

Company Number: 1517971

**ELG Haniel Metals Ltd**  
**Annual Report and Financial Statements**  
**For the year ended 31 December 2020**



**Registered Office**

Templeborough Works  
Sheffield Road  
Sheffield  
S9 1RT

**Directors**

A R Dodd  
N P Stretton  
M J Tighe

**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 2020.

## 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

The COVID-19 pandemic plunged the entire global economy into a deep recession in 2020. Overall, the global economy decreased by 3.5% compared to the previous year. Global industrial production decreased for the first time since 2009 compared to the previous year and recorded a decline of 4.2%. The strong economic recovery that began in China in the second quarter and a year-end increase in industrial production of 2% prevented a more severe slump. For industrialised countries, the outbreak of the pandemic meant an extension of the recession that began in 2019. Despite the recovery that began in the third quarter of 2020, industrial production was again significantly below the weak previous year at -6.4%.

The industries relevant to the company are affected by the pandemic to different degrees, with the demand for stainless steel scrap depending on the development of stainless steel demand and production. Globally, this fell by around 5% in 2020 compared to the same period of the previous year - an overall moderate decline that was largely offset by the extremely strong development in China. Outside of China and Indonesia, production decreased significantly by a further 15% in 2020 after a decline of 9% in 2019. After a slump of over 33% in the second quarter of 2020, an increase in stainless steel production and raw material demand set in with the recovery in the manufacturing sector. This continued in the first two months of 2021.

The raw material prices relevant for the company recovered significantly in the fourth quarter and rose to the pre-crisis level at the end of the year, in some cases significantly higher. The prices for nickel on the London Metal Exchange (LME) were quoted at \$16,800 per ton in December, well above the annual low of around \$11,000 per ton reached in April. This development was supported on the one hand by the onset of the economic recovery and on the other hand by significantly increased investor interest, as well as persistently positive signals from the field of electromobility. On average, the price of nickel in 2020 was \$13,750 per ton, around 1% below the previous year. Of the other relevant raw material prices, the average price for ferrochrome was \$1.11 per pound, around 1% above the previous year. The iron valuation in scrap was an average of \$270 per ton, a loss of around 2% compared to the previous year. Towards the end of the year, however, the valuation rose to a level last seen two years ago.

The course of business for the company in 2020 was clearly affected by the COVID-19 pandemic. In the past financial year, extensive measures to protect employees and the company were initiated and implemented. The individual measures to protect employees ranged from general rules of conduct for the prevention of infections to the nationwide establishment of home office workplaces for certain activities. The abrupt slump in business activity in the second quarter of 2020 was countered with the lay-off of staff and the usage of the UK government's Coronavirus Job Retention Scheme.

In summary, Q1 remained relatively comparable to prior years before volumes were heavily impacted in Q2, following the implementation of the UK national lockdown. During this period, supply continued to be significantly impacted by the ability to source scrap within the market. As purchasing and prices increased during H2, the margins showed recovery and resulted in positive signs. This, coupled with ongoing cost reduction schemes being fully completed, means the recovery in performance is forecast to continue into the forthcoming year.

Prior year investment meant the merger of our Midlands sites was fully completed, and then also additionally included the incorporation of our South-west operations in January 2020. This Midlands region expansion during 2019/2020 allowed us to further reduce our future cost base.

In line with our commitments to reduce the environmental impact of the business, several projects were undertaken with particular emphasis on reduction in logistics. This resulted in further qualitative and quantitative benefits expected to be realised throughout 2021. The company continues to invest and place emphasis on Quality, Health & Safety and Environmental Management Systems.

### Future Outlook

The company remains cautiously optimistic about the year 2021. At the moment, not least thanks to the gradual roll-out of vaccination campaigns against COVID-19 and supported by economic stimulus programs, a gradual recovery is also expected in the industrialised countries. Global industrial production could increase by more than 6% in 2021. This also seems to be an end to the recession that began before COVID-19. With the expected progress of a gradual economic recovery, a considerable recovery of the stainless steel industry and its raw material requirements is becoming apparent. Overall, global stainless steel production is expected to increase in the low double-digit range, with production outside of China and Indonesia returning to 2019 levels. The first half of the year in particular will be characterised by the corresponding catch-up effects.

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 2021 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 on business and manufacturing continues to put pressure on current and anticipated turnover.

Management continues 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.

The further unclear course of the COVID-19 pandemic is leading to noticeable uncertainties. Depending on its severity and further development, the COVID-19 pandemic could continue to have a negative impact on the global economy and slow down the expected recovery in the regions and segments that are relevant for the company. This in turn would have a negative impact on the business development of iron alloys in 2021.

### 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;
- The ongoing COVID-19 pandemic - in line with government guidelines, the company continues with measures 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.

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:

	2020 %	2019 %	2018 %
Growth/(decline) in turnover – all operations	(30)	(17)	(7)
Growth/(decline) in sales volumes (tonnage)	(26)	(11)	(13)
Gross profit margin – all operations	3.8	3.9	4.1

Duty to promote the success of the company – Section 172 statement

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 directors ensure appropriate planning is made when making decisions to ensure they have a positive impact on the business in the long term. Such decisions and plans are reviewed at appropriate intervals during implementation, to ensure they continue to have a positive impact on the business.
- the interests of the company's employees*

The directors ensure that employees are competent, based on their skills, training and experience, to complete their job role safely and effectively to meet the needs of the business. Directors encourage and promote the development of employees, through further training and mentoring, to enable employees to further increase their competence and reach their full potential. Directors ensure succession plans are developed and implemented to help identify and develop employees for future key and managerial roles. Directors encourage consultation with employees, to help promote the needs of the business and identify opportunities for improvement. Our ISO 45001 accredited Health & Safety Management System enables us to identify potential risks to employees and ensure such risks are adequately managed and controlled to protect the health & safety of our employees.
- the need to foster the company's business relationships with suppliers, customers, and others*

As part of our ISO 9001 accredited QMS (Quality Management System), we ensure supplier, customer and other interested parties' needs and expectations are established. We ensure we meet their needs and expectations by conducting regular reviews of their requirements. The directors give their full support to the QMS and promote the continual improvement of the system, which includes ensuring adequate resource is available. The QMS is reviewed by the directors at suitable intervals.
- the impact of the company's operations on the community and the environment*

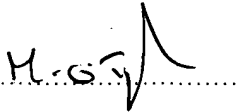
Our ISO 14001 accredited EMS (Environmental Management System) ensures we identify potential environmental aspects for which the business can have either a positive or negative impact on. We then ensure such environmental impacts are suitably managed and controlled to help the company have a positive impact on the environment. By the nature of our business, recycling metals, we contribute to group savings of several million tonnes of CO<sub>2</sub> emissions every year, helping to protect the environment for future generations. Environment risks and opportunities for improvement are regularly reviewed by the directors to ensure the company continuously improves its environmental performance. The company supports and makes financial donations to charities within the local community.

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Duty to promote the success of the company – Section 172 statement (continued)

- *the desirability of the company maintaining a reputation for high standards of business conduct*  
The directors are committed to maintaining and improving the company's reputation for high standards of business conduct. This includes maintaining the company ISO 9001, ISO 14001 and ISO 45001 accreditations. These accreditations include the requirement to continuously improve the performance of the Quality, Health, Safety & Environmental Management Systems.
- *the need to act fairly between members of the company*  
After weighing up all relevant factors, the directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, the directors act fairly as between the company's members but are not required to balance the company's interest with those of other stakeholders, and this can mean that certain stakeholders' interests may not be fully aligned.

Signed for and on behalf of the Board by:



M J Tighe  
Director

Date: 13/05/2021

The directors present their report together with the audited financial statements for the year ended 31 December 2020.

## Directors

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

J Bower  
 D Drafz (resigned 20 November 2020)  
 J Greenwood (resigned 10 July 2020)  
 K Mueller (resigned 12 June 2020)  
 M Vaughan (resigned 18 December 2020)

The following director resignations and appointments took place after the year end:

J Bower (resigned 15 January 2021)  
 A Dodd (appointed 14 January 2021)  
 N Stretton (appointed 14 January 2021)  
 M Tighe (appointed 14 January 2021)

## Streamlined Energy & Carbon Reporting

Under changes introduced by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, large unquoted companies are now obliged to report their UK energy use and associated greenhouse gas ('GHG') emissions in their annual reports.

In order to comply with Streamlined Energy & Carbon Reporting scheme, the company has engaged an energy specialist, Brownlow Utilities.

Below is a summary of the carbon produced by the energy consumed during the year. The carbon is measured against sales tonnage to provide the required intensity ratio. As this is the first year of the SECR scheme, the data covers one financial year. In subsequent years, the directors will report on both the current and the previous year.

Year ended 31 December 2020			
Energy	Conversion*	KWh	KGCO2e
Electricity	0.23314	1,180,695	259,754
Gas	0.20374	47,607	9,699
Transport	Diesel	1,777,881	454,569
	Petrol	158,622	38,329
	Gas Oil	1,112,719	303,884
Total Energy Consumption		4,277,524	1,066,235
Total Sales Tonnage (t)		97,479	
Group Intensity Ratio (KGCO2e per Sales Tonnage (t))		10.94	

\*UK GOV Greenhouse gas reporting: conversion factors 2020  
<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>



**Streamlined Energy & Carbon Reporting (continued)**

KPIs	Unit	Jan 20-Dec 20
Direct (Scope 1) CO <sub>2</sub> emissions	KG CO <sub>2</sub> e	269,454
Indirect (Scope 2) CO <sub>2</sub> emissions	KG CO <sub>2</sub> e	796,782
Emissions from energy exports	KG CO <sub>2</sub> e	0
Total CO <sub>2</sub> e (net energy export)	KG CO <sub>2</sub> e	0
Energy consumption	KWh	4,277,524
Energy exported	KWh	0
Total KGCO <sub>2</sub> e emissions	KGCO <sub>2</sub> e	1,066,235
Total Sales Tonnage (t)	t	97,479
Group Intensity Ratio (KGCO <sub>2</sub> e per Sales Tonnage (t))		10.94

*Principal measures taken*

During the year, the energy efficiency actions taken by the company involved fitting 6 new LED lights to external lighting. This is a continuation of the company's lighting efficiency programme of replacing inefficient lighting in the yards across various sites.

*References and methodology*

The energy data used in this report relates to invoiced consumption against specific meter points for the specified period, and has been qualified by the suppliers of the invoices. Transport and supplementary fuel data were provided directly by the company, together with the selected intensity ratio metric and the supporting intensity ratio data.

Conversion Factors*	Unit	Conversion Method
Electricity (UK Electricity) (KWh)	KGCO <sub>2</sub> e	x 0.23314
Gas (Natural Gas) (KWh Net CV)	KGCO <sub>2</sub> e	x 0.20374
Diesel (avg. biofuel blend)	KWh per KGCO <sub>2</sub> e	x 0.25568
Diesel (litres)	KWh per litre	x 9.96 (Net CV KWh/litre)
Diesel (litres)	KWh	Diesel KWh per litre x Total Litres
Petrol (avg. biofuel blend)	KWh per KGCO <sub>2</sub> e	x 0.24164
Petrol (litres)	KWh per litre	x 8.97 (Net CV KWh/litre)
Petrol (litres)	KWh	Petrol KWh per litre x Total Litres
Gas Oil	KWh per KGCO <sub>2</sub> e	x 0.27310
Gas Oil (litres)	KWh per litre	x 10.1 (Net CV KWh/litre)
Gas Oil (litres)	KWh	Gas Oil KWh per litre x Total Litres

**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:

  
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M J Tighe  
Director

Date: ..... 13/05/2021

**Statement of Directors' Responsibilities**

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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

We have audited the financial statements of ELG Haniel Metals Ltd (the 'company') for the year ended 31 December 2020, 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 2020 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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**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 directors' responsibilities statement set out on page 8, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The company is subject to laws and regulations that directly and indirectly affect the financial statements. Based on our understanding of the company and the environment it operates within, we determined that the laws and regulations which were most significant included IFRSs as adopted by the European Union, Companies Act 2006 and Health and Safety regulations. We considered the extent to which non-compliance with these laws and regulations might have a material effect on the financial statements, including how fraud might occur. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to improve the company's result for the period, and management bias in key accounting estimates.

Audit procedures performed by the engagement team included:

- Discussions with management and those responsible for legal compliance procedures within the company to obtain an understanding of the legal and regulatory framework applicable to the company and how the company complies with that framework, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of Board meetings;
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud and non-compliance with laws and regulations;
- Obtaining confirmation from the company's solicitors of matters referred to them;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of the IAS19 defined benefit pension asset and the discounted cashflows used to assess goodwill impairment;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the more removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/>. This description forms part of our auditor's report.

#### 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.



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

Pegasus House  
463a Glossop Road  
Sheffield  
S10 2QD

Date: 14/5/21

## Income Statement

for the year ended 31 December 2020

	Note	2020 £	2019 £
Revenue	2	98,066,656	140,290,646
Cost of sales		(94,313,237)	(134,837,559)
<b>Gross profit</b>		3,753,419	5,453,087
Administrative expenses	25	(6,331,822)	(6,083,677)
Other operating income		278,658	-
<b>Operating (loss)/profit</b>		(2,299,745)	(630,590)
Finance costs	6	(668,261)	(1,488,050)
<b>(Loss)/profit before income tax</b>		(2,968,006)	(2,118,640)
Income tax	7	553,034	402,656
<b>(Loss)/profit for the year</b>	3	(2,414,972)	(1,715,984)
<b>Attributable to:</b>			
Equity holders of the company		(2,414,972)	(1,715,984)

*All amounts relate to continuing operations.*

*The notes on pages 17 to 37 form part of these financial statements*

## Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020 £	2019 £
(Loss)/ profit for the year		(2,414,972)	(1,715,984)
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of post-employment benefit obligations		(3,329,910)	1,121,850
<b>Other comprehensive income for the year, net of tax</b>	7	(3,329,910)	1,121,850
<b>Total comprehensive income for the year</b>		<u>(5,744,882)</u>	<u>(594,134)</u>
<b>Attributable to:</b>			
Equity holders of the company		<u>(5,744,882)</u>	<u>(594,134)</u>

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.

*The notes on pages 17 to 37 form part of these financial statements*



## Balance Sheet

as at 31 December 2020

	Note	2020 £	2019 £
<b>Non-current assets</b>			
Intangible assets	8	11,790,265	11,795,651
Property, plant and equipment	9	9,115,997	9,068,826
Right-of-use assets	10	433,109	777,465
Investments	11	2	2
Deferred income tax asset	17	1,650,000	465,000
Retirement benefit asset	22	631,000	4,062,000
		<u>23,620,373</u>	<u>26,168,944</u>
<b>Current assets</b>			
Inventories	12	12,851,317	22,608,063
Trade and other receivables	13	15,843,249	12,446,998
Derivative financial instruments	24	411,942	1,457,680
Cash and cash equivalents	14	3,213	2,833
		<u>29,109,721</u>	<u>36,515,574</u>
<b>Total assets</b>		<u>52,730,094</u>	<u>62,684,518</u>
<b>Equity</b>			
Share capital	18	5,100,000	5,100,000
Retained earnings	19	6,369,590	12,114,472
<b>Total equity</b>		<u>11,469,590</u>	<u>17,214,472</u>
<b>Current liabilities</b>			
Trade and other payables	16	37,585,918	42,608,209
Lease liabilities	21	187,853	239,052
Bank overdraft	14	2,894,157	1,967,153
Derivative financial instruments	24	347,354	118,290
		<u>41,015,282</u>	<u>44,932,704</u>
<b>Non-current liabilities</b>			
Lease liabilities	21	245,222	537,342
<b>Total liabilities</b>		<u>41,260,504</u>	<u>45,470,046</u>
<b>Total equity and liabilities</b>		<u>52,730,094</u>	<u>62,684,518</u>

The financial statements were approved and authorised for issue by the board of directors on 13/05/2021 and were signed on its behalf by:

  
M J Tighe  
Director

The notes on pages 17 to 37 form part of these financial statements

## Statement of Changes in Equity

as at 31 December 2020

## Attributable to equity holders of the company

	Share Capital £	Retained Earnings £	Total £
At 1 January 2019	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
(Loss) for the year	-	(2,414,972)	(2,414,972)
Other comprehensive income for the year	-	(3,329,910)	(3,329,910)
Total comprehensive income for the year	-	(5,744,882)	(5,744,882)
At 31 December 2020	5,100,000	6,369,590	11,469,590

*The notes on pages 17 to 37 form part of these financial statements*

## Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 £	2019 £
<b>Net cash generated from/(used in) operating activities</b>	20	<u>73,000</u>	<u>(307,937)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		244,354	1,852,900
Purchases of property, plant and equipment		<u>(979,974)</u>	<u>(3,129,463)</u>
<b>Net cash generated from/(used in) investing activities</b>		<u>(735,620)</u>	<u>(1,276,563)</u>
<b>Cash flows from financing activities</b>			
Lease payments		<u>(264,004)</u>	<u>(327,197)</u>
<b>Net cash generated from/(used in) financing activities</b>		<u>(264,004)</u>	<u>(327,197)</u>
Net (decrease)/increase in cash and cash equivalents		(926,624)	(1,911,697)
<b>Cash and cash equivalents at 1 January 2020</b>	14	<u>(1,964,320)</u>	<u>(52,623)</u>
<b>Cash and cash equivalents at 31 December 2020</b>	14	<u><u>(2,890,944)</u></u>	<u><u>(1,964,320)</u></u>

*The notes on pages 17 to 37 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
Plant and equipment	12.5% straight line
Motor vehicles	20% straight line
Fixtures and fittings	10%/33.3% straight line

***Foreign Currencies***

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

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost of scrap is determined by average cost and a review is undertaken periodically to ensure average cost approximates to actual cost. Where necessary, provision is made for obsolete, slow moving and defective stocks.

***Financial instruments***

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

***Trade receivables***

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

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.

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

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

***Trade payables***

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

***Employee benefits***

The company operates a defined benefit pension scheme for the benefit of 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 asset or 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.

***Taxation***

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

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

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

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

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

***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.

***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:

	2020 £	2019 £
United Kingdom	39,221,354	64,659,901
Rest of Europe	43,917,342	27,882,685
Rest of the World	14,927,960	47,748,060
	<u>98,066,656</u>	<u>140,290,646</u>

**3. (Loss)/profit for the year**

	2020 £	2019 £
<b>(Loss)/profit for the year has been arrived at after charging / (crediting):</b>		
Depreciation of property, plant and equipment	918,859	877,304
Depreciation of right-of-use assets	250,875	298,830
(Gain)/loss on disposal of property, plant and equipment	(230,949)	68,707
Amortisation of other intangible assets included in administrative expenses	5,919	5,447
Fair value loss/(gain) on derivatives	1,274,802	(317,700)
Foreign exchange (gain)/loss	(378,028)	(1,211,280)
Staff costs (note 5)	5,594,507	5,037,600
Write down of inventories recognised as an expense	59,010	1,132,389
Grants and similar funding	278,658	-
Cost of inventories recognised as an expense	<u>87,540,012</u>	<u>125,871,105</u>

**4. Auditors' remuneration**

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

	2020 £	2019 £
Fees payable to the auditor for the audit of the company's annual accounts	44,500	44,500
Fees payable to the auditor for other services:		
-Taxation compliance services	9,500	8,750
-All other non-audit services	18,500	5,500
	<u>72,500</u>	<u>58,750</u>

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

Audit	<u>8,750</u>	<u>8,500</u>
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## Notes to the Financial Statements

for the year ended 31 December 2020

## 5. Staff costs

	2020 £	2019 £
Staff costs during the year were as follows:		
Wages and salaries (note 25)	4,611,912	3,960,496
Social security costs	379,204	429,374
Pension costs – defined benefit plans (note 23)	(80,000)	(62,000)
Pension costs – defined contribution plans (note 23)	634,937	654,935
Other post-employment benefits	48,454	54,795
	<u>5,594,507</u>	<u>5,037,600</u>

	2020 Number	2019 Number
The average monthly number of employees, including directors, during the year was as follows:		
Production	63	77
Selling and Distribution	34	38
	<u>97</u>	<u>115</u>

## 6. Finance costs

	2020 £	2019 £
Interest on group loans	665,323	1,415,170
Bank interest and factoring charges	(11,229)	45,584
Interest on lease liabilities	14,167	27,296
Total finance costs	<u>668,261</u>	<u>1,488,050</u>

7. Income tax	2020 £	2019 £
<b>Current tax</b>		
Group relief credit	(149,124)	(219,506)
	<u>(149,124)</u>	<u>(219,506)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(403,910)	(183,150)
	<u>(553,034)</u>	<u>(402,656)</u>
<b>Total income tax (credit)/expense</b>		
	<u>(553,034)</u>	<u>(402,656)</u>
<b>Reconciliation of tax (credit)/expense</b>	<b>2020 £</b>	<b>2019 £</b>
(Loss)/profit before tax	<u>(2,968,006)</u>	<u>(2,118,640)</u>
Tax at the effective UK corporation tax rate of 19% (2019 - 19%)	(563,921)	(402,542)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	8,676	13,527
Other differences	2,211	(13,641)
	<u>(553,034)</u>	<u>(402,656)</u>
Tax (credit)/expense		
	<u>(553,034)</u>	<u>(402,656)</u>

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

	Before tax £	Deferred tax (charge)/ credit £	After tax £
<b>2020</b>			
Remeasurement of post-employment benefit liabilities	<u>(4,111,000)</u>	<u>781,090</u>	<u>(3,329,910)</u>
<b>2019</b>			
Remeasurement of post-employment benefit liabilities	<u>1,385,000</u>	<u>(263,150)</u>	<u>1,121,850</u>

## Notes to the Financial Statements

for the year ended 31 December 2020

## 8. Intangible assets

	Goodwill £	Software £	Total £
<b>Cost</b>			
At 1 January 2019	11,896,850	138,812	12,035,662
Additions	-	6,704	6,704
At 1 January 2020	11,896,850	145,516	12,042,366
Additions	-	533	533
At 31 December 2020	11,896,850	146,049	12,042,899
<b>Amortisation and impairment</b>			
At 1 January 2019	110,000	131,268	241,268
Charge for the year	-	5,447	5,447
At 1 January 2020	110,000	136,715	246,715
Charge for the year	-	5,919	5,919
At 31 December 2020	110,000	142,634	252,634
<b>Carrying amounts</b>			
At 31 December 2020	11,786,850	3,415	11,790,265
At 31 December 2019	11,786,850	8,801	11,795,651

*Impairment tests for Goodwill*

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

	2020 £	2019 £
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	4.69%

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 £
<b>Cost</b>					
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	(129,198)	(520,001)	(189,413)	(170,000)	(1,008,612)
At 1 January 2020	10,019,908	-	9,498,358	1,557,983	21,076,249
Additions	53,369	-	913,957	12,115	979,441
Disposals	-	-	(793,854)	(225,078)	(1,018,932)
At 31 December 2020	10,073,277	-	9,618,461	1,345,020	21,036,758
<b>Accumulated Depreciation</b>					
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	(90,202)	(281,936)	(187,097)	(169,998)	(729,233)
At 1 January 2020	3,751,681	-	7,117,648	1,138,094	12,007,423
Charge for the year	325,443	-	449,396	144,020	918,859
Eliminated on disposal	-	-	(793,832)	(211,689)	(1,005,521)
At 31 December 2020	4,077,124	-	6,773,212	1,070,425	11,920,761
<b>Carrying amounts</b>					
At 31 December 2020	5,996,153	-	2,845,249	274,595	9,115,997
At 31 December 2019	6,268,227	-	2,380,710	419,889	9,068,826

## 10. Right-of-use assets

	Land and buildings £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>				
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 1 January 2020	207,180	647,612	200,770	1,055,562
Additions	-	36,722	34,750	71,472
Disposals	(207,180)	(99,087)	(53,326)	(359,593)
At 31 December 2020	-	585,247	182,194	767,441
<b>Accumulated Depreciation</b>				
At 1 January 2019	-	-	-	-
Charge for the year	24,045	180,744	94,041	298,830
Disposals	-	(8,610)	(12,123)	(20,733)
At 1 January 2020	24,045	172,134	81,918	278,097
Charge for the year	18,182	163,624	69,069	250,875
Disposals	(42,227)	(99,087)	(53,326)	(194,640)
At 31 December 2020	-	236,671	97,661	334,332
<b>Carrying amounts</b>				
At 31 December 2020	-	348,576	84,533	433,109
At 31 December 2019	183,135	475,478	118,852	777,465

## 11. Investments

Shares in group  
undertakings  
£**Cost and net book value**

At 1 January 2020 and 31 December 2020

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 2020, 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	<u>1</u>	<u>-</u>

## 12. Inventories

2020  
£2019  
£

Raw materials	<u>12,851,317</u>	<u>22,608,063</u>
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## 13. Trade and other receivables

2020  
£2019  
£

Trade receivables	13,911,420	9,753,849
Other receivables	1,487,212	2,019,295
Amounts due from group undertakings	314,879	244,539
Prepayments and accrued income	<u>129,738</u>	<u>429,315</u>
	<u>15,843,249</u>	<u>12,446,998</u>

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.

## Notes to the Financial Statements

for the year ended 31 December 2020

14. Cash and cash equivalents	2020 £	2019 £
Cash in hand	3,213	2,833
Bank overdrafts	(2,894,157)	(1,967,153)
Cash and cash equivalents in the statement of cash flows	<u>(2,890,944)</u>	<u>(1,964,320)</u>

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.

## 15. Credit risk

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

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

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

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

16. Trade and other payables	2020 £	2019 £
Trade payables	5,570,740	7,913,049
Amounts due to group undertakings	30,723,556	34,285,330
Other tax and social security	134,184	139,421
Other creditors	76,856	55,270
Accrued expenses	1,080,582	215,139
	<u>37,585,918</u>	<u>42,608,209</u>

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

## 17. Deferred income tax

The following are the deferred tax 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 2019	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
Credit/(charge) to income statement	(20,000)	-	(131,090)	555,000	403,910
Credit/(charge) to other comprehensive income	-	-	781,090	-	781,090
At 31 December 2020	510,000	-	(120,000)	1,260,000	1,650,000

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

	2020 £	2019 £
Deferred tax assets	1,650,000	465,000

At the balance sheet date, the company has unused tax losses of £6,619,443 (2019 - £3,715,115) 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.



## Notes to the Financial Statements

for the year ended 31 December 2020

18. Share capital	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
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
	<u>5,100,000</u>	<u>5,100,000</u>

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

## 19. Retained earnings

Included within retained earnings is an amount of £11,786,850 (2019 - £11,786,850) that represents unrealised profits.

20. Note to the statement of cash flows	2020 £	2019 £
(Loss)/ profit for the year	(2,414,972)	(1,715,984)
<i>Adjustments for:</i>		
Finance costs	668,261	1,488,050
Income tax (credit)/expense	(553,034)	(402,656)
Fair value loss/(gain) on derivatives	1,274,802	(317,700)
Depreciation of property, plant and equipment	918,859	877,304
Depreciation of right-of-use assets	250,875	298,830
(Gain)/loss on disposal of property, plant and equipment	(230,949)	68,707
Amortisation of other intangible assets	5,919	5,447
Adjustment for pension funding	(680,000)	(662,000)
Operating cash flows before movements in working capital	<u>(760,239)</u>	<u>(360,002)</u>
Decrease in inventories	9,756,746	6,091,153
(Increase)/decrease in receivables	(3,466,633)	6,665,423
(Decrease) in payables	<u>(5,027,423)</u>	<u>(11,229,737)</u>
Cash generated from operations	502,451	1,166,837
Receipt for group relief losses	219,506	-
Interest paid	(648,957)	(1,474,774)
<b>Net cash from/(used in) operating activities</b>	<u>73,000</u>	<u>(307,937)</u>

**21. Lease Arrangements**

The company leases 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 16.

<i>Maturity analysis for lease liabilities</i>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Due within one year	187,853	239,052
Due after one year and within five years	245,222	537,342
	<u>433,075</u>	<u>776,394</u>

**22. 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 2020, 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 S. Young, Fellow of the Institute of Actuaries, at 31 December 2020.

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

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

	<b>2020</b> £	2019 £
Net interest income	(90,000)	(62,000)
Past service cost	10,000	-
Components of defined benefit cost recognised in profit or loss within administrative expenses	<u>(80,000)</u>	<u>(62,000)</u>

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

	<b>2020</b> £	2019 £
The return on plan assets (excluding interest income)	4,947,000	4,536,000
Actuarial gains/(losses) from changes in demographic assumptions	(1,240,000)	378,000
Actuarial gains/(losses) from changes in financial assumptions	(7,210,000)	(3,529,000)
Actuarial gains/(losses) from experience adjustments	(608,000)	-
Remeasurement of the net defined benefit asset	<u>(4,111,000)</u>	<u>1,385,000</u>

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

	<b>2020</b> £	2019 £
Present value of defined benefit obligations	(47,011,000)	(40,951,000)
Fair value of scheme assets	47,642,000	45,013,000
Asset on the balance sheet	<u>631,000</u>	<u>4,062,000</u>

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

	<b>2020</b> £	2019 £
At start of year	4,062,000	2,015,000
Net interest income	90,000	62,000
Past service cost	(10,000)	-
Remeasurements	(4,111,000)	1,385,000
Employer contributions	600,000	600,000
At end of year	<u>631,000</u>	<u>4,062,000</u>

## Notes to the Financial Statements

for the year ended 31 December 2020

## 22. Retirement Benefit Schemes – cont'd

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

	2020 £	2019 £
At start of year	(40,951,000)	(38,601,000)
Interest expense	(781,000)	(1,018,000)
Past service cost	(10,000)	-
Benefits paid	3,789,000	1,819,000
Gain/(loss) from experience adjustment	(608,000)	-
Gain/(loss) from change in demographic assumptions	(1,240,000)	378,000
Gain/(loss) from change in financial assumptions	(7,210,000)	(3,529,000)
At end of year	<u>(47,011,000)</u>	<u>(40,951,000)</u>

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

	2020 £	2019 £
At start of year	45,013,000	40,616,000
Interest income on plan assets	871,000	1,080,000
The return on plan assets (excluding interest income)	4,947,000	4,536,000
Benefits paid	(3,789,000)	(1,819,000)
Total contributions	600,000	600,000
At end of year	<u>47,642,000</u>	<u>45,013,000</u>

The significant actuarial assumptions were as follows:

	2020	2019
Discount rate	1.2%	2.0%
Inflation (RPI/CPI)	2.95%/2.15%	2.8%/2.0%
Salary growth rate	2.15%	2.0%
Pension growth rate (max 5%)	2.85%	2.7%
Pension growth rate (max 2.5%)	2.0%	2.0%

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:

	2020	2019
Male	23 years	22 years
Female	25 years	24 years

**22. 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 9.4%	Increase by 10.6%
Inflation rate	0.5%	Increase by 4.8%	Decrease by 4.9%
		Increase assumption by one year	Decrease assumption by one year
Life expectancy		Increase by 4.4%	Decrease by 4.2%

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:

	2020 £	2019 £
Equities	6,074,000	5,354,000
Bonds	33,485,000	31,701,000
Property	778,000	772,000
Cash	1,797,000	2,297,000
Investment funds	4,304,000	3,801,000
Purchased annuities	1,204,000	1,088,000
	<u>47,642,000</u>	<u>45,013,000</u>

The average term of the defined benefit obligation is 20 years.

Expected contributions to the scheme for the year ending 31 December 2021 are £600,000.

The actual return on plan assets during the year was £5,818,000.

**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 £634,937 (2019 - £654,935).

**23. Related Party Transactions****Ultimate parent undertaking**

The directors regard ELG Haniel GmbH and Franz Haniel & Cie GmbH, companies incorporated in Germany, as the company's immediate and ultimate parent company and controlling party respectively. Copies of the parent's consolidated financial statements may be obtained from Kremerskamp 16, D-47138 Duisberg, Germany.

On 6 May 2021, it was announced that Aperam S.A. had signed a Share Purchase Agreement with Franz Haniel & Cie GmbH to acquire ELG Haniel GmbH. The acquisition is subject to customary regulatory approvals. The transaction is expected to be completed during the second half of 2021.

**Transactions with related parties**

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

<b>Sales of goods to related parties:</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Fellow subsidiaries	1,068,321	3,156,984
	<u>          </u>	<u>          </u>
<b>Purchase of goods and services from related parties:</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Fellow subsidiaries	2,366,853	1,701,025
	<u>          </u>	<u>          </u>
<b>Amounts payable to related parties:</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Parent undertaking	51,870	113,507
Fellow subsidiaries	251,252	252,859
	<u>303,122</u>	<u>366,366</u>
<b>Amounts receivable from related parties:</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Fellow subsidiaries	314,879	244,539
	<u>          </u>	<u>          </u>
<b>Loans from parent company:</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Due to parent company at start of year	33,918,964	45,748,047
Further loans received in year	22,000,000	47,500,000
Loans repaid in year	(25,214,400)	(58,853,033)
Exchange adjustments	(284,130)	(476,050)
	<u>30,420,434</u>	<u>33,918,964</u>

Loans from group undertakings are repayable on demand. Interest is charged on outstanding loans at an average rate of 2.0% (2019 – 3.4%) per annum. No provision has been made for doubtful debts in respect of the amounts owed by related parties.

## 23. 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".

	2020	2019
	£	£
Short-term employee benefits	410,693	490,068
Post-employment benefits	89,058	68,898
Compensation for loss of office	850,217	-
	<u>1,349,968</u>	<u>558,966</u>

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

	2020	2019
	£	£
Emoluments (including benefits in kind)	366,418	434,321
Contributions to money purchase pension schemes	89,058	68,898
Compensation for loss of office	850,217	-
	<u>1,305,693</u>	<u>503,219</u>

Other director disclosures in respect of qualifying services:

	2020	2019
	Number	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	<u>3</u>	<u>3</u>

D Drafz 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**

	2020	2019
	£	£
Aggregate emoluments	157,800	156,366
Aggregate value of company contributions to money purchase schemes	34,891	18,262
Pension accrual as at retirement date under defined benefit scheme	<u>15,094</u>	<u>14,026</u>

**24. Derivative financial instruments**

	<b>Assets</b>	<b>2020</b>	<b>Assets</b>	<b>2019</b>
	<b>£</b>	<b>Liabilities</b>	<b>£</b>	<b>Liabilities</b>
		<b>£</b>		<b>£</b>
Forward foreign exchange contracts	188,180	31,495	110,933	20,345
Forward commodity contracts	223,762	315,859	1,346,747	97,945
	<u>411,942</u>	<u>347,354</u>	<u>1,457,680</u>	<u>118,290</u>

**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.

**25. Exceptional item**

Included within staff costs and administrative expenses is an amount of £1,050,427 (2019 - £nil) relating to severance payments and compensation for loss of office paid to certain directors and members of senior management.