
Male	22 years	22 years
Female	24 years	25 years

23. Retirement Benefit Schemes – cont'd

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 8.1%	Increase by 9.2%
Inflation rate	0.5%	Increase by 3.7%	Decrease by 3.6%

	Increase assumption by one year	Decrease assumption by one year
Life expectancy	Increase by 4.1%	Decrease by 4.0%

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension asset recognised within the balance sheet.

The assets in the scheme comprised:

	2019	2018
	£	£
Equities	5,354,000	5,547,000
Bonds	31,701,000	29,856,000
Property	772,000	733,000
Cash	2,297,000	117,000
Investment funds	3,801,000	3,263,000
Purchased annuities	1,088,000	1,100,000
	45,013,000	40,616,000

The average term of the defined benefit obligation is 18 years.

Expected contributions to the scheme for the year ending 31 December 2020 are £600,000.

The actual return on plan assets during the year was £5,616,000.

Defined contribution scheme

The company also operates defined contribution pension schemes for all eligible staff. The pension cost for the defined contribution schemes, which represents contributions payable by the company in the year, amounted to £654,935 (2018 - £649,315).

24. 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. 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:	**2019**	2018
	£	£
Fellow subsidiaries	3,156,984	1,325,168

Purchase of goods and services from related parties:	**2019**	2018
	£	£
Fellow subsidiaries	1,701,025	1,873,907

Amounts payable to related parties:	**2019**	2018
	£	£
Parent undertaking	113,507	170,388
Fellow subsidiaries	252,859	389,807
	366,366	560,195

Amounts receivable from related parties:	**2019**	2018
	£	£
Fellow subsidiaries	244,539	221,340

Loans from parent company:	**2019**	2018
	£	£
Due to parent company at start of year	45,748,047	44,495,228
Further loans received in year	47,500,000	133,677,498
Loans repaid in year	(58,853,033)	(133,500,000)
Exchange adjustments	(476,050)	1,075,321
	33,918,964	45,748,047

Loans from group undertakings are repayable on demand. Interest is charged on outstanding loans at an average rate of 3.4% (2018 – 3.2%) per annum. No provision has been made for doubtful debts in respect of the amounts owed by related parties.

24. Related Party Transactions – cont'd

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".

	2019	2018
	£	£
Short-term employee benefits	490,068	452,067
Post-employment benefits	68,898	82,894
	558,966	534,961

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

	2019	2018
	£	£
Emoluments (including benefits in kind)	434,321	400,890
Contributions to money purchase pension schemes	68,898	82,894
	503,219	483,784

Other directors disclosures in respect of qualifying services:

	2019 Number	2018 Number
The number of directors to whom retirement benefits are accruing under money purchase pension schemes	3	3
The number of directors to whom retirement benefits are accruing under defined benefit pension schemes	3	3

D Drafz, S Landwehrmann and K Mueller were 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

	2019	2018
	£	£
Aggregate emoluments	156,366	137,710
Aggregate value of company contributions to money purchase schemes	18,262	24,517
Pension accrual as at retirement date under defined benefit scheme	14,026	13,168

25. Derivative financial instruments

	2019 Assets £	2019 Liabilities £	2018 Assets £	2018 Liabilities £
Forward foreign exchange contracts	110,933	20,345	105,678	5,486
Forward commodity contracts	1,346,747	97,945	921,498	-
	1,457,680	118,290	1,027,176	5,486

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.

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.