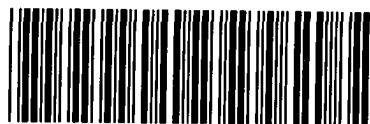


AMARI METALS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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AMARI METALS LIMITED

COMPANY INFORMATION

Directors	R W Colburn S A Hussey A Roberts C Meredith
Company secretary	M Hale
Registered number	02023155
Registered office	Parkway House Unit 6 Parkway Industrial Estate Pacific Avenue Wednesbury West Midlands England WS10 7WP
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1020 Eskdale Road Winnersh Wokingham Berkshire RG41 5TS

AMARI METALS LIMITED

CONTENTS

	Page
Group strategic report	1 - 2
Directors' report	3 - 5
Independent auditor's report	6 - 8
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10
Company statement of financial position	11 - 12
Consolidated statement of changes in equity	13
Company statement of changes in equity	14
Consolidated statement of cash flows	15 - 17
Notes to the financial statements	17 - 47

AMARI METALS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Principal activities

The principal activity of the group during the year was metal stockholding and the principal activity of this company was to act as a holding company.

The subsidiary undertakings principally affecting the loss or net assets of the group during the year are listed in note 17 to the financial statements.

Business review and future development

The loss for the year, after taxation, amounted to £288,895 (2017: profit of £12,821,343). The directors have not recommended a dividend (2017: £2,000,000).

Various key performance indicators are used by the directors to monitor and compare the performance of the group. They regard the following as the key financial indicators of performance, all of which can be observed in the attached financial statements. The group uses other performance indicators in the day to day operations but the directors consider these commercially sensitive and have therefore not disclosed these indicators.

- Turnover £549.3 million (2017: £533.1 million)
- Profit before tax £2.0 million (2017: £16.1 million)
- Net assets £79.7 million (2017: £80.2 million)
- Average number of employees decreased from 1,645 to 1,632

The directors of the group are not satisfied with the results for the year. Whilst gross profit decreased compared to 2017, in a broadly flat market, operating expenses have been subject to inflationary pressures, with some investment for future growth. To provide a platform for sustainable growth and to negate the impact of the specific risks and uncertainties highlighted below, the group will continue to implement operational efficiency improvements, thereby enhancing productivity and reducing operating expenses.

The statement of comprehensive income includes an FRS 102 adjustment relating to the defined benefit pension scheme deficit, calculated by the scheme actuary. The net movement on the defined benefit pension scheme deficit for the year is an increase in the deficit of £0.7m, details of which are contained within note 28 to the financial statements. The scheme liabilities increased during the year as a result of a landmark court ruling in the UK to equalise the guaranteed minimum pension benefits of the plan. The increase in pension plan liabilities of £2.1m has been recognised as an exceptional cost in the income statement.

During the year two subsidiaries, Righton Limited and Blackburns Metals Limited, merged for strategic purposes to form Righton & Blackburns Limited. The exceptional costs of £8.4m have been recognised in the income statement relating to the one-off costs of the merger.

AMARI METALS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

The principal risks and uncertainties of the group are fluctuations in raw material prices, movements in exchange rates, continuing political instability including the unknown effect of Brexit on the economy, changes in government legislation, costs of complying with excessive and burdensome government regulation and the credit risk arising from trade debtors.

Whilst the group takes action to mitigate the principal risks, where possible, there are specific risks and uncertainties outside of its control that could impact on the future financial performance of the group. Specific examples of such risks relate to government imposed levies, which could result in a significant increase in the operating costs of the group and a subsequent reduction in profitability and capital available for future reinvestment with no net benefit to the group or the nation.

The company seeks to manage foreign exchange risks through the judicious use of forward currency contracts and has a rigorous and effective system of controls in place to manage and mitigate the risks associated with trade debtors, as detailed in the directors' report on page 4. The company has procedures in place to mitigate the potential adverse effect of Brexit on the supply chain.


The ultimate parent company is privately held, as is the company, and the directors are of the opinion that the requirement to publish private accounts is a violation of both the spirit and law under European Union right to privacy legislation.

Going concern

The directors of the parent undertaking, Amari Metals Limited, having carefully considered all pertinent matters are satisfied that the company and group is a going concern and that sufficient funds are available for a period of at least twelve months from the date of signing these financial statements.

The directors have considered the net current liability position of the company, which occurs as a result of the amounts owed to group undertakings, specifically wholly owned subsidiaries, and are satisfied that these amounts should not be repaid in the 12 months from the date of signing. The company participates in a group treasury function available to the parent and all companies in the group; the directors of this company accordingly continue to prepare the financial statements on the going concern basis.

This report was approved by the board and signed on its behalf.


A Roberts
Director

Date: 29th October 2019

AMARI METALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year, after taxation, amounted to £288,895 (2017: profit £12,821,343).

The directors have not recommended a dividend (2017: £2,000,000).

Directors

The directors who served during the year were:

R W Colburn
S A Hussey
A Roberts
C Meredith

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 group 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Political contributions

The group did not make any donations during the year ended 31 December 2018 (2017: £Nil).

AMARI METALS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Financial risk management objectives and policies

The group uses a variety of financial instruments including cash, borrowings, equity investments and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the group's operations.

The directors are of the view that the main risks arising from the group's financial instruments are liquidity risk, market risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies remain unchanged from previous years.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Market risk

The group is exposed to transaction foreign exchange risk. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Fluctuations in metal prices are reviewed on a regular basis and taken into consideration when placing purchase orders and setting the selling price of the group's stock range.

Credit risk

The group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set a policy of monitoring exposure with customers based on a combination of payment history and third party credit references. Exposure levels are reviewed by senior management on a regular basis.

Employee consultation and disabled employees

Recruitment policies are designed to ensure equal opportunity of employment. Appropriate consideration is given to disabled applicants in offering employment, training and career development.

Good communications and relations with employees are attempted, mainly by practices developed in each operating unit compatible with its own particular circumstances. Senior management are kept informed of group developments in certain financial, commercial, strategic and personnel matters as needed, and are thereby enabled to inform and discuss with the employees as appropriate at the individual operating units.

Qualifying third party indemnity provisions

The company has maintained directors' and officers' liability insurance in respect of its directors. The group intends to cancel the insurance shortly after the approval of these financial statements.

Provision of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the each directors 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 and the group's auditor is aware of that information.

AMARI METALS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Post balance sheet events

The group continues to focus on organic growth, margin improvements and overhead control. On 28th February 2019 the group acquired the entire share capital in ABL Holdings Limited and Capalex Holdings Limited. The acquisitions will represent an increase in the size of the business of less than 2%. At the date of issue of these accounts both companies are profitable and will add to the group's financial position, whilst profitable this is not expected to be material to the group in the early years. Equinox International Limited ceased trading in 2016 and is in the process of being liquidated.

This report was approved by the board and signed on its behalf.



A Roberts
Director

Date: 29th October 2019



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AMARI METALS LIMITED

Opinion

We have audited the financial statements of Amari Metals Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, which comprise the consolidated statement of comprehensive income, the company and consolidated statement of financial position, consolidated and company statement of changes in equity, the consolidated 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 group 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 group's or the parent 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AMARI METALS LIMITED (CONTINUED)

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.

Opinions on other matters 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 group 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 group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AMARI METALS LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 group's and the parent 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 group or the parent 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member, 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 member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Mark Bishop FCA
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Reading
Date: 29 October 2019

AMARI METALS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	549,288,772	533,077,054
Change in stocks of finished goods and work in progress		12,046,633	9,434,808
Raw materials and consumables		(443,627,663)	(423,917,173)
Other external charges		(42,634,250)	(39,419,298)
Exceptional costs	14	(10,561,531)	-
Staff costs	7	(55,386,424)	(55,905,060)
Depreciation and amortisation	5	(5,896,666)	(5,409,627)
Operating profit	5	3,228,871	17,860,704
Interest income	9	42,563	27,785
Interest expense and similar charges	10	(467,172)	(615,428)
Other finance expense	11	(844,000)	(1,126,000)
Profit on ordinary activities before taxation		1,960,262	16,147,061
Tax on profit on ordinary activities before taxation	12	(2,249,157)	(3,325,718)
(Loss)/profit for the financial year		(288,895)	12,821,343
Actuarial (loss)/gain on defined benefit pension deficit	28	(257,000)	4,951,000
Movement of deferred tax relating to pension deficit	12	42,055	(860,905)
Other comprehensive income for the year		(214,945)	4,090,095
Total comprehensive (loss)/income for the year		(503,840)	16,911,438
(Loss)/profit for the year attributable to:			
Owners of the parent company		(288,895)	12,821,343
		(288,895)	12,821,343
Total comprehensive (loss)/income for the year attributable to:			
Owners of the parent company		(503,840)	16,911,438

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

All amounts relate to continuing operations.

The notes on pages 17 to 47 form part of these financial statements.

AMARI METALS LIMITED
REGISTERED NUMBER: 02023155

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	16	14,410,171	15,549,635
		<u>14,410,171</u>	<u>15,549,635</u>
Current assets			
Stocks	18	101,700,422	89,678,731
Debtors: amounts falling due after more than one year	19	6,039,760	5,968,710
Debtors: amounts falling due within one year	19	115,598,549	110,005,610
Cash at bank and in hand	20	36,101,236	47,308,109
		<u>259,439,967</u>	<u>252,961,160</u>
Creditors: amounts falling due within one year	21	(139,764,569)	(140,494,534)
Net current assets		<u>119,675,398</u>	<u>112,466,626</u>
Total assets less current liabilities		<u>134,085,569</u>	<u>128,016,261</u>
Creditors: amounts falling due after more than one year	22	(5,833,985)	(6,812,766)
Provisions for liabilities			
Other provisions	26	(10,601,754)	(3,754,825)
Net assets excluding pension liability		<u>117,649,830</u>	<u>117,448,670</u>
Pension liability	28	(37,968,000)	(37,263,000)
Net assets		<u><u>79,681,830</u></u>	<u><u>80,185,670</u></u>
Capital and reserves			
Called up share capital	30	45,600,002	45,600,002
Profit and loss account	31	34,081,828	34,585,668
Shareholder's fund		<u><u>79,681,830</u></u>	<u><u>80,185,670</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


A Roberts
 Director

Date: 29th October 2019

The notes on pages 17 to 47 form part of these financial statements.

AMARI METALS LIMITED
REGISTERED NUMBER:02023155

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	16	10,171,861	10,829,385
Investments	17	148,447,381	149,091,048
		<u>158,619,242</u>	<u>159,920,433</u>
Current assets			
Debtors: amounts falling due within one year	19	52,708,731	36,612,279
Cash at bank and in hand	20	910,806	5,001,796
		<u>53,619,537</u>	<u>41,614,075</u>
Creditors: amounts falling due within one year	21	(150,712,092)	(151,580,835)
Net current liabilities		<u>(97,092,555)</u>	<u>(109,966,760)</u>
Total assets less current liabilities		<u>61,526,687</u>	<u>49,953,673</u>
Creditors: amounts falling due after more than one year	22	(5,833,985)	(6,812,766)
Provisions for liabilities			
Other provisions	26	(57,956)	(56,566)
Net assets		<u><u>55,634,746</u></u>	<u><u>43,084,341</u></u>

AMARI METALS LIMITED
REGISTERED NUMBER:02023155

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Capital and reserves			
Called up share capital	30	45,600,002	45,600,002
Profit and loss account brought forward		(2,515,661)	3,112,010
Profit/(loss) for the year		12,550,405	(3,627,671)
Dividend paid during the year		-	(2,000,000)
		<hr/>	<hr/>
Profit and loss account carried forward		10,034,744	(2,515,661)
		<hr/>	<hr/>
Shareholder's fund		55,634,746	43,084,341
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


A Roberts
Director

Date: 29th October 2019

The notes on pages 17 to 47 form part of these financial statements.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

AMARI METALS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital £	Profit and loss account £	Total £
At 1 January 2017	45,600,002	19,674,229	65,274,231
Profit for the year	-	12,821,343	12,821,343
Actuarial losses and deferred tax movements on pension scheme	-	4,090,096	4,090,096
Total comprehensive income for the year	-	16,911,439	16,911,439
Dividends paid	-	(2,000,000)	(2,000,000)
Total transactions with owner	-	(2,000,000)	(2,000,000)
At 1 January 2018	45,600,002	34,585,668	80,185,670
Loss for the year	-	(288,895)	(288,895)
Actuarial gain and deferred tax movements on pension scheme	-	(214,945)	(214,945)
Total comprehensive income for the year	-	(503,840)	(503,840)
At 31 December 2018	45,600,002	34,081,828	79,681,830

The notes on 17 to 47 form part of these financial statements.

AMARI METALS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital £	Profit and loss account £	Total £
At 1 January 2017	45,600,002	3,112,010	48,712,012
Loss for the year	-	(3,627,671)	(3,627,671)
Total comprehensive income for the year	-	(3,627,671)	(3,627,671)
Dividends paid	-	(2,000,000)	(2,000,000)
Total transactions with owner	-	(2,000,000)	(2,000,000)
At 1 January 2018	45,600,002	(2,515,661)	43,084,341
Profit for the year	-	12,550,405	12,550,405
Total comprehensive income for the year	-	12,550,405	12,550,405
At 31 December 2018	45,600,002	10,034,744	55,634,746

The notes on pages 17 to 47 form part of these financial statements.

AMARI METALS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(288,895)	12,821,343
Adjustments for:		
Depreciation of tangible assets	5,896,666	5,409,627
Profit on disposal of tangible assets	(96,782)	(328,599)
Interest expense	467,172	615,428
Interest income	(42,563)	(27,785)
Taxation charge	2,249,157	3,325,718
(Increase) in stocks	(12,021,691)	(9,434,808)
(Increase) in debtors	(5,518,810)	(5,545,579)
Increase in creditors	1,346,543	13,494,946
Increase in provisions	6,846,929	22,412
Corporation tax paid	(2,560,957)	(3,210,036)
Pension contributions to defined benefit scheme	(2,525,000)	(2,440,000)
Other finance expense related to defined benefit pension scheme	844,000	1,126,000
Net cash (used in)/generated from operating activities	(5,404,231)	15,828,667
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,673,998)	(2,280,811)
Sale of tangible fixed assets	546,184	344,879
Interest income	42,563	27,785
Finance lease interest paid	(418,971)	(367,700)
Cash receipt on disposal of subsidiary	-	1,000,000
Net cash held at bank on disposal of subsidiary	-	(17,628)
Net cash used in investing activities	(1,504,222)	(1,293,475)

AMARI METALS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from financing activities		
Repayment of finance leases	(4,250,219)	(3,907,389)
Dividends paid	-	(2,000,000)
Interest paid	(48,201)	(247,728)
Net cash used in financing activities	<u>(4,298,420)</u>	<u>(6,155,117)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(11,206,873)</u>	<u>8,380,075</u>
Cash and cash equivalents at beginning of year	47,308,109	38,928,034
Cash and cash equivalents at the end of year	<u><u>36,101,236</u></u>	<u><u>47,308,109</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	36,101,236	47,308,109
	<u><u>36,101,236</u></u>	<u><u>47,308,109</u></u>

The notes on pages 17 to 47 form part of these financial statements.

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

The company is a private company limited by shares and is incorporated and registered in England and Wales.

Registered Number: 02023155

Registered office: Parkway House, Unit 6 Parkway Industrial Estate, Pacific Avenue, Wednesbury, West Midlands, England, WS10 7WP.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to conditions. The company has taken advantage of the exemption from preparing a statement of cash flows in its individual financial statements, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows.

The following principal accounting policies have been applied:

2.2 Consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiaries made up to the end of the financial year. Profits and losses on intra group transactions are eliminated in full.

On acquisition of a subsidiary its net assets acquired are consolidated at a fair value reflecting their condition at the date of acquisition. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are credited and charged to the post-acquisition profit and loss account or the statement of recognised gains and losses as appropriate.

On disposal of a subsidiary the results of the subsidiary are included in the profit and loss account up until the date that control has passed. The profit or loss on disposal is calculated as the difference between the proceeds received and the fair value of the net assets disposed of and the carrying value of consolidated goodwill relating to the subsidiary at the date that control has passed.

Goodwill and negative goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off/released on a straight line basis over its useful economic life of five years. Provision is made for any impairment losses.

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.3 Going concern

The directors of the parent undertaking, Amari Metals Limited, having carefully considered all pertinent matters are satisfied that the company and group is a going concern and that sufficient funds are available for a period of at least twelve months from the date of signing these financial statements.

The directors have considered the net current liability position of the company, which occurs as a result of the amounts owed to group undertakings, specifically wholly owned subsidiaries, and are satisfied that these amounts should not be repaid in the 12 months from the date of signing. The company participates in a group treasury function available to the parent and all companies in the group; the directors of this company accordingly continue to prepare the financial statements on the going concern basis.

2.4 Turnover

Turnover shown in the profit and loss account represents the total invoice value of goods supplied during the year, exclusive of Value Added Tax.

Turnover is recognised when the risks and rewards of ownership have been transferred after all of the following criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred;
- the seller's price to the buyer is fixed and determinable; and
- collectability is reasonably assured.

Turnover is recognised prior to delivery of the goods, where there is an underlying contract with the customer meeting the definition of a 'bill and hold' arrangement. In these situations, turnover is recognised once the principal benefits and risks have passed to the customer; in particular that the goods are available and ready for delivery, and that payment has been received from the customer and therefore legal title of the stock has passed.

2.5 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated statement of comprehensive income over its useful economic life of five years.

Negative goodwill arising on the acquisition of a business, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and released on a straight line basis over its economic life.

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.6 Tangible fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant, Equipment & Motor Vehicles - 10% to 50%
Leasehold Property Improvements - 9% to 25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the income statement.

2.7 Investments

Fixed asset investments are shown at cost less any provision for impairment. See note 17 for full details.

2.8 Stocks

Stocks are valued at the lower of either cost or net realisable value after making due allowance for any obsolete and slow-moving stocks. Cost is based on the cost of purchase on a weighted average basis.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Operating leases

Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

2.13 Finance lease agreements

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future installments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the income statement on an effective interest rate basis, and the capital element which reduces the outstanding obligation for future installments.

2.14 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Interest income is recognised in the income statement using the effective interest method.

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension costs

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

Defined benefit pension costs

The group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Actuarial gains and losses'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as an 'Other finance expense'.

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.17 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other debtors and creditors, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.18 Property dilapidations

Under certain operating leases for land and buildings, the group is obligated to make repairs of dilapidations to the leased property upon the expiry of the lease. The group charges amounts to profit and loss so that, by the end of the lease, a total provision is accrued that is estimated to be equal to the future costs of those dilapidation obligations. Where repairs are made part way through the lease that will reduce the estimated costs of dilapidation obligations at the expiry of the lease, the costs of those repairs are charged against the dilapidation provision.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.20 Exceptional items

One-off costs that have a significant impact on the group's financial results are recognised as exceptional items in the income statement.

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

3.1 Critical judgements in applying the group's accounting policies

Trade debtors

Management applies judgement in evaluating the recoverability of debtors. After taking into account the insurance policy in effect of these debtors full provision is made for all debts that the company, acting prudently, feel that the probability of recovery is low, subject to a line-by-line review on an ongoing basis. To the extent that the directors believe debtors not to be recoverable they have been provided for in the financial statements.

Stock

Management applies judgement in evaluating stock for obsolescence. This judgement is based on management knowledge of the stock over the long term and customer demand, as well as stock age. At each statement of financial position date, stocks are assessed for impairment and written down where appropriate.

3.2 Key accounting estimates and assumptions

Pension and other post-employment benefits

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Management estimates these factors in determining the net pension obligation in the balance sheet. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 28.

Being a part of a multi-employer defined benefit scheme, the company is unable to identify its individual share of the underlying assets and liabilities in the scheme. The company has previously accounted for the contributions to the group defined benefit scheme as if it was a defined contribution scheme. The directors consider that there is no other contractual agreement or stated policy for charging the net defined benefit costs between the group companies and therefore, on transition to FRS 102, as the principal employer Aalco Metals Limited has accounted for the scheme as a defined benefit scheme.

Provisions

Provision is made for dilapidations, onerous leases and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. Dilapidation provisions have been estimated using historical costs and lease exit rates, the provisions are built up over the term of the lease and average lease term to expiry.

Valuation of fixed asset investments

The company considers whether investments held in subsidiaries are impaired. Where indicators of impairment are identified the carrying value of the investment is compared to the recoverable amount, being the higher of fair value or value in use, and provisions reflected where required. See note 17 for full details.

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Turnover

In the opinion of the directors there is no substantial difference between the activities carried out by each of the trading units of the group.

No disclosure of any information by segment has been disclosed as in the opinion of the directors this would be seriously prejudicial to the interests of the group.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	524,708,898	510,139,633
Rest of European Union	19,910,507	19,726,737
Rest of world	4,669,367	3,210,684
	<u>549,288,772</u>	<u>533,077,054</u>

5. Operating profit

The operating profit is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	5,896,666	5,409,626
Loss on foreign exchange	102,221	1,153
Other operating lease rentals		
- plant and machinery	790,258	1,295,099
- land and buildings	9,080,612	8,760,623
Profit on disposal of fixed assets	(96,782)	(328,599)

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the group's auditor and its associates for the audit of the group's annual accounts	470,076	353,044
Fees payable to the group's auditor for taxation compliance services	63,470	73,500
Fees payable to the group's auditor for other assurance services	30,500	35,000
Fees payable to the group's auditor for audit of the group's pension scheme	22,081	19,800
Fees payable to the group's auditor for tax advisory services	47,737	-
Fees payable to the group's auditor for other advisory services	41,836	-

7. Staff costs

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	48,577,667	48,683,774	4,250,905	4,281,501
Social security costs	5,020,131	4,922,413	578,237	568,626
Other pension costs	1,788,626	2,298,873	565,163	578,775
	<u>55,386,424</u>	<u>55,905,060</u>	<u>5,394,305</u>	<u>5,428,902</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2018 No.	Group 2017 No.	Company 2018 No.	Company 2017 No.
Sales and distribution staff	<u>1,632</u>	<u>1,645</u>	<u>123</u>	<u>112</u>

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Directors' remuneration

	2018	2017
	£	£
Remuneration	450,818	352,678
Other pension costs	10,139	8,479
	<u>460,957</u>	<u>361,157</u>

The highest paid director received remuneration of £320,472 (2017: £260,174).

During the year retirement benefits were accruing to 2 directors (2017: 2) in respect of defined contribution pension schemes.

The accrued pension entitlement under the defined benefit scheme of the highest director as at the 31 December 2018 was £10,922 (2017: £10,510). This represents the total amount that would be paid year on retirement based on service to the end current year.

9. Interest income

	2018	2017
	£	£
Bank and other interest	<u>42,563</u>	<u>27,785</u>

10. Interest expense and similar charges

	2018	2017
	£	£
Interest on bank borrowings	47,671	247,728
Interest on finance leases	419,501	367,700
	<u>467,172</u>	<u>615,428</u>

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Other finance costs

	2018 £	2017 £
Expected interest return on scheme assets	2,462,000	2,506,000
Net interest on net defined benefit liability	(3,306,000)	(3,632,000)
	<u>(844,000)</u>	<u>(1,126,000)</u>

12. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	1,499,700	3,128,944
Adjustments in respect of previous periods	862,116	104,133
	<u>2,361,816</u>	<u>3,233,077</u>
Foreign tax		
Foreign tax on income for the year	-	7,000
	<u>-</u>	<u>7,000</u>
Total current tax	<u>2,361,816</u>	<u>3,240,077</u>
Deferred tax		
Origination and reversal of timing differences	(83,664)	(167,304)
Deferred tax in respect of defined benefit pension scheme	(28,995)	252,945
Total deferred tax	<u>(112,659)</u>	<u>85,641</u>
Taxation on profit on ordinary activities	<u>2,249,157</u>	<u>3,325,718</u>

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	1,960,262	16,147,061
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	372,450	3,108,309
Effects of:		
Expenses not deductible for tax purposes	358,579	161,069
Adjustment to tax charge in respect of prior periods	118,850	106,133
Deferred tax adjustment on defined benefit pension scheme	862,935	2,144
Deferred tax adjustment current year	9,085	15,847
Other tax adjustments, reliefs and transfers	401,355	(4,371)
Deferred tax not recognised	125,903	(70,413)
Foreign tax credit	-	7,000
Total tax charge for the year	2,249,157	3,325,718

Factors that may affect future tax charges

The UK corporation tax rate decreased from 20% to 19% from April 2017 and a further reduction to 17% in April 2020 is currently planned.

13. Dividends

	2018 £	2017 £
Dividends paid	-	2,000,000

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Exceptional costs

	2018 £	2017 £
Restructuring costs	8,432,531	-
Past service costs of guaranteed minimum pension benefits equalisation	2,129,000	-
	<u>10,561,531</u>	<u>-</u>

Restructuring costs relate to the merger of Righton Limited and Blackburns Metals Limited during the year.

Guaranteed minimum pension equalisation - the defined benefit pension scheme liabilities increased during the year as a result of a landmark court ruling in the UK to equalise the guaranteed minimum pension benefits of the plan. The increase in pension plan liabilities of £2,129,000 has been recognised as an exceptional cost in the income statement.

15. Intangible assets

Group

	Goodwill £	Negative goodwill £	Total £
Cost			
At 1 January 2018	51,069,556	(1,339,048)	49,730,508
At 31 December 2018	<u>51,069,556</u>	<u>(1,339,048)</u>	<u>49,730,508</u>
Amortisation			
At 1 January 2018	51,069,556	(1,339,048)	49,730,508
At 31 December 2018	<u>51,069,556</u>	<u>(1,339,048)</u>	<u>49,730,508</u>
Net book value			
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Tangible fixed assets

Group

	Plant, Equipment & Motor Vehicles £	Leasehold Property Improvements £	Total £
Cost			
At 1 January 2018	53,544,770	5,040,001	58,584,771
Additions	4,613,907	592,697	5,206,604
Disposals	(2,889,740)	(1,228,526)	(4,118,266)
Transfers between classes	(9,370)	9,370	-
At 31 December 2018	<u>55,259,567</u>	<u>4,413,542</u>	<u>59,673,109</u>
Depreciation			
At 1 January 2018	39,944,984	3,090,152	43,035,136
Charge for the year	5,496,885	399,781	5,896,666
Disposals	(2,799,692)	(869,172)	(3,668,864)
Transfers between classes	(9,370)	9,370	-
At 31 December 2018	<u>42,632,807</u>	<u>2,630,131</u>	<u>45,262,938</u>
Net book value			
At 31 December 2018	<u>12,626,760</u>	<u>1,783,411</u>	<u>14,410,171</u>
At 31 December 2017	<u>13,599,786</u>	<u>1,949,849</u>	<u>15,549,635</u>

Included within the group net book value of £14,410,171 is £9,955,017 (2017: £10,629,318) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £4,152,844 (2017: £3,598,612).

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Tangible fixed assets (continued)

Company

	Plant & machinery £
Cost	
At 1 January 2018	20,686,399
Additions	3,610,759
Transfers intra group	(501,088)
Disposals	(1,041,597)
At 31 December 2018	<u>22,754,473</u>
Depreciation	
At 1 January 2018	9,857,014
Charge owned for the period	4,259,514
Transfers intra group	(501,088)
Disposals	(1,032,828)
At 31 December 2018	<u>12,582,612</u>
Net book value	
At 31 December 2018	<u><u>10,171,861</u></u>
At 31 December 2017	<u><u>10,829,385</u></u>

Included within the company net book value of £10,171,861 is £9,955,017 (2017: £10,629,318) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £4,152,844 (2017: £3,598,612).

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2018	156,591,587
At 31 December 2018	156,591,587
Impairment	
At 1 January 2018	7,500,539
Charge for the period	643,667
At 31 December 2018	8,144,206
Net book value	
At 31 December 2018	148,447,381
At 31 December 2017	149,091,048

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. Fixed asset investments (continued)

Subsidiary undertakings

At the year end the company has 100% interest in the ordinary share capital of the following subsidiary companies (all of which are included in these consolidated financial statements unless indicated otherwise).

Name	Principal activity
Aalco Metals Limited	Metal stockholding
Amari Metals Pension Trustees Limited	Dormant
Amari Metals DC Pension Trustees Limited	Dormant
Cashmores Metals Limited	Metal stockholding
Perkins Distribution Limited	Haulage
Equinox International Limited	Non-Trading
Blackburns Metals Limited	Non-Trading
Laser Profiles Limited	Industrial laser cutting
Durbin Metal Industries Limited	Metal stockholding
Righton & Blackburns Limited (formerly Righton Limited)	Metal stockholding
The Credit Centre Limited	Dormant
Amari Metals China Limited	Dormant
Amari Copper Alloys Limited	Metal stockholding
* Cole & Swallow Materials Limited	Metal stockholding
* Amari Precision Tubes Limited	Metal stockholding
* S.S.E Pipefittings Limited	Metal stockholding
* Enfield Tubes Limited	Metal stockholding
Testco Limited	Dormant
JM Durbin Limited	Dormant
Supaflo Engineering Limited	Dormant
Metalfin Limited	Metal stockholding
Righton Limited	Dormant

* Held indirectly by the company through Amari Copper Alloys Limited.

All of the above companies are incorporated in England and Wales. Their registered addresses are the same as the company and is disclosed in note 1 of these financial statements.

During the year, Righton Limited and Blackburns Metals Limited took the decision to merge businesses for strategic purposes. The ongoing trade and assets of Blackburns Metals Limited were transferred to Righton Limited (now named Righton & Blackburns Limited). Following an investment impairment review the directors have taken the decision to transfer the full investment balance held in Blackburns Metals Limited to the balance held in Righton & Blackburns Limited.

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Stocks

	Group 2018 £	Group 2017 £
Goods held for resale	101,700,422	89,678,731

The difference between purchase price or production cost of stocks and their replacement cost is not material.

A provision of £3,843,458 (2017: £3,249,864) has been recognised against the stock balance due to slow-moving and obsolete stock. The net increase of the provision of £593,594 (2017: reversal of £579,210) has been recognised in the income statement.

19. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Due after more than one year				
Deferred tax asset	6,039,760	5,968,710	-	-
Due within one year				
Trade debtors	103,121,122	101,331,343	198,058	169,794
Amounts owed by group undertakings	-	-	33,721,558	24,887,246
Other debtors	7,857,764	4,482,445	7,817,660	6,499,550
Prepayments and accrued income	3,062,054	2,708,087	10,367,659	4,586,489
Deferred tax asset	1,557,609	1,483,735	603,796	469,200
	115,598,549	110,005,610	52,708,731	36,612,279

A provision of £7,951,894 (2017: £9,122,123) has been made in Amari Metals Limited against amounts due from subsidiary undertakings which have a deficiency of net assets.

A provision of £1,146,515 (2017: £1,260,356) has been recognised against trade debtors. The net reversal of the provision of £113,841 (2017: net reversal of £547,006) has been recognised in other external charges.

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. Cash

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	36,101,236	47,308,109	910,806	5,001,796
	<u>36,101,236</u>	<u>47,308,109</u>	<u>910,806</u>	<u>5,001,796</u>

21. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	113,679,428	112,485,083	271,951	260,302
Amounts owed to group undertakings	-	-	138,940,210	141,100,377
Corporation tax	993,619	1,205,795	-	-
Other taxation and social security	7,208,425	10,059,157	1,063,919	934,999
Obligations under finance lease	4,124,545	3,863,363	4,124,545	3,863,363
Accruals and deferred income	13,758,552	12,881,136	6,311,467	5,421,794
	<u>139,764,569</u>	<u>140,494,534</u>	<u>150,712,092</u>	<u>151,580,835</u>

The amounts owed to group undertakings are unsecured and incur interest at a rate of 2.50% above the Bank of England base rate. The balance due is repayable on demand.

22. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Obligations under finance leases	5,833,985	6,812,766	5,833,985	6,812,766

The group renewed its bank borrowing facility during the prior year. Interest has been charged on the facility during the year at a variable rate above LIBOR. At the end of the year no amount was due on the facility available.

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. Finance Leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Within one year	4,124,543	3,863,363	4,124,543	3,863,363
Between one and five years	5,833,985	6,812,766	5,833,985	6,812,766
	<u>9,958,528</u>	<u>10,676,129</u>	<u>9,958,528</u>	<u>10,676,129</u>

24. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>110,978,886</u>	<u>105,813,788</u>	<u>41,737,276</u>	<u>31,556,590</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(127,437,980)</u>	<u>(125,366,217)</u>	<u>(145,445,546)</u>	<u>(146,782,473)</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group undertakings.

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

25. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	7,452,445	8,399,378
Income statement movement during the year	73,874	166,917
Charged to other comprehensive income	42,055	(860,905)
Income statement movement during the year in respect of defined benefit pension scheme	28,995	(252,945)
At end of year	7,597,369	7,452,445

Company

	2018 £	2017 £
At beginning of year	469,200	240,695
Income statement movement during the year	134,596	228,505
At end of year	603,796	469,200

The deferred tax asset is made up as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Fixed asset timing differences	840,029	687,887	351,736	138,562
Other timing differences	253,980	332,248	252,060	330,638
Defined benefit pension scheme liability	6,503,360	6,432,310	-	-
	7,597,369	7,452,445	603,796	469,200

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

26. Provisions

Group

	Dilapidation provision £	Onerous lease provision £	Total £
At 1 January 2018	3,754,825	-	3,754,825
Charged to profit or loss	558,348	6,479,931	7,038,279
Utilised in year	(191,350)	-	(191,350)
At 31 December 2018	4,121,823	6,479,931	10,601,754

Company

	Dilapidation provision £	Total £
At 1 January 2018	56,566	56,566
Charged to profit or loss	1,390	1,390
At 31 December 2018	57,956	57,956

The dilapidation provision relate to obligations under tenancy leases and are expected to be utilised over the remaining lease terms.

The onerous lease provision relates to obligations under tenancy leases that exceed the economic benefits expected to be received following the merger of Righton Limited and Blackburns Metals Limited. It is expected that some of the provision will be released before the end of the lease terms, although the amount and timing is uncertain.

27. Capital commitments

At 31 December 2018 amounts authorised but not contracted for amount to £938,760 (2017: £1,444,739).

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

28. Pension commitments

Certain employees of the group are members of a number of defined contribution and defined benefit pension schemes.

Defined contribution schemes

The group operates a number of defined contribution schemes for the benefit of all enrolled UK employees. The assets of the schemes are administered by trustees in funds independent from those of the group.

The pension cost for the year represents contributions due by the group to the schemes in respect of the financial period and amounted to £1,788,626 (2017: £2,298,873). The amounts outstanding at the year end were £347,290 (2017: £82,670).

Defined benefit scheme

The group operated a defined benefit pension scheme, the Amari Metals Limited Pension Scheme.

The Amari Metals Limited Pension Scheme was operated for the benefit of all enrolled UK employees of Amari Metals Limited, Aalco Metals Limited, Amari Copper Alloys Limited, Cashmores Metals Limited, Equinox International Limited and Righton & Blackburns Limited (formerly Righton Limited). The group closed its defined benefit scheme to new members and future employee contributions on 30 September 2003. The scheme was also closed to future accrual of benefits with effect from 30 September 2003. The Righton Pension scheme was acquired by the group on 31 March 2008 through the purchase of 100% of the share capital of Righton Limited. The defined benefit pension scheme was operated for the benefit of all enrolled UK employees of Righton Limited and was closed on 31 March 2005 to all future employee contributions.

With effect from 1 April 2010 a merger of the Righton Pension Scheme with the Amari Metals Limited Pension Scheme and the Amari Metals Limited DC Pension Scheme was agreed. The merger led to the majority of members of the Righton Pension Scheme transferring to the two schemes on 1 April 2010, along with all the assets of the Righton Pension Scheme that were designated to those members. All of these members became members of the Amari Metals Limited Pension Scheme or Amari Metals Limited DC Pension Scheme on 1 April 2010.

The Righton Limited Pension Scheme was subsequently wound up. The assets of the scheme are administered by trustees in funds independent from those of the group and invested directly on the advice of independent professional investment managers. The group will however continue to make contributions to the frozen defined benefit scheme in accordance with the advice of an independent actuary so as to fulfil pensions obligations in respect of members who have accrued benefits.

On 26 October 2018, the High Court of Justice of England and Wales handed down a judgment in a case relating to the equalisation of member benefits for the gender effects of Guaranteed Minimum Pensions ("GMP equalisation"). This created a precedent for other UK schemes with GMPs. As a result the group has obtained an actuary calculation to estimate the impact. An additional expense of £2,129,000 (2017: £nil) has been recognised in the income statement in respect of past service costs relating to GMP equalisation.

The most recent actuarial valuation was as at 31 March 2016 when the market value of the scheme assets was £82,683,000. The actuarial value of those assets was sufficient to cover 84% of the benefits that had accrued to members.

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. Pension commitments (continued)

Following the latest actuarial valuation, annual contributions of £2,440,000 will be paid to the scheme, by the participating employers, in an effort to eliminate the deficit disclosed by 31 October 2024. The contribution levels are subject to review at future valuations. The group expects to pay contributions of £2,440,000 in the year to 31 December 2019.

Detailed disclosures in accordance with the provisions of FRS 102 section 28 'Employee benefits' are set out below:

Composition of plan assets:

	2018 £	2017 £
Equities	70,356,000	80,661,000
Bonds	7,567,000	6,529,000
Property	8,503,000	7,744,000
Cash	5,126,000	4,808,000
Gilts	1,841,000	513,000
Other	3,918,000	2,205,000
Total plan assets	97,311,000	102,460,000
	2018 £	2017 £
Fair value of plan assets	97,311,000	102,460,000
Present value of plan liabilities	(135,279,000)	(139,723,000)
Net pension scheme liability	(37,968,000)	(37,263,000)

The amounts recognised in the income statement are as follows:

	2018 £	2017 £
Interest on obligation	(3,306,000)	(3,632,000)
Interest income on plan assets	2,462,000	2,506,000
Past service costs of guaranteed minimum pension benefits equalisation	(2,129,000)	-
Total	(2,973,000)	(1,126,000)

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. Pension commitments (continued)

Reconciliation of fair value of plan liabilities were as follow:

	2018 £	2017 £
Opening defined benefit obligation	139,723,000	136,245,000
Interest cost	3,306,000	3,632,000
Actuarial (gain)/loss	(5,915,000)	3,327,000
Benefits paid	(3,094,000)	(2,912,000)
Transfers	(10,000)	(180,000)
Other	(860,000)	(389,000)
Past service cost	2,129,000	-
Closing defined benefit obligation	135,279,000	139,723,000

Reconciliation of fair value of plan assets were as follows:

	2018 £	2017 £
Opening fair value of scheme assets	102,460,000	92,717,000
Interest income on plan assets	2,462,000	2,506,000
Actuarial (loss)/gain	(6,172,000)	8,278,000
Contributions by employer	2,525,000	2,440,000
Benefits paid	(3,094,000)	(2,912,000)
Transfers	(10,000)	(180,000)
Other	(860,000)	(389,000)
	97,311,000	102,460,000

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2018 %	2017 %
Discount rate	2.70	2.40
Revaluation of deferred pensions (non-GMP)	3.00	2.80
Pension increases: Limited Price Indexation	3.00	3.00
Pension increases: Limited Price Indexation (minimum 3% pa)	3.40	3.40
RPI inflation (period prior to retirement)	3.00	2.80
RPI inflation (period after retirement)	3.10	3.10

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

28. Pension commitments (continued)

The pre and post-retirement mortality assumptions used to value the benefit obligations at 31 December 2018 are based on the S2PA CMI_2017_M/F [1.00%] (2017: S2PA CMI_2016_M/F [1.00%]) mortality table with reference to members' actual years of birth.

Under these mortality assumptions, the expected future lifetime for a member retiring at age 65 at the accounting date would be 21.8 years (2017: 21.9 years) for males and 23.7 years (2017: 23.7 years) for females. As a result of expected improvements to mortality in the future, the future expectations of life at retirement for a member retiring at age 65 in 20 years' time would be 22.8 years (2017: 23.0 years) for males and 24.9 years (2017: 25.0 years) for females.

Amounts for the current and previous three periods are as follows:

Defined benefit pension schemes

	2018 £	2017 £	2016 £	2015 £
Defined benefit obligation	(135,279,000)	(139,723,000)	(136,245,000)	(113,612,000)
Scheme assets	97,311,000	102,460,000	92,717,000	84,482,000
Deficit	(37,968,000)	(37,263,000)	(43,528,000)	(29,130,000)

Actual return on scheme assets were as follows:

	2018 £	2017 £
Interest income	2,462,000	2,506,000
Return on assets less interest income	(6,172,000)	8,278,000
	(3,710,000)	10,784,000

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

29. Operating lease commitments

At 31 December 2018 the group and the company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Land and buildings				
Within one year	8,149,518	7,968,491	80,210	108,960
Between two and five years	24,819,217	25,759,893	72,902	153,112
After more than five years	11,791,615	16,544,188	-	-
Total	44,760,350	50,272,572	153,112	262,072

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Other commitments				
Within one year	810,821	1,196,917	45,360	26,780
Between two and five years	826,572	1,182,467	82,729	17,278
After more than five years	4,831	6,880	-	-
Total	1,642,224	2,386,264	128,089	44,058

AMARI METALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

30. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
10,000,002 (2017: 10,000,002) Ordinary shares of £1.00 each	10,000,002	10,000,002
35,600,000 (2017: 35,600,000) Redeemable preference shares of £1.00 each	35,600,000	35,600,000
	<u>45,600,002</u>	<u>45,600,002</u>

Ordinary shares have full rights with regards to voting, participation and dividends.

The shares rank pari-passu with the exception that the redeemable preference shares have no dividend rights. The redeemable preference shares can be redeemed at par at any time (at the option of the company) having given no less than three months previous notice in writing. The notice in writing should state the particular shares to be redeemed, the date fixed for redemption and the time and place at which the certificates for such shares are to be presented for redemption. As such, in accordance with FRS 102 section 22 'Liabilities and Equity', these shares have been presented as equity.

31. Reserves

Called up share capital

Represents the nominal value of shares that have been issued.

Profit and loss account

Includes all current and prior period retained profits and losses.

32. Contingent liabilities

During the year the company was party to a group banking facility, including a cross guarantee, which is advanced to the group of companies headed by Amari Metals Limited. The company was also a guarantor on a bank credit facility advanced to its ultimate parent company. Neither the group nor the company have pledged assets as security for these facilities.

The contingent liability under this arrangement, being the aggregate bank borrowings of the group, at 31 December 2018 was £Nil (2017: £Nil).

There are no other contingent liabilities at 31 December 2018 or at 31 December 2017.

AMARI METALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

33. Related party transactions

The group has made payments in 2018 to companies connected to certain directors of Britannia Metals Holdings, Ltd. in respect of leases of £1,687,750 (2017: £1,746,750). No material balance relating to the payments remained outstanding at the year end.

The group also incurred fees from companies connected to certain directors of Britannia Metals Holdings, Ltd. of £3,493,377 (2017: £3,477,860), of which £509,386 (2017: £118,089) was outstanding at the year end.

The group made sales to metal distribution companies that are connected by virtue of common control of £8,185,635 (2017: £9,073,996), of which £1,841,200 (2017: £2,150,276) was outstanding at year end.

Compensation paid to key management personnel who are also directors is considered to relate to the directors' remuneration as disclosed within the notes to the financial statements.

34. Post balance sheet events

On 28th February 2019 the group acquired the entire share capital in ABL Holdings Limited and Capalex Holdings Limited. The acquisitions will represent an increase in the size of the business of less than 2%. At the date of issue of these accounts both companies are profitable and will add to the group's financial position, whilst profitable this is not expected to be material to the group in the early years.

35. Ultimate parent undertaking and controlling party

The ultimate parent company is Britannia Metals Holdings, Ltd., a company registered in the USA.

The largest and smallest group of undertakings for which audited group accounts have been drawn up is that headed by Amari Metals Limited.

The registered office of Amari Metal Limited is: Parkway House, Unit 6 Parkway Industrial Estate, Pacific Avenue, Wednesbury, WS10 7WP.