Co. House

Company Number: 1517971

ELG Haniel Metals Ltd

Annual Report and Financial Statements

For the year ended 31 December 2018

HAWSONS

FRIDAY

Registered Office

Templeborough Works
Sheffield
S9 1RT

Directors

D Drafz
M Vaughan
J Greenwood
J Bower
S Landwehrmann
K Mueller

Secretary

J Greenwood

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

The directors present their strategic report on the company for the year ended 31 December 2018.

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

With the significant improvement in 2017 noted, H1/2018 continued this trend with good performance in terms of tonnage and turnover. Tonnage handled M7YTD was slightly below that of 2017, but above budget. Sales were showing an increase of 6% on 2017. Margins were performing below budget but, notably, the forecast into Q4 was very positive. However, the year proved a story of two halves with a significant decrease in prices and volumes in H2, driven especially by weak demand towards the year end. This resulted in a turnover of £168,312,165, down 6.9% on 2017.

Nickel, the primary element in pricing stainless steel recyclables, opened at $12,690 LME Cash. Closing the year at $10,595, this reduced by 16.5%. Geographically, there was a notable spread in price terms at stainless mills, widening further towards the year end.

Mills were initially forecasting strong demand for Q4. This was more apparent with our primary customers, who requested extremely optimistic positioning of material only to reduce to minimal contract tonnages after numerous downward forecasts. This impacted profit significantly, as a lengthening position was timed with increased discount pricing.

The company continues the journey strengthening Quality, Health & Safety and Environmental Systems and the development of personnel. In M7, our digital operations app, known as *MyELG-dOps*, went live throughout the UK yards. This has brought a paperless workflow, resulting in significant improvement in lead-times and staff efficiencies. Other digitalisation initiatives continue. A number of environmentally-beneficial asset acquirements are under way.

Future Outlook

The company has established relationships with stainless steel mills throughout the world. As stainless steel continues to be a growth material, the demand of mills for quality raw materials is expected to continue, although Q1 will be challenging.

The company has carried out a BREXIT impact study. BREXIT continues to present a great deal of uncertainty to the business, even at this late stage. We have therefore taken adequate measures to reduce the potential risks for the business that might stem from short term market disruptions.

Global geopolitical issues continue to present some business volatility, specifically commodity pricing, currency and tariffs.

The cost of compliance through industry-specific legislation and policy continue to burden our industry. We continue to work closely with the British Metals Recycling Association and EuRIC in Brussels, engaging with governments.

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.

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:

	2018 %	2017 %	2016 %
Growth/(decline) in turnover – all operations	(7)	26	(5)
Growth/(decline) in sales volumes (tonnage)	(13)	2	6
Gross profit margin – all operations	4.1	7.0	6.1

Signed for and on behalf of the Board by:

....

M Vaughan
Director

17/04/2019

The directors present their report together with the audited financial statements for the year ended 31 December 2018.

Directors

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

D Drafz
M Vaughan
J Greenwood
J Bower
S Landwehrmann (appointed 3 July 2018)
K Mueller (appointed 3 July 2018)

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:

J. G ....

J Greenwood
Director and Company Secretary

17th April 2019

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 2018, 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 2018 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.

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

24\4\ 2019

Pegasus House
463a Glossop Road
Sheffield
S10 2QD

Income Statement

for the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue	2	168,312,165	180,865,170
Cost of sales		(161,349,213)	(168,286,388)
Gross profit		6,962,952	12,578,782
Administrative expenses		(5,960,504)	(6,445,218)
Other operating income		836,857	-
Operating profit		1,839,305	6,133,564
Finance income	6	-	186,880
Finance costs	7	(2,260,260)	(1,289,215)
(Loss)/ profit before income tax		(420,955)	5,031,229
Income tax	8	45,280	(983,184)
(Loss)/ profit for the year	3	(375,675)	4,048,045
Attributable to:			
Equity holders of the parent company		(375,675)	4,048,045

All amounts relate to continuing operations.

	Note	2018 £	2017 £
(Loss)/ profit for the year		(375,675)	4,048,045
Other comprehensive income: **Items that will not be reclassified to profit or loss**			
Remeasurement of post-employment benefit obligations		(1,448,280)	543,510
Other comprehensive income for the year, net of tax	8	(1,448,280)	543,510
Total comprehensive income for the year		(1,823,955)	4,591,555
Attributable to:			
Equity holders of the parent company		(1,823,955)	4,591,555

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 8.

Balance Sheet

as at 31 December 2018

	Note	**2018**	2017
		£	£
Non-current assets			
Intangible assets	9	11,794,394	11,788,092
Property, plant and equipment	10	7,102,750	8,490,071
Investments	12	2	2
Deferred income tax asset	18	545,000	160,000
Retirement benefit asset	23	2,015,000	2,149,000
		21,457,146	22,587,165
Current assets			
Inventories	13	28,699,216	28,907,501
Trade and other receivables	14	18,892,915	31,178,923
Derivative financial instruments	25	1,027,176	106,605
Cash and cash equivalents	15	132,974	3,651
Assets classified as held for sale	11	1,642,228	-
		50,394,509	60,196,680
Total assets		71,851,655	82,783,845
Equity			
Share capital	19	5,100,000	5,100,000
Retained earnings	20	12,708,606	14,532,561
Total equity		17,808,606	19,632,561
Current liabilities			
Trade and other payables	17	53,851,966	59,245,727
Bank overdraft	15	185,597	2,450,581
Derivative financial instruments	25	5,486	1,454,976
		54,043,049	63,151,284
Total liabilities		54,043,049	63,151,284
Total equity and liabilities		71,851,655	82,783,845

The financial statements were approved and authorised for issue by the board of directors on 17th April 2019 and were signed on its behalf by:

M Vaughan
Director

The notes on pages 13 to 33 form part of these financial statements

Attributable to equity holders of the company

	Share Capital £	Retained Earnings £	Total £
At 1 January 2017	5,100,000	9,941,006	15,041,006
Profit for the year	-	4,048,045	4,048,045
Other comprehensive income for the year	-	543,510	543,510
Total comprehensive income for the year	-	4,591,555	4,591,555
At 31 December 2017	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

Statement of Cash Flows

for the year ended 31 December 2018

	Note	2018 £	2017 £
Net cash generated from/(used in) operating activities	21	3,531,269	(187,972)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,500	13,413
Interest received		-	186,880
Purchases of property, plant and equipment		(1,141,462)	(389,677)
Net cash (used in) investing activities		(1,136,962)	(189,384)
Net increase/(decrease) in cash and cash equivalents		2,394,307	(377,356)
Cash and cash equivalents at 1 January 2018	15	(2,446,930)	(2,069,574)
Cash and cash equivalents at 31 December 2018	15	(52,623)	(2,446,930)

The notes on pages 13 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

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.

Leasing

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

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

Intangible Assets

(a) *Goodwill*

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

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

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

(b) *Software*

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

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

Property, Plant and Equipment

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

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

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

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

Freehold buildings	4% straight line
Short leasehold property	Straight line over 17 years
Plant and equipment	12.5% straight line
Motor vehicles	20% straight line
Fixtures and fittings	10%/33.3% straight line

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.

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, except as noted below:

1. Significant Accounting Policies – cont'd.

Impact of Standards and Interpretations in issue but not yet effective and not early adopted by the company – cont'd.

IFRS 16 Leases

IFRS 16 will supersede current lease guidance when it becomes effective for accounting periods beginning on or after 1 January 2019. The company expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

Under IFRS 16, the distinction of operating leases (off balance sheet) and finance leases (on balance sheet) is removed and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

As at 31 December 2018, the company had non-cancellable operating lease commitments of £869,847 (2017 - £889,083). IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 22. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the company's financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

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:	**2018**	2017
	£	£
United Kingdom	125,434,001	141,895,811
Rest of Europe	8,908,246	3,662,781
Rest of the World	33,969,918	35,306,578
	168,312,165	180,865,170

3. (Loss)/profit for the year

(Loss)/profit for the year has been arrived at after charging / (crediting):	2018 £	2017 £
Depreciation of property, plant and equipment	875,875	886,462
(Gain) on disposal of property, plant and equipment	(4,499)	(4,498)
Amortisation of other intangible assets included in administrative expenses	4,377	1,172
Fair value (gain)/loss on derivatives	(2,370,061)	2,358,558
Foreign exchange loss/(gain)	1,963,449	(2,704,715)
Staff costs (note 5)	5,084,420	5,601,316
Write down of inventories recognised as an expense	1,071,952	-
Cost of inventories recognised as an expense	152,323,738	158,777,280

4. Auditors' remuneration

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

	2018 £	2017 £
Fees payable to the auditor for the audit of the company's annual accounts	43,000	42,000
Fees payable to the auditor for other services:		
-Taxation compliance services	9,500	8,200
-All other non-audit services	5,600	7,175
	58,100	57,375

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

Audit	8,150	7,900

5. Staff costs

Staff costs during the year were as follows:	**2018** **£**	2017 £
Wages and salaries	3,964,603	4,439,514
Social security costs	448,203	488,819
Pension costs – defined benefit plans (note 23)	(54,000)	(31,200)
Pension costs – defined contribution plans (note 23)	649,315	643,541
Other post employment benefits	76,299	60,642
	5,084,420	5,601,316

The average monthly number of employees, including directors, during the year was as follows:	**2018** **Number**	2017 Number
Production	80	82
Selling and Distribution	42	42
	122	124

6. Finance income

	2018 **£**	2017 £
Interest receivable	-	186,880

7. Finance costs

	2018 **£**	2017 £
Interest on bank overdraft	-	135,442
Interest on group loans	1,415,653	1,133,181
Interest on debt factoring	844,607	20,592
Total finance costs	2,260,260	1,289,215

8. Income tax

	2018 £	2017 £
Current tax		
Adjustment in respect of prior years	-	34,700
Group relief charge	-	35,974
	-	70,674
Deferred tax		
Origination and reversal of timing differences	(45,280)	912,510
Total income tax (credit)/expense	(45,280)	983,184

Reconciliation of tax (credit)/expense	2018 £	2017 £
(Loss)/profit before tax	(420,955)	5,031,229
Tax at the effective UK corporation tax rate of 19% (2017 - 19.25%)	(79,981)	968,512
Effects of:		
Expenses not deductible for tax purposes	33,381	33,068
Adjustment in respect of prior years – current tax	-	34,700
Adjustment in respect of prior years – deferred tax	-	(32,965)
Other differences	1,320	(20,131)
Tax (credit)/expense	(45,280)	983,184

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

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

2017	Before tax £	Deferred tax (charge)/ credit £	After tax £
Remeasurement of post-employment benefit liabilities	671,000	(127,490)	543,510

9. Intangible assets

	Goodwill £	Software £	Total £
Cost			
At 1 January 2017 and 1 January 2018	11,896,850	128,133	12,024,983
Additions	-	10,679	10,679
Disposals	-	-	-
At 31 December 2018	11,896,850	138,812	12,035,662
Amortisation and impairment			
At 1 January 2017	110,000	125,719	235,719
Charge for the year	-	1,172	1,172
At 1 January 2018	110,000	126,891	236,891
Charge for the year	-	4,377	4,377
At 31 December 2018	110,000	131,268	241,268
Carrying amounts			
At 31 December 2018	11,786,850	7,544	11,794,394
At 31 December 2017	11,786,850	1,242	11,788,092

Impairment tests for Goodwill

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

	2018 £	2017 £
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	10.2%
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.

10. Property, Plant and Equipment

	Freehold Land and Buildings	Short Leasehold Property	Plant and Machinery	Vehicles and Equipment	Total
Cost	£	£	£	£	£
At 1 January 2017	9,947,784	520,001	7,815,249	1,364,876	19,647,910
Additions	200,995	-	39,702	148,980	389,677
Disposals	-	-	(8,912)	(43,100)	(52,012)
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 31 December 2018	8,680,678	520,001	8,310,549	1,450,874	18,962,102
Accumulated Depreciation					
At 1 January 2017	3,419,608	189,240	6,169,633	873,659	10,652,140
Charge for the year	305,792	30,943	394,960	154,767	886,462
Eliminated on disposal	-	-	-	(43,098)	(43,098)
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 31 December 2018	3,549,276	251,084	6,938,763	1,120,229	11,859,352
Carrying amounts					
At 31 December 2018	5,131,402	268,917	1,371,786	330,645	7,102,750
At 31 December 2017	6,423,379	299,818	1,281,446	485,428	8,490,071

11. Assets classified as held for sale

	2018	2017
	£	£
Land and buildings	1,642,228	-

Prior to the year end, the directors agreed to sell the land and buildings comprising the company's depot at Rowley Regis in the West Midlands. Contracts have been exchanged and the sale is due to complete in April 2019.

12. Investments

	Shares in group undertakings
	£
Cost and net book value	
At 1 January 2018 and 31 December 2018	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 2018, 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

	2018	2017
	£	£
Raw materials	28,447,644	28,320,337
Finished goods	251,572	587,164
	28,699,216	28,907,501

14. Trade and other receivables

	2018 £	2017 £
Trade receivables	17,256,587	30,450,052
Other receivables	1,136,879	3,748
Amounts due from group undertakings	221,340	591,411
Prepayments and accrued income	278,109	133,712
	18,892,915	31,178,923

The company has a factoring agreement with SEB AG with regard to one principal customer. Under the agreement, the bank may purchase a specific receivable due from this customer, subject to facility limits. The bank assumes 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

	2018 £	2017 £
Cash in hand	132,974	3,651
Bank overdrafts	(185,597)	(2,450,581)
Cash and cash equivalents in the statement of cash flows	(52,623)	(2,446,930)

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

	2018	2017
	£	£
Trade payables	6,998,646	12,754,577
Amounts due to group undertakings	46,308,242	45,299,151
Other tax and social security	144,811	328,423
Other creditors	49,717	112,200
Accrued expenses	350,550	751,376
	53,851,966	59,245,727

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 2017	200,000	-	(160,000)	1,160,000	1,200,000
Credit/(charge) to income statement	140,000	-	(122,510)	(930,000)	(912,510)
Credit/(charge) to other comprehensive income	-	-	(127,490)	-	(127,490)
At 31 December 2017	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

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

	2018	2017
	£	£
Deferred tax assets	545,000	160,000

At the balance sheet date, the company has unused tax losses of £1,953,180 (2017 - £1,191,649) 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

	2018 £	2017 £
Allotted, called up and fully paid		
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 (2017 - £11,786,850) that represents unrealised profits.

21. Note to the statement of cash flows

	2018 £	2017 £
(Loss)/ profit for the year	(375,675)	4,048,045
Adjustments for:		
Finance costs	2,260,260	1,289,215
Finance income	-	(186,880)
Income tax (credit)/expense	(45,280)	983,184
Fair value (gain)/loss on derivatives	(2,370,061)	2,358,558
Depreciation of property, plant and equipment	875,875	886,462
(Gain) on disposal of property, plant and equipment	(4,499)	(4,498)
Amortisation of other intangible assets	4,377	1,172
Adjustment for pension funding	(1,654,000)	(618,000)
Operating cash flows before movements in working capital	(1,309,003)	8,757,258
Decrease in inventories	208,285	578,408
Decrease/(increase) in receivables	12,286,008	(4,388,993)
(Decrease) in payables	(5,318,936)	(3,879,042)
Cash generated from operations	5,866,354	1,067,631
Payment for group relief losses	(70,674)	-
Interest paid	(2,264,411)	(1,255,603)
Net cash from/(used in) operating activities	3,531,269	(187,972)

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:

	2018		2017	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Within one year	25,733	268,442	25,733	269,352
Within two to five years	102,934	376,238	102,934	368,830
Greater than five years	96,500	-	122,234	-
	225,167	644,680	250,901	638,182

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.

	2018 £	2017 £
Operating lease payments recognised in the income statement for the year: -		
Plant and machinery	216,648	205,021
Other lease rentals	131,606	132,282
	348,254	337,303

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 2018, 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 2018.

23. **Retirement Benefit Schemes - cont'd**

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

	2018	2017
	£	£
Net interest income	(74,000)	(31,200)
Past service cost	20,000	-
Components of defined benefit cost recognised in profit or loss within administrative expenses	(54,000)	(31,200)

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

	2018	2017
	£	£
The return on plan assets (excluding interest income)	(2,607,000)	1,439,000
Actuarial gains/(losses) from changes in demographic assumptions	314,000	(261,000)
Actuarial gains/(losses) from changes in financial assumptions	1,553,000	(901,000)
Actuarial gains/(losses) from experience adjustments	(1,048,000)	394,000
Remeasurement of the net defined benefit asset	(1,788,000)	671,000

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

	2018	2017
	£	£
Present value of defined benefit obligations	(38,601,000)	(45,009,000)
Fair value of scheme assets	40,616,000	47,158,000
Asset on the balance sheet	2,015,000	2,149,000

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

	2018	2017
	£	£
At 1 January 2018	2,149,000	860,000
Net interest income	74,000	31,200
Past service cost	(20,000)	-
Remeasurements	(1,788,000)	671,000
Employer contributions	1,600,000	586,800
At 31 December 2018	2,015,000	2,149,000

23. Retirement Benefit Schemes – cont'd

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

	2018 **£**	2017 £
At 1 January 2018	(45,009,000)	(45,247,000)
Interest expense	(1,042,000)	(1,192,000)
Past service cost	(20,000)	-
Benefits paid	6,651,000	2,198,000
Gain/(loss) from experience adjustment	(1,048,000)	394,000
Gain/(loss) from change in demographic assumptions	314,000	(261,000)
Gain/(loss) from change in financial assumptions	1,553,000	(901,000)
At 31 December 2018	(38,601,000)	(45,009,000)

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

	2018 **£**	2017 £
At 1 January 2018	47,158,000	46,107,000
Interest income on plan assets	1,116,000	1,223,000
The return on plan assets (excluding interest income)	(2,607,000)	1,439,000
Benefits paid	(6,651,000)	(2,198,000)
Total contributions	1,600,000	587,000
At 31 December 2018	40,616,000	47,158,000

The significant actuarial assumptions were as follows:

	2018	2017
Discount rate	2.7%	2.5%
Inflation (RPI/CPI)	3.2%/2.2%	3.2%/2.2%
Salary growth rate	2.2%	2.2%
Pension growth rate (max 5%)	3.1%	3.0%
Pension growth rate (max 2.5%)	2.1%	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:

	2018	2017
Male	22 years	22 years
Female	25 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 8.4%	Increase by 9.6%
Salary growth rate	0.5%	Increase by 1.6%	Decrease by 1.5%
~~Pension growth rate~~	~~0.5%~~	~~Increase by 4.1%~~	~~Decrease by 4.6%~~

	Increase assumption by one year	Decrease assumption by one year
Life expectancy	Increase by 3.6%	Decrease by 3.5%

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:

	2018	2017
	£	£
Equities	5,547,000	6,648,000
Bonds	29,856,000	31,448,000
Property	733,000	688,000
Cash	117,000	3,437,000
Investment funds	3,263,000	3,759,000
Purchased annuities	1,100,000	1,178,000
	40,616,000	47,158,000

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

Expected contributions to the scheme for the year ending 31 December 2019 are £600,000.

The actual return on plan assets during the year was £1,491,000 negative.

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 £649,315 (2017 - £643,541).

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:	2018	2017
	£	£
Fellow subsidiaries	1,325,168	2,428,107

Purchase of goods and services from related parties:	2018	2017
	£	£
Fellow subsidiaries	1,873,907	781,913

Payment for group relief losses:	2018	2017
	£	£
Fellow subsidiaries	-	70,674

Amounts payable to related parties:	2018	2017
	£	£
Parent undertaking	170,388	207,898
Fellow subsidiaries	389,807	596,025
	560,195	803,923

Amounts receivable from related parties:	2018	2017
	£	£
Parent undertaking	-	16,522
Fellow subsidiaries	221,340	574,889
	221,340	591,411

Loans from parent company:	2018	2017
	£	£
Due to parent company at start of year	44,495,228	48,308,690
Further loans received in year	133,677,498	94,500,000
Loans repaid in year	(133,500,000)	(96,500,000)
Exchange adjustments	1,075,321	(1,813,462)
	45,748,047	44,495,228

Loans from group undertakings are repayable on demand. Interest is charged on outstanding loans at an average rate of 3.2% (2017 - 2.5%) 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".

	2018 £	2017 £
Short-term employee benefits	452,067	569,085
Post-employment benefits	82,894	152,694
	534,961	721,779

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

	2018 £	2017 £
Emoluments (including benefits in kind)	400,890	504,206
Contributions to money purchase pension schemes	82,894	152,694
	483,784	656,900

Other directors disclosures in respect of qualifying services:

	2018 Number	2017 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 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

	2018 £	2017 £
Aggregate emoluments	137,710	192,996
Aggregate value of company contributions to money purchase schemes	24,517	49,206
Pension accrual as at retirement date under defined benefit scheme	13,168	13,064

25. Derivative financial instruments

	2018 Assets	2018 Liabilities	2017 Assets	2017 Liabilities
	£	£	£	£
Forward foreign exchange contracts	105,678	5,486	104,418	2,349
Forward commodity contracts	921,498	-	2,187	1,452,627
	1,027,176	5,486	106,605	1,454,976

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.