

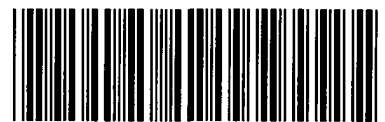
Consolidated Financial Statements

John R Adam & Sons (Holdings) Ltd

For the year ended 31 December 2016

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COMPANIES HOUSE

Registered number: SC271214

Company Information

Directors	J R Adam D S McWatt A W T White J S Adam
Company secretary	D S McWatt
Registered number	SC271214
Registered office	Riverside Berth King George V Dock Renfrew Road Glasgow G51 4SD
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 110 Queen Street Level 8 Glasgow G1 3BX
Bankers	HSBC Bank PO Box 33 9 Queen Square Wolverhampton West Midlands WW1 1TE Bank of Scotland 54-62 Sauchiehall Street Glasgow G2 3AH
Solicitors	Anderson Strathern LLP 6th Floor Lomond House 9 George Square Glasgow G2 1DY

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Group Strategic Report

For the year ended 31 December 2016

Principal activities and business review

The Group is principally engaged in the processing and recycling of scrap metal.

The holding company did not trade during the year.

Overall strategy

The Group's ongoing aim is to continue to achieve maximum metal recovery from processing operations and to reduce material going to landfill.

Business review

In the opinion of the directors the Group continued to trade satisfactorily during the year in difficult markets with margins remaining tight.

The Group profit for the year after taxation amounted to £1,577,099 (2015: £972,729). The directors continued to develop the Group's processing capabilities and invested £2,965,577 in capital expenditure during the year.

Financial key performance indicators

	2016	2015
	£	£
Turnover	49,818,594	46,735,619
Operating profit	1,943,463	1,195,888
Cash in hand	11,104,100	11,733,404
Total net assets	18,866,455	17,796,046

Principal risks and uncertainties

The major risks facing the Group are changes to commodity prices which are monitored closely by management.

Financial risk management objectives and policies

The Group's operations expose it to a variety of financial risks as described in more detail below. In order to manage the Group's exposure to these risks the Group enters into a number of derivative transactions and forward currency contracts.

All transactions in derivatives are undertaken to manage the risks arising from underlying business activities.

The directors review and agree policies for managing each of these financial risks and they are summarised below. These policies have remained unchanged from previous years.

Price risk

The Group is exposed to commodity price risk as a result of its operations. However, given the size of the group's operations, the cost of managing exposure to commodity price risk exceed the potential benefits.

Group Strategic Report

For the year ended 31 December 2016

Credit risk

The principal credit risk that arises is from trade debtors. The Group implements a policy that requires credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the directors.

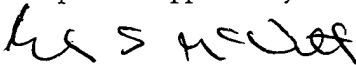
Liquidity risk

The Group seek to manage financial risk by ensuring a sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely.

Exchange Rate risk

The Group is exposed to an element of exchange rate risk as a result of their operations and transactions outwith the United Kingdom.

This report was approved by the board on 12 September 2017 and signed on its behalf.



D S McWatt
Director

Directors' Report

For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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.

Results and dividends

The profit for the year, after taxation, amounted to £1,577,099 (2015 - £972,729).

Directors

The directors who served during the year were:

J R Adam
D S McWatt
A W T White
J S Adam

Future developments

The Group proposes to continue to invest in processing equipment to improve the quality of product available for sale and reduce the amount of waste sent to landfill. It is hoped that this will allow it to continue to be competitive in the extremely challenging market conditions brought about by the uncertainty in the European trading conditions.

Directors' Report (continued)

For the year ended 31 December 2016

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.


Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 12 September 2017 and signed on its behalf.



D S McWatt
Director

Independent Auditor's Report to the Members of John R Adam & Sons (Holdings) Ltd

We have audited the financial statements of John R Adam & Sons (Holdings) Ltd for the year ended 31 December 2016, which comprise the consolidated Statement of Comprehensive Income, the consolidated and Company Balance sheets, the consolidated Statement of cash flows, Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's profit 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.

Independent Auditor's Report to the Members of John R Adam & Sons (Holdings) Ltd (continued)

Opinion 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 those financial statements; and
- the Group strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.



James Chadwick (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Glasgow

Date: 14 September 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	49,818,594	46,735,619
Cost of sales		(34,246,829)	(36,110,633)
Gross profit		15,571,765	10,624,986
Administrative expenses		(11,404,282)	(9,321,652)
Other operating income	5	67,000	140,000
Fair value movements		(2,291,020)	(247,446)
Operating profit	6	1,943,463	1,195,888
Interest receivable and similar income	10	42,733	50,562
Interest payable and expenses	11	(1,116)	(34)
Profit before taxation		1,985,080	1,246,416
Tax on profit	12	(407,981)	(273,687)
Profit for the year		1,577,099	972,729
Total comprehensive income for the year attributable to:			
Non-controlling interests		-	43,184
Owners of the parent Company		1,577,099	929,545
		1,577,099	972,729

There were no recognised gains and losses for 2016 or 2015 other than those included in the consolidated statement of comprehensive income.

There was no other comprehensive income for 2016 (2015: £NIL).

The notes on pages 15 to 29 form part of these financial statements.

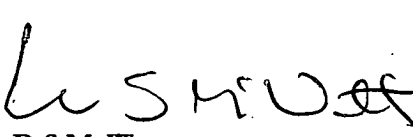
Consolidated Balance Sheet

As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	14	7,108,528	5,133,347
		<u>7,108,528</u>	<u>5,133,347</u>
Current assets			
Stocks	16	3,527,009	2,067,125
Debtors: amounts falling due within one year	17	4,127,445	2,551,746
Cash at bank and in hand	18	11,104,100	11,733,404
		<u>18,758,554</u>	<u>16,352,275</u>
Creditors: amounts falling due within one year	19	(6,128,157)	(3,506,203)
Net current assets		<u>12,630,397</u>	<u>12,846,072</u>
Total assets less current liabilities		<u>19,738,925</u>	<u>17,979,419</u>
Creditors: amounts falling due after more than one year	20	(633,242)	-
Provisions for liabilities			
Deferred taxation	22	(239,228)	(183,373)
		<u>(239,228)</u>	<u>(183,373)</u>
Net assets		<u>18,866,455</u>	<u>17,796,046</u>
Capital and reserves			
Called up share capital		460,625	460,625
Capital redemption reserve	23	209,375	209,375
Other reserves	23	894,783	894,783
Profit and loss account	23	17,301,672	16,231,263
Equity attributable to owners of the parent Company		<u>18,866,455</u>	<u>17,796,046</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 Sep 2017


J R Adam
Director


D S McWatt
Director

The notes on pages 15 to 29 form part of these financial statements.

Company Balance Sheet

As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	15	1,692,846	1,692,846
		<u>1,692,846</u>	<u>1,692,846</u>
Creditors: amounts falling due within one year	19	(812,890)	(806,200)
Net current liabilities		<u>(812,890)</u>	<u>(806,200)</u>
Total assets less current liabilities		879,956	886,646
Net assets		<u><u>879,956</u></u>	<u><u>886,646</u></u>
Capital and reserves			
Called up share capital		460,625	460,625
Capital redemption reserve	23	209,375	209,375
Profit and loss account	23	209,956	216,646
		<u>879,956</u>	<u>886,646</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 Sep 20

J R Adam
Director

D S McWatt
Director

The notes on pages 15 to 29 form part of these financial statements.

John R Adam & Sons (Holdings) Ltd

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£	£
At 1 January 2016	460,625	209,375	894,783	16,231,263	17,796,046	17,796,046
Comprehensive income for the year						
Profit for the year	-	-	-	1,577,099	1,577,099	1,577,099
Total comprehensive income for the year	-	-	-	1,577,099	1,577,099	1,577,099
Dividends: Equity capital	-	-	-	(506,690)	(506,690)	(506,690)
Total transactions with owners	-	-	-	(506,690)	(506,690)	(506,690)
At 31 December 2016	460,625	209,375	894,783	17,301,672	18,866,455	18,866,455

John R Adam & Sons (Holdings) Ltd

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£	£
At 1 January 2015	460,625	209,375	894,783	15,808,405	17,373,188	177,227	17,550,415
Comprehensive income for the year							
Profit for the year	-	-	-	929,545	929,545	43,184	972,729
Total comprehensive income for the year	-	-	-	929,545	929,545	43,184	972,729
Dividends: Equity capital	-	-	-	(506,687)	(506,687)	-	(506,687)
Dividends: Non-controlling interests	-	-	-	-	-	(85,750)	(85,750)
Net assets acquired on purchase of remaining share capital	-	-	-	-	-	(134,661)	(134,661)
Total transactions with owners	-	-	-	(506,687)	(506,687)	(220,411)	(727,098)
At 31 December 2015	460,625	209,375	894,783	16,231,263	17,796,046	-	17,796,046

The notes on pages 15 to 29 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2016

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	460,625	209,375	216,646	886,646
Comprehensive income for the year				
Profit for the year	-	-	500,000	500,000
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	500,000	500,000
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(506,690)	(506,690)
Total transactions with owners	-	-	(506,690)	(506,690)
At 31 December 2016	460,625	209,375	209,956	879,956

Company Statement of Changes in Equity

For the year ended 31 December 2015

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	460,625	209,375	223,333	893,333
Comprehensive income for the year				
Profit for the year	-	-	500,000	500,000
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(506,687)	(506,687)
Total transactions with owners	-	-	(506,687)	(506,687)
At 31 December 2015	460,625	209,375	216,646	886,646

The notes on pages 15 to 29 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	1,577,099	972,729
Adjustments for:		
Depreciation of tangible assets	972,762	1,115,502
Loss on disposal of tangible assets	(45,699)	-
Interest paid	1,116	34
Interest received	(42,733)	(50,562)
Taxation charge	407,981	273,687
(Increase)/decrease in stocks	(1,459,884)	1,166,077
(Increase)/decrease in debtors	(2,248,458)	3,560,751
Increase/(decrease) in creditors	1,468,472	(1,510,942)
Net fair value losses recognised in P&L	2,291,020	247,433
Corporation tax (paid)	(164,891)	(647,662)
Net cash generated from operating activities	2,756,785	5,127,047
Cash flows from investing activities		
Purchase of tangible fixed assets	(2,965,577)	(1,501,526)
Sale of tangible fixed assets	63,333	12,392
Interest received	23,961	42,487
Purchase of non-controlling interest	-	(139,650)
Net cash from investing activities	(2,878,283)	(1,586,297)
Cash flows from financing activities		
Dividends paid	(506,690)	(506,687)
Non controlling interest dividends paid	-	(85,750)
Interest paid	(1,116)	(34)
Net cash used in financing activities	(507,806)	(592,471)
Net (decrease)/increase in cash and cash equivalents	(629,304)	2,948,279
Cash and cash equivalents at beginning of year	11,733,404	8,785,125
Cash and cash equivalents at the end of year	11,104,100	11,733,404
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	11,104,100	11,733,404
	11,104,100	11,733,404

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies

1.1 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 following principal accounting policies have been applied:

1.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

1.3 Revenue

Revenue is measured at the fair value of consideration receivable for goods supplied and services produced, excluding Value Added Tax and trade discounts and is recognised on despatch of goods over the weighbridge for domestic sales and on discharge of vessels at ports for exports. Adjustments relating to price and weight differences are accrued against turnover.

1.4 Tangible fixed assets

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 profit or loss during the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies (continued)

1.4 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Freehold property	- 15 years straight line
Leasehold property	- over the remaining period of the lease
Plant and machinery	- 30% reducing balance and 10%/20% straight line
Motor vehicles	- 25% reducing balance

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 in the Consolidated statement of comprehensive income.

1.5 Operating leases: the Group as lessee

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

1.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

1.7 Stocks

Stock is stated at the lower of cost and net realisable value on quantities estimated by the directors and on a basis consistent with the previous year. Cost is defined as the direct cost of materials delivered to the company's premises. No overheads have been added to stock valuation in respect of handling or processing cost, such as costs are not considered to be material in relation to the overall value of the stock.

1.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured at fair value.

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies (continued)

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 90 days. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

High interest accounts are on a 12 month notice period and a penalty of lost interest would apply if withdrawn early.

1.10 Financial instruments

The Group only enters into the following basic financial instrument 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 and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, 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 debtors and creditors, 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 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 market rate of interest for a similar debt instrument and subsequently 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 Statement of comprehensive income.

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.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit or loss. The company does not currently apply hedge accounting for foreign exchange derivatives.

1.11 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.

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies (continued)

1.12 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within administrative expenses.

1.13 Finance costs

Finance costs are charged to the Statement of comprehensive income for the year as incurred in the financial year.

1.14 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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.15 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

1.16 Interest income

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

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies (continued)

1.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

1.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, 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 balance sheet 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 Balance sheet 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 balance sheet date.

2. General information

The general activity of the group is a scrap metal merchant.

Notes to the Financial Statements

For the year ended 31 December 2016

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

Significant judgements and estimates of management are involved in the valuation and quantity of year end stock. Due to the nature of scrap metal, the valuation of such items at period end is based on management's judgement and past experience. Furthermore, management also applies significant judgement in relation to bad debt provisioning.

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Sale of scrap metal	<u>49,818,594</u>	<u>46,735,619</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	12,398,986	24,609,554
Rest of World	12,174,646	-
Rest of Europe	<u>25,244,962</u>	<u>22,126,065</u>
	<u>49,818,594</u>	<u>46,735,619</u>

5. Other operating income

	2016 £	2015 £
Net rents receivable	<u>67,000</u>	<u>140,000</u>
	<u>67,000</u>	<u>140,000</u>

6. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	972,762	1,115,502
Exchange differences	902,896	(751,292)
Defined contribution pension cost	<u>95,614</u>	<u>196,384</u>

Notes to the Financial Statements

For the year ended 31 December 2016

7. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	27,500	29,920
Fees payable to the Group's auditor and its associates in respect of:		
Other services relating to taxation	29,965	24,700

8. Employees

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

	2016 £	2015 £
Wages and salaries	2,452,156	2,488,128
Social security costs	360,869	253,476
Cost of defined contribution scheme	95,614	196,384
	2,908,639	2,937,988

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

	2016 No.	2015 No.
Directors	4	4
Production staff	60	62
Administration staff	11	18
	75	84

9. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	363,144	471,347
Company contributions to defined contribution pension schemes	8,162	84,324

The highest paid director received remuneration of £136,637 (2015 - £155,756).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,375 (2015 - £NIL).

Notes to the Financial Statements

For the year ended 31 December 2016

10. Interest receivable

	2016 £	2015 £
Other interest receivable	42,733	50,562

11. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	1,116	34

12. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	361,156	296,406
Adjustments in respect of previous periods	(9,030)	(206)
Total current tax	352,126	296,200
Deferred tax		
Origination and reversal of timing differences	65,541	(20,589)
Short timing differences	(9,686)	(1,924)
Total deferred tax	55,855	(22,513)
Taxation on profit on ordinary activities	407,981	273,687

Notes to the Financial Statements

For the year ended 31 December 2016

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>1,985,080</u>	<u>1,246,416</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	397,016	252,399
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	10,735	20,067
Capital allowances for year in excess of depreciation	31,607	32,700
Deferred tax not recognised	(564)	(1,324)
Adjustments to tax charge in respect of prior periods	(9,030)	(206)
Effect of deferred tax rate change	(21,783)	-
Short term timing difference leading to an increase (decrease) in taxation	-	(19,682)
Effects of FRS102 adjustment	-	(10,267)
Total tax charge for the year	<u>407,981</u>	<u>273,687</u>

Factors that may affect future tax charges

The Finance (No. 2) Act 2015 includes legislation which will reduce the rate to 19% from 1 April 2017, and to 18% from 1 April 2020. The Finance (No. 2) Act 2015 was substantially enacted on 26 October 2015. A further reduction to 17% with effect from 1 April 2020 has been substantively enacted in Finance Act 2016 on 15 September 2016. Deferred tax balances have been recognised at 17%.

13. Parent company profit for the year

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. The profit after tax of the parent Company for the year was £500,000 (2015: £500,000).

Notes to the Financial Statements

For the year ended 31 December 2016

14. Tangible fixed assets**Group**

	Freehold property £	Leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2016	1,227,028	119,821	12,183,516	1,769,573	15,299,938
Additions	-	121,226	2,483,476	360,875	2,965,577
Disposals	-	-	(316,141)	(57,938)	(374,079)
At 31 December 2016	<u>1,227,028</u>	<u>241,047</u>	<u>14,350,851</u>	<u>2,072,510</u>	<u>17,891,436</u>
Depreciation					
At 1 January 2016	299,754	85,530	8,614,093	1,167,214	10,166,591
Charge for the period on owned assets	64,693	13,596	750,618	143,855	972,762
Disposals	-	-	(313,341)	(43,104)	(356,445)
At 31 December 2016	<u>364,447</u>	<u>99,126</u>	<u>9,051,370</u>	<u>1,267,965</u>	<u>10,782,908</u>
Net book value					
At 31 December 2016	<u>862,581</u>	<u>141,921</u>	<u>5,299,481</u>	<u>804,545</u>	<u>7,108,528</u>
At 31 December 2015	<u>927,274</u>	<u>34,291</u>	<u>3,569,423</u>	<u>602,359</u>	<u>5,133,347</u>

The net book value of land and buildings may be further analysed as follows:

	2016 £	2015 £
Freehold	862,581	927,273
Leasehold	141,921	34,291
	<u>1,004,502</u>	<u>961,564</u>

Notes to the Financial Statements

For the year ended 31 December 2016

15. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
John R Adams & Sons Ltd	Ordinary	100 %	Processors of scrap metal
Thistle Metals Limited	Ordinary	100 %	Processors of scrap metal
Smillie Metallica (Midlands) Ltd	Ordinary	100 %	Furnace drossing
J P Robertson & Co Ltd	Ordinary	100 %	Non-trading
Shieldhall Properties Ltd	Ordinary	100 %	Non-trading

All of the subsidiaries above were incorporated in Scotland.

Company

Investments
in subsidiary
companies
£

Cost or valuation

At 1 January 2016	1,692,846
At 31 December 2016	1,692,846

Net book value

At 31 December 2016	1,692,846
At 31 December 2015	1,692,846

16. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Raw materials	3,506,323	2,051,622	-	-
Finished goods and goods for resale	20,686	15,503	-	-
	<u>3,527,009</u>	<u>2,067,125</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 31 December 2016

17. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	2,630,698	2,316,284	-	-
Other debtors	1,378,588	94,034	-	-
Prepayments and accrued income	118,159	141,428	-	-
	<u>4,127,445</u>	<u>2,551,746</u>	<u>-</u>	<u>-</u>

18. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	<u>11,104,100</u>	<u>11,733,404</u>	<u>-</u>	<u>-</u>

19. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	585,655	559,849	-	-
Amounts owed to group undertakings	-	-	812,890	806,200
Corporation tax	104,094	53,458	-	-
Other taxation and social security	113,094	108,219	-	-
Other creditors	-	22,956	-	-
Accruals and deferred income	3,369,390	2,463,575	-	-
Financial instruments	1,955,924	298,146	-	-
	<u>6,128,157</u>	<u>3,506,203</u>	<u>812,890</u>	<u>806,200</u>

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial instruments (after 1 yr)	<u>633,242</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>633,242</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 31 December 2016

21. Financial Instruments

	Group 2016 £	Group 2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	15,113,386	14,143,722
	<u>15,113,386</u>	<u>14,143,722</u>

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(2,589,166)	(298,146)	-	-
Financial liabilities measured at amortised cost	(3,955,045)	(3,046,379)	(812,890)	(806,200)
	<u>(6,544,211)</u>	<u>(3,344,525)</u>	<u>(812,890)</u>	<u>(806,200)</u>

Financial assets that are debt instruments measured at amortised cost comprise cash and cash equivalents, trade debtors, amounts owed by group undertakings and other debtors.

Derivative financial liabilities measured at fair value through profit or loss are foreign currency contracts.

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

Notes to the Financial Statements

For the year ended 31 December 2016

22. Deferred taxation

Group

	2016 £	2015 £
At beginning of year	(183,373)	(205,886)
Charged to profit or loss	(55,855)	22,513
At end of year	(239,228)	(183,373)

The provision for deferred taxation is made up as follows:

	Group 2016 £	Group 2015 £
Excess of taxation allowances over depreciation on fixed assets	(239,228)	(183,373)

23. Reserves

Capital redemption reserve

Represents the purchase of own shares.

Other reserves

This relates to the acquisition of John R Adam & Sons (Holdings) Ltd group on 1 September 2004 which as outlined in the accounting policies was accounted for under the merger accounting principles.

Profit and loss account

Includes all current and prior period retained profits and losses.

24. Contingent liabilities

The Company is currently involved in challenging an enquiry by HMRC regarding the tax treatment of payments made under the Group's Growth Securities Ownership Plan. Management recognise £1,750,000 as a contingent liability, this is a provision for tax repayable to HMRC. This evaluation is consistent with legal advice.

Notes to the Financial Statements

For the year ended 31 December 2016

25. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Not later than 1 year	269,500	269,500
Later than 1 year and not later than 5 years	1,078,000	1,078,000
Later than 5 years	1,617,000	1,886,500
	<u>2,964,500</u>	<u>3,234,000</u>

26. Related party transactions

The company has taken advantage of the exemption available under FRS102 33.1a "Related Party Transactions" not to disclose transactions within group undertakings and fellow group undertakings of the ultimate holding company where 100% of the voting rights are controlled by the ultimate holding companies.

In John R Adam Limited amounts due by Smillie Metalics (Midlands) Ltd at 31 December 2016 were £284,250 (2015: £285,514) inclusive of a £20,000 management fee (2015: £20,000). There were no related party transactions between Thistle and Smillie in the current year. During 2015, 100% of the share capital of Smillie Metalics (Midlands) Ltd was acquired by John R Adam & Sons Ltd.