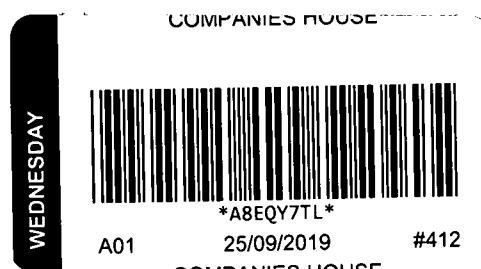


TW Metals Limited

Annual report

for the year ended 31 December 2018

Company Registration Number: 00961098



TW Metals Limited**Annual report
for the year ended 31 December 2018**

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Directors and advisors

Directors

H C O'Neal
G Thomas (Managing Director)
K E Moore

Joint secretaries and registered office

M A Rowland
C Lewis

Majestic Road
Nursling Estate
Nursling
Southampton
SO16 0AF

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Ocean Village
Southampton
SO14 3TJ

Solicitors

Paris Smith LLP
1 London Road
Southampton
SO15 2AE

Bankers

HSBC Bank plc
South Corporate Banking Centre
2nd Floor
HSBC House
Mitchell Way
Eastleigh
SO18 2XU

**Strategic report
for the year ended 31 December 2018**

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

Review of the business

TW Metals Limited ("the group") principal activity is that of stockists, distributors and processors of metal tubes, plates, sheets and bars. The group operates from a number of geographical locations including the United Kingdom, Singapore, France, Poland, India, Italy and had a representative office in Belgium until it ceased trading on 30 June 2019.

During the year TW Metals Limited acquired 100% of the share capital of Locate Supplies Limited, a metals and plastics distributor with facilities in Scunthorpe and Peterborough.

Locate Supplies Limited distributes a wide range of metals including aluminium, stainless, copper, brass and bronze, available in plate, sheet, bar, tube and extrusions to industries including engineering and food production. Locate Supplies Limited also offers a variety of plastics, as well as value-added services from its dedicated processing centre with water-jetting and reverse engineering capabilities.

TW Metals Polska Sp. z o.o. is currently building a new warehouse facility in order to service its growing business activity. This is due to be completed in quarter 4 of 2019.

The results for the group show a turnover of £106.3 million (2017: £111.2 million) and a profit before income tax of £5.3 million (2017: £5.0 million). Net cash outflow from operating activities for 2018 was £0.6 million (2017: inflow £15.6 million). Net assets of the group has increased to £48.9 million (2017: £45.5 million).

Key performance indicators (KPI's)

The board monitors progress of the business with reference to turnover, gross profit expressed as a percentage of sales, return on investment and inventory turns. While turnover has decreased, this is in line with expectations, and despite market conditions remaining very competitive, gross profit as a percentage of sales increased to 19.55% in 2018 (2017: 17.09%). Inventory levels have increased to £35.8 million in 2018 (2017: £26.7 million) with inventory turns decreasing to 2.4 (2017: 3.5).

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effect in the group.

The principal risks and uncertainties facing the group are set out below:

Brexit

While the consequences of Brexit are still unknown, the group believes that, with its structure including subsidiaries in a number of member states which currently will remain in the European Union, it has options to adapt its strategy to service the European market should market conditions require it to do so.

Competition

The group operates in a highly competitive market particularly around price and material availability. This can lead to downward pressure on margins and also the risk that our customers' price expectations will not be met. In order to mitigate these risks, the group has built strong relationships with its customers and has invested significantly in inventory to meet their demands.

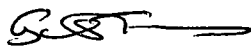
**Strategic report
for the year ended 31 December 2018 (continued)**

Material price and supply

The group is exposed to commodity price risk as a result of its operations. The group has a policy of reviewing material purchases on a monthly basis at which time factors such as price, material availability and delivery lead times are considered.

Whilst material lead times can fluctuate depending upon regional and global demand and capacity, the group is able to manage this risk through strong supplier relationships and by leveraging its global supply chain.

On behalf of the board



G Thomas
Director

19 September 2019

**Directors' report
for the year ended 31 December 2018**

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

Dividend

The directors do not recommend the payment of a dividend (2017: £nil).

Financial risks

The key financial risks affecting the group are set out below:

Price risk

The group is exposed to commodity price risk as a result of its operations. The group has a policy of reviewing material purchases on a monthly basis at which time factors such as price, material availability and delivery lead times are considered. The group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The group has a credit department which utilises an external credit rating agency to evaluate customer credit risks. This risk is evaluated on processing a customer order with appropriate levels of credit being offered to customers depending upon information available.

Currency risk

The group enters into forward contracts to purchase and sell currency on purchases and sales orders where it is deemed necessary. Where possible the group buys and sells materials in the same currency. This minimises the impact of currency movement on the group's gross margins.

Liquidity risk

The company has entered into a £11 million asset finance facility with HSBC Invoice Finance to fund on going working capital commitments. At the end of the year £1,754,000 (2017: £nil) had been drawn down. The group also maintains short-term debt finance that is designed to ensure that the group has sufficient funds available for short term working capital requirements.

Interest rate cash flow risk

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances, which earn interest at a variable rate. Interest bearing liabilities include loans and overdraft facilities. Where possible the group has a policy of maintaining debt at a fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

Directors

The directors of the company during the year and up to the date of signing the financial statements are listed on page 2.

Future developments

TW Metals Limited and its group companies will continue to sell primarily into the following industries: aerospace, petrochemical and gas, heat treatment, food, furnace and pharmaceutical. The directors remain positive about prospects for the group in 2019.

**Directors' report
for the year ended 31 December 2018 (continued)****Employee communications**

The group has always recognised the importance of effective employee communications. It also believes that the prime responsibility for communications lies with local management. This is particularly important given its international spread and its linguistic and cultural diversity.

In the larger locations, employees are involved in departmental briefing meetings. In smaller locations, effective communication is more informal. The senior executives of the group advocate an open style of management with the objective of encouraging innovation and of ensuring maximum internal understanding of the group's objectives and progress. A full colour English language house magazine is published regularly by TW Metals LLC. which is distributed to all employees of the group.

Employment of disabled persons

It is the policy of the group that disabled persons shall be considered for employment, career development and promotion on the basis of their aptitudes, in common with all employees.

Post balance sheet events

Post balance sheet events are detailed in note 28.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 group and parent company and of the profit or loss of the group and parent company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

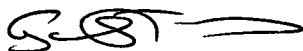
**Directors' report
for the year ended 31 December 2018 (continued)**

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information.

On behalf of the board

A handwritten signature in black ink, appearing to be 'G Thomas', followed by a horizontal line.

G Thomas
Director

19 September 2019

Independent auditors' report to the members of TW Metals Limited

Report on the audit of the financial statements

Opinion

In our opinion, TW Metals Limited's group financial statements and parent company financial statements (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 profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and parent company statements of financial position as at 31 December 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 and 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of TW Metals Limited (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

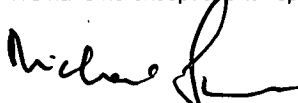
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Michael Jones (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
19 September 2019

**Consolidated income statement
for the year ended 31 December 2018**

	Note	Group 2018 £'000	2017 £'000
Revenue	2	106,349	111,178
Cost of sales		(85,557)	(92,177)
Gross profit		20,792	19,001
Distribution costs		(8,325)	(7,023)
Administrative expenses		(6,817)	(6,568)
Operating profit		5,650	5,410
Finance income		7	3
Finance costs	5	(348)	(375)
Profit before income tax	6	5,309	5,038
Income tax expense	7	(1,241)	(1,078)
Profit for the financial year		4,068	3,960

All the group's results are derived from continuing operations.

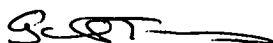
**Consolidated statement of comprehensive income
for the year ended 31 December 2018**

	2018 £'000	2017 £'000
Profit for the financial year	4,068	3,960
Other comprehensive (expense) / income:		
Foreign exchange differences arising on consolidation	(735)	921
Other comprehensive (expense) / income	(735)	921
Total comprehensive income for the year	3,333	4,881

**Consolidated and Parent company statements of financial position
as at 31 December 2018**

Registered company number: 00961098.		Group		Company	
	Note	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Assets					
Fixed assets					
Intangible assets	9	6,302	172	29	24
Property, plant and equipment	10	9,299	6,614	5,537	5,619
Investments	11	-	-	12,217	2,227
Deferred income tax assets	19	509	620	-	-
		16,110	7,406	17,783	7,870
Current assets					
Inventories	12	35,819	26,684	20,043	17,908
Trade and other receivables	13	23,974	21,011	14,961	12,353
Cash and cash equivalents		3,280	13,419	557	6,332
		63,073	61,114	35,561	36,593
Total assets		79,183	68,520	53,344	44,463
Equity and liabilities					
Equity					
Called up share capital	14	240	240	240	240
Revaluation reserve		2,417	2,502	2,417	2,502
Retained earnings:					
At 1 January		42,802	37,836	24,309	22,979
Profit for the financial year		4,068	3,960	5,083	1,245
Other comprehensive (expense) / income for the year		(735)	921	-	-
Transfer from revaluation reserve		103	103	103	103
Deferred tax on revaluation reserve		(18)	(18)	(18)	(18)
Total retained earnings		46,220	42,802	29,477	24,309
Total equity		48,877	45,544	32,134	27,051
Liabilities					
Non - current liabilities					
Trade and other payables	15	4,427	4,904	4,242	4,816
Deferred income tax liabilities	19	1,111	550	541	550
		5,538	5,454	4,783	5,366
Current liabilities					
Trade and other payables	16	24,768	17,522	16,427	12,046
		24,768	17,522	16,427	12,046
Total liabilities		30,306	22,976	21,210	17,412
Total equity and liabilities		79,183	68,520	53,344	44,463

The financial statements on pages 10 to 41 were approved by the board of directors on 19 September 2019 and were signed on its behalf by:



G Thomas
Director

**Consolidated statement of changes in equity
for the year ended 31 December 2018**

Group	Share capital	Revaluation reserve (1)	Retained earnings (2)	Total equity
	£'000	£'000	£'000	£'000
Balance as at 1 January 2017	240	2,587	37,836	40,663
Profit for the financial year	-	-	3,960	3,960
Other comprehensive income for the year:				
Exchange differences	-	-	921	921
Total comprehensive income for the year	-	-	4,881	4,881
Transfer from revaluation reserve	-	(103)	103	-
Deferred tax impact of revaluation of assets	-	18	(18)	-
Total transactions with owners recognised directly in equity	-	(85)	85	-
Balance as at 31 December 2017	240	2,502	42,802	45,544
Profit for the financial year	-	-	4,068	4,068
Other comprehensive expense for the year:				
Exchange differences	-	-	(735)	(735)
Total comprehensive income for the year	-	-	3,333	3,333
Transfer from revaluation reserve	-	(103)	103	-
Deferred tax impact of revaluation of assets	-	18	(18)	-
Total transactions with owners recognised directly in equity	-	(85)	85	-
Balance as at 31 December 2018	240	2,417	46,220	48,877

- (1) The revaluation reserve arose on the revaluation of land and buildings of its Majestic Road facility held under lease and leaseback agreement based on the revaluation carried out on 31 December 2004. Amounts representing the equivalent depreciation and related deferred tax are transferred to retained earnings each year.
- (2) Retained earnings represents total accumulated comprehensive income for the year and prior years and transfers from the revaluation reserve less dividends paid, if any.

**Parent company statement of changes in equity
for the year ended 31 December 2018**

Company	Share capital	Revaluation reserve (1)	Retained earnings (2)	Total equity
	£'000	£'000	£'000	£'000
Balance as at 1 January 2017	240	2,587	22,979	25,806
Profit and total comprehensive income for the financial year (note 8)	-	-	1,245	1,245
Transfer from revaluation reserve	-	(103)	103	-
Deferred tax impact on depreciation of revalued assets	-	18	(18)	-
Total transactions with owners recognised directly as equity	-	(85)	85	-
Balance as at 31 December 2017	240	2,502	24,309	27,051
Profit and total comprehensive income for the financial year (note 8)	-	-	5,083	5,083
Transfer from revaluation reserve	-	(103)	103	-
Deferred tax impact on depreciation of revalued assets	-	18	(18)	-
Total transactions with owners recognised directly as equity	-	(85)	85	-
Balance as at 31 December 2018	240	2,417	29,477	32,134

- (1) The revaluation reserve arose on the revaluation of land and buildings of its Majestic Road facility held under lease and leaseback agreement based on the revaluation carried out on 31 December 2004. Amounts representing the equivalent depreciation and related deferred tax are transferred to retained earnings each year.
- (2) Retained earnings represents total accumulated comprehensive income for the year and prior years and transfers from the revaluation reserve less dividends paid, if any.

**Consolidated statement of cash flows
for the year ended 31 December 2018**

	Note	2018 £'000	2017 £'000
Cash flows from operating activities	21	(603)	15,606
Income tax paid		(1,000)	(2,953)
Net cash (used in) / generated from operating activities		(1,603)	12,653
Cash flows from investing activities			
Purchase of subsidiary (net of cash acquired)	29	(7,938)	-
Purchase of property, plant and equipment and intangible assets		(1,514)	(448)
Sale of property, plant and equipment		59	61
Net cash used in investing activities		(9,393)	(387)
Cash flows from financing activities			
Interest received		7	3
Interest paid on bank loans and overdrafts		(1)	(33)
Interest paid on other financing		(347)	(342)
Increase / (decrease) in bank loans, lease and leaseback and other financing		1,106	(1,500)
Net cash generated from / (used in) financing activities		765	(1,872)
Net (decrease) / increase in cash and cash equivalents		(10,231)	10,394
Exchange gains on cash and cash equivalents		92	44
Cash and cash equivalents at the beginning of the year		13,419	2,981
Cash and cash equivalents at the end of the year		3,280	13,419
		2018 £'000	2017 £'000
Cash and cash equivalents consists of:			
Cash		3,280	13,419
Cash and cash equivalents		3,280	13,419

Notes to the financial statements for the year ended 31 December 2018**1. Principal accounting policies****General Information**

TW Metals Limited ("the company") is a private company limited by shares, registered in England and Wales. The address of its registered office is Majestic Road, Nursling Estate, Nursling, Southampton, SO16 0AF. The registered number of the company is 00961098.

TW Metals Limited's ("the group") principal activity is that of stockists, distributors and processors of metal tubes, sheets and bars.

Statement of compliance

The group and the individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These consolidated and separate financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of freehold land & building and the recognition of certain financial assets and liabilities measured at fair value, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in policy "Critical accounting judgements and key sources of estimation uncertainty" included within this note.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual income statement and individual cash flow statement.

b) Going concern

On the basis of their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks. Therefore the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Notes to the financial statements for the year ended 31 December 2018
(continued)**

c) Basis of consolidation

The group consolidated financial statements include the financial statements of the parent company and all of its subsidiaries made up to 31 December 2018 using the acquisition accounting method. Intra-group sales and profits are eliminated fully on consolidation. The subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

d) Foreign currency

(i) Functional and presentation currency

The group financial statements are presented in pound sterling and rounded to thousands.

The company's functional and presentation currency is pounds sterling.

(ii) 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 year end foreign currency monetary items are re-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 re-translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in administrative expenses in the income statement. All foreign exchange gains and losses are presented in administrative expenses in the income statement.

(iii) Translation

The trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'.

e) Revenue

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods. Turnover is recognised either at the point of delivery, or date of despatch depending upon the terms of trade with the customer.

f) Employee benefits

The group provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the year in which the service is received.

**Notes to the financial statements for the year ended 31 December 2018
(continued)****f) Employee benefits (continued)***(ii) Defined contribution pension scheme*

Until 31 December 2001, the company operated a non-contributory money purchase plan. Benefits were determined by contributions paid by the company based on the age and length of service of the members. The scheme was invested in a number of money purchase funds of Scottish Widows' Fund and Life Assurance Society and accordingly no surplus or deficit arises on the plan. The company instructed the Trustees to wind up the retirement plan during 2002 and no contributions were made into it after 1 January 2002. From 1 May 2007 the scheme was wound up and the funds transferred to individual private policies under a Section 32 buyout arrangement with Scottish Equitable.

From January 2002 a group personal pension plan arrangement has been in place receiving the same levels of contributions as previously paid to the occupational scheme. The group personal pension plan was previously administered through Norwich Union; however from April 2005, the scheme and contributions were dealt with by Friends Provident until March 2009 when the administration was then transferred to Aegon. Contributions payable are charged to the income statement in the year that they are incurred.

g) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

h) Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

**Notes to the financial statements for the year ended 31 December 2018
(continued)****h) Business combinations and goodwill (continued)**

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life as follows:

Arose on the acquisition of the Philip Cornes business	20 years
Arose on the acquisition of Locate Supplies Limited	10 years

This is the period over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Where the group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

i) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over their estimated useful life as follows:

Software	0 – 5 years
Customer relationships	15 years
Trade name	15 years

Amortisation is charged to administrative expenses in the income statement.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Notes to the financial statements for the year ended 31 December 2018 (continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

j) Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is calculated so as to write off the cost of property, plant and equipment, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%	
Buildings	5	See additional narrative in note 10.
Building improvements	10	
Plant and equipment	10-33	

Plant and equipment includes office equipment and motor vehicles.

Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting year. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the consolidated income statement and included in operating profit / loss.

k) Leased assets

At inception the group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

**Notes to the financial statements for the year ended 31 December 2018
(continued)****k) Leased assets (continued)***(iii) Lease incentives*

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

(iv) Lease and leaseback

During 2005, the company and group entered into a lease and leaseback agreement for the land and buildings of its Majestic Road facility. The term of the lease is 999 years, with the term of the leaseback being 20 years.

The directors consider that the substance of this transaction is a financing arrangement with the proceeds received being shown as a loan (note 17). The effect on the land and buildings in the fixed assets of the company and the group is unchanged, as these continue to be reflected at the 31 December 2004 revaluation. The treatment has however increased the annual rate of depreciation for the buildings from 2% per annum to 5% per annum, with the asset life corresponding to the primary lease term.

l) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the income statement.

m) Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

The company has taken advantage of the transition exemption under paragraph 35.10(f) of FRS 102 in respect of measurement of investments in subsidiaries on the date of transition to FRS 102 (1 January 2014) and continues to measure investments at cost.

**Notes to the financial statements for the year ended 31 December 2018
(continued)****n) Inventories**

Inventories are stated at the lower of cost and estimated selling price less cost to complete and sell. In general, cost is determined on a weighted average cost basis which includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective inventory.

Inventories are recognised as an expense in the year in which the related revenue is recognised.

At the end of each reporting year inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

o) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within trade and other payables in current liabilities.

p) Provisions and contingencies*(i) Provisions*

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

- a) Restructuring provisions are recognised when the group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- b) Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities, arising as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

**Notes to the financial statements for the year ended 31 December 2018
(continued)****q) Financial instruments**

The group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting year financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and 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 income statement in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements 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 to liability simultaneously.

**Notes to the financial statements for the year ended 31 December 2018
(continued)****r) Government grants**

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

s) Related party transactions

The group has taken advantage of the exemption as per paragraph 33.1A of FRS 102 from disclosing related party transactions with other wholly owned members of the group.

t) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of intangible assets and goodwill

The group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

(ii) Recognition of deferred tax assets (see note 19)

Deferred income tax assets are recognised only to the extent that the group believe that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Revenue

The analysis of the group's turnover by destination is set out below:

	2018 £'000	2017 £'000
United Kingdom	26,228	21,195
Rest of Europe	58,361	69,556
Outside of Europe	21,760	20,427
	106,349	111,178

The directors consider that there is only one class of business.

3. Directors' remuneration

	2018 £	2017 £
Aggregate remuneration	399,746	422,660
Company pension contributions to money purchase schemes	9,999	7,523

Retirement benefits are accruing to one director (2017: one) under a money purchase scheme.

The remuneration above relates to one director (2017: one). All other directors are remunerated by either the ultimate parent company or TW Metals LLC. as their services to the TW Metals Limited group of companies are merely incidental to their employment in other companies.

4. Employee benefits

Group

The average monthly number of persons (including executive directors) employed by the group during the year was:

	2018 Number	2017 Number
By activity		
Warehouse	109	96
Selling and distribution	73	65
Administration	38	35
	220	196

	2018 £'000	2017 £'000
Staff costs (for the above persons)		
Wages and salaries	8,097	6,879
Social security costs	1,204	1,058
Other pension costs (see note 20)	559	409
	9,860	8,346

Notes to the financial statements for the year ended 31 December 2018 (continued)

4. Employee benefits (continued)

Company

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2018 Number	2017 Number
By activity		
Warehouse	56	56
Selling and distribution	35	36
Administration	21	22
	112	114

	2018 £'000	2017 £'000
Staff costs (for the above persons)		
Wages and salaries	5,421	5,051
Social security costs	577	523
Other pension costs (see note 20)	383	333
	6,381	5,907

5. Finance costs

	2018 £'000	2017 £'000
Interest payable on bank loans and overdrafts	1	33
Interest payable on other financing	347	342
	348	375

6. Profit before income tax

Profit before income tax is stated after charging/(crediting):

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment (note 10)	947	708
Amortisation of intangibles (note 9)	450	220
Profit on disposal of property, plant and equipment	(59)	(2)
Operating lease rentals	743	734
Currency exchange losses	210	760
Inventory recognised as an expense	81,582	91,450
Impairment of inventory	958	976
Release of provision for doubtful debt	(103)	(10)

Notes to the financial statements for the year ended 31 December 2018 (continued)

6. Profit before income tax (continued)

Profit before income tax is stated after charging:

	2018 £'000	2017 £'000
Audit services		
Fees payable to the Company's auditors for the audit of the parent company and group financial statements	99	81
The audit of the company's subsidiaries pursuant to the legislation	68	56
Non audit services		
Fees payable to the company's auditors and its associates for other services:		
- Tax compliance services	18	20
- Tax advisory services	3	11

7. Income tax expense

(a) Tax expense included in profit or loss

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profits for the year	330	365
Overseas taxation	753	830
Adjustments in respect of prior years	83	(107)
Total current tax	1,166	1,088
Deferred tax		
Origination and reversal of timing differences	153	(120)
Adjustments in respect of prior years	(78)	110
Total deferred tax (note 19)	75	(10)
Income tax expense	1,241	1,078

Notes to the financial statements for the year ended 31 December 2018 (continued)

7. Income tax expense (continued)

(b) Reconciliation of tax charge

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

	2018 £'000	2017 £'000
Profit before income tax	5,309	5,038
Profit multiplied by the rate in the UK 19% (2017: 19.25%)	1,009	970
Effects of:		
Expenses not deductible for tax purposes	196	3
Higher tax rate on overseas earnings	31	102
Adjustments in respect of prior years	5	3
Tax charge for the year	1,241	1,078

(c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance (No.2) Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred tax balances for the group's subsidiaries in the United Kingdom have been calculated using the rate substantively enacted at the balance sheet date at which the deferred tax balances are forecasted to be utilised.

8. Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the parent company's income statement has not been included in these financial statements. The parent company's retained profit for the financial year was £5,083,000 (2017: £1,245,000).

**Notes to the financial statements for the year ended 31 December 2018
(continued)**

9. Intangible assets

	Goodwill	Customer relationships	Trade name	Software	Group Total	Company Software
	£'000	£'000	£'000	£'000	£'000	£'000
Cost at 1 January 2018	3,957	-	-	292	4,249	188
Assets arising on acquisition of subsidiary	3,900	2,099	564	-	6,563	-
Additions	-	-	-	18	18	18
Disposals	-	-	-	(10)	(10)	(9)
At 31 December 2018	7,857	2,099	564	300	10,820	197
Accumulated amortisation						
At 1 January 2018	3,810	-	-	267	4,077	164
Charge for the year	334	82	22	12	450	12
Disposals	-	-	-	(9)	(9)	(8)
At 31 December 2018	4,144	82	22	270	4,518	168
Net book value						
At 31 December 2018	3,713	2,017	542	30	6,302	29
At 31 December 2017	147	-	-	25	172	24

Goodwill arose on the acquisition of the Philip Cornes business in 1998 and Locate Supplies Limited in 2018. Customer relationships and Trade name assets arose on the acquisition of Locate Supplies Limited in 2018.

**Notes to the financial statements for the year ended 31 December 2018
(continued)**

10. Property, plant and equipment

Group	Land £'000	Buildings and improvements £'000	Plant and equipment £'000	Total £'000
Cost or valuation				
At 1 January 2018	2,791	6,630	4,929	14,350
Assets arising on acquisition of subsidiary	247	1,204	680	2,131
Additions	709	76	711	1,496
Disposals	-	-	(254)	(254)
Exchange difference	-	15	(2)	13
At 31 December 2018	3,747	7,925	6,064	17,736
Accumulated depreciation				
At 1 January 2018	-	4,179	3,557	7,736
Charge for year	-	400	547	947
Disposals	-	-	(254)	(254)
Exchange difference	-	10	(2)	8
At 31 December 2018	-	4,589	3,848	8,437
Net book value				
At 31 December 2018	3,747	3,336	2,216	9,299
At 31 December 2017	2,791	2,451	1,372	6,614

**Notes to the financial statements for the year ended 31 December 2018
(continued)**

10. Property, plant and equipment (continued)

Company	Land £'000	Buildings and improvements £'000	Plant and equipment £'000	Total £'000
Cost or valuation				
At 1 January 2018	2,750	5,205	2,975	10,930
Additions	-	71	379	450
Disposals	-	-	(79)	(79)
At 31 December 2018	2,750	5,276	3,275	11,301
Accumulated depreciation				
At 1 January 2018	-	3,231	2,080	5,311
Charge for year	-	305	232	537
Disposals	-	-	(84)	(84)
At 31 December 2018	-	3,536	2,228	5,764
Net book value				
At 31 December 2018	2,750	1,740	1,047	5,537
At 31 December 2017	2,750	1,974	895	5,619

During 2005 the company entered into a lease and leaseback agreement for the land and buildings of its Majestic Road facility. The term of the lease is 999 years, with the term of the leaseback being 20 years.

The directors consider that the substance of this transaction is a financing arrangement with the proceeds received being shown as a loan (note 17). The effect on land and buildings in the fixed assets of the company and the group is unchanged, as these continue to be reflected at the 31 December 2004 revaluation. The treatment has however increased the annual rate of depreciation for buildings from 2% per annum to 5% per annum, with the asset life now corresponding to the primary lease term. The effect of this change to the annual rate of depreciation is to increase the depreciation of the building and building improvements by £217,000 in 2018 (2017: £127,000). In accordance with the accounting policies, land is not depreciated.

The land and buildings occupied by the company were valued by external valuers, Strutt & Parker, Chartered Surveyors, as at 13 December 2004, on the basis of Open Market Value in accordance with the Royal Institute of Chartered Surveyors' Appraisal and Valuation Manual dated September 1995.

The company previously had a policy of revaluing its freehold land and buildings. Following the lease and leaseback transaction in 2005, where it was determined that, in substance, the company retained a land and building fixed asset, the directors have taken the view that it would no longer be appropriate to revalue the land and building at open market values on a 3 year basis. Accordingly, no further revaluations will be made.

Notes to the financial statements for the year ended 31 December 2018 (continued)

10. Property, plant and equipment (continued)

If land and buildings had not been revalued, they would have been included at the following historical cost amounts:

Freehold land	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cost	537	537	505	505
Exchange difference	9	9	-	-
Net book value	546	546	505	505

Buildings and improvements	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cost	6,058	5,995	4,607	4,564
Aggregate depreciation	(4,521)	(4,177)	(3,535)	(3,228)
Net book value	1,537	1,818	1,072	1,336

11. Investments

	Company Interest in group undertakings £'000
Cost at 1 January 2018	2,227
Acquisition of subsidiary	9,990
Cost at 31 December 2018	12,217

Details of subsidiary undertakings, all of which are included in the consolidation, are as follows:

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued voting shares held	Principal business activity
TW Metals SARL	France	Ordinary shares	100%	See below
The Philip Cornes Group Co. Limited	United Kingdom	Ordinary shares	100%	See below
TW Metals Polska Sp. z o.o.	Poland	Ordinary shares	100%	See below
TW Metals (Bangalore) Pvt Limited	India	Ordinary shares	100%	See below
TW Metals Italy S.r.l.	Italy	Ordinary shares	100%	See below
TW Metals Holdings (SEA) Pte Ltd	Singapore	Ordinary shares	100%	See below
Locate Supplies Limited	United Kingdom	Ordinary shares	100%	See below

The investment in group undertakings comprises the cost of shares in the above subsidiaries. The subsidiaries have accounting reference dates of 31 December 2018 apart from TW Metals (Bangalore) Pvt Limited which has an accounting reference date of 31 March 2018. The results of TW Metals (Bangalore) Pvt Limited included in these consolidated financial statements are for the twelve month period to 31 December 2018.

The directors believe that the book value of investments is supported by their underlying net assets and as such no impairment is required.

The registered addresses of the above mentioned subsidiary undertakings can be found in note 27.

Notes to the financial statements for the year ended 31 December 2018 (continued)

11. Investments (continued)

The principal activities of TW Metals Limited is that of stockists, distributors and processors of metal tubes, sheets and bars. TW Metals Limited sells primarily into the following industries: aerospace, petrochemical and gas, heat treatment, furnace and pharmaceutical.

The principal activities of TW Metals SARL (France), TW Metals Polska Sp. z o.o., TW Metals Italy S.r.l. and TW Metals (Bangalore) Pvt Limited are similar to those of TW Metals Limited.

The principal activity of The Philip Cornes Group Co. Limited is to act as a holding company and the principal activities of TW Metals Holdings (SEA) Pte Ltd is to act as liaison office to TW Metals Limited.

The principal activity of Locate Supplies Limited is that of stockists, distributors and processors of metal and plastic.

12. Inventories

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Raw materials	35,819	26,684	20,043	17,908

There is no material difference between the carrying amount of inventory and the replacement cost.

13. Trade and other receivables

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts falling due within one year				
Trade receivables	21,926	19,756	11,734	10,488
Amounts owed by group undertakings	-	-	2,197	1,043
Amounts owed by immediate parent undertaking	94	76	20	16
Corporation tax receivable	295	239	-	-
Other receivables	997	398	548	382
Prepayments and accrued income	662	542	462	424
	23,974	21,011	14,961	12,353

Amounts owed by group undertakings and by the Company's immediate parent undertaking are unsecured and repayable on demand. A loan between TW Metals Polska Sp.z.o.o and TW Metals Limited is included in amounts owed by group undertakings and attracts interest of 4.28% (2017: 3.28%), all other amounts are interest free.

Notes to the financial statements for the year ended 31 December 2018 (continued)

14. Called up share capital

Group and Company

	2018 £'000	2017 £'000
Allotted and fully paid		
240,000 (2017: 240,000) ordinary shares of £1 each	240	240

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

15. Non – current liabilities: Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Lease and leaseback financing (note 17)	4,177	4,727	4,177	4,727
Other financing (note 17)	107	39	15	39
Deferred capital grant	34	37	-	-
6% non-cumulative redeemable preference shares of £1 each – 50,000 (note 17)	50	50	50	50
Accruals and deferred income	59	51	-	-
	4,427	4,904	4,242	4,816

The capital grant is related to a French property. The amount of grants recognised in the income statement for current year is £3,000 (2017: £3,000).

16. Current liabilities: Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Lease and leaseback financing (note 17)	549	499	549	499
Other financing (note 17)	1,875	58	1,778	58
Trade payables	14,653	11,446	10,112	8,565
Amounts owed to group undertakings	-	-	833	898
Amounts owed to immediate parent undertaking	937	1,427	217	227
Amounts owed to affiliated undertakings	606	45	105	45
Corporation tax	907	440	156	119
Other taxation and social security	696	427	139	129
Other payables	927	694	430	485
Deferred consideration for acquisition of subsidiary (note 29)	968	-	968	-
Accruals and deferred income	2,650	2,486	1,140	1,021
	24,768	17,522	16,427	12,046

Amounts owed to group undertakings, the Company's immediate parent undertaking and affiliated undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements for the year ended 31 December 2018 (continued)

17. Loans and other borrowings

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Lease and lease back financing	4,726	5,226	4,726	5,226
Other financing	1,982	97	1,793	97
6% non-cumulative redeemable preference shares of £1 each – 50,000	50	50	50	50
	6,758	5,373	6,569	5,373
Maturity of financial liabilities				
In one year or less or on demand	2,424	557	2,327	557
In more than one year, but not more than two	730	623	665	623
In more than two years, but not more than five	2,132	1,967	2,105	1,967
In more than five years	1,472	2,226	1,472	2,226
	6,758	5,373	6,569	5,373

The lease and leaseback financing reflects the proceeds received for the lease and leaseback of the land and buildings at the Majestic Road address. This financing is to be repaid over a period of 20 years by monthly repayments with the final repayment in 2025. The equivalent annual interest rate over the whole term of this arrangement for this funding is 5.56%.

The company has entered into a £11 million asset finance facility with HSBC Invoice Finance to fund ongoing working capital commitments. At the end of the year £1,754,000 (2017: £nil) had been drawn down. The facility is repayable on demand and bore interest at 2.5% in 2018 (2017: 2.25%).

During the year the company had a \$200,000 (2017: \$2 million) import loan facility with HSBC Bank to pay supplier invoices for both TW Metals Limited and TW Metals Italy S.r.l.. At the end of the year \$nil (2017: \$nil) had been utilised of the facility.

The overdraft of the group and the company is secured by a debenture including a fixed charge over present and future freehold and leasehold property and book and other debts, and a floating charge over all assets and undertakings both present and future on TW Metals Limited.

The number of authorised preference shares is 50,000 (2017: 50,000) with a nominal value of £1 each. These shares may be wholly or partially redeemed by the company at par, together with a sum equal to the fixed dividend thereon, upon giving the shareholder notice in writing of not less than three months. The dividend on these shares has been waived. The shares are non-voting and have a preferential right to the return of capital on a winding up.

Notes to the financial statements for the year ended 31 December 2018 (continued)

18. Financial instruments

The group and company has the following financial instruments:

		Group		Company	
	Note	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost					
- Trade receivables	13	21,926	19,756	11,734	10,488
- Amounts owed by group undertakings	13	-	-	2,197	1,043
- Amounts owed by immediate parent undertaking	13	94	76	20	16
- Other receivables	13	997	398	548	382
- Cash and cash equivalents		3,280	13,419	557	6,332
		26,297	33,649	15,056	18,261
Financial liabilities at fair value through profit or loss					
- Derivative financial instruments	16	-	-	-	-
Financial liabilities measured at amortised cost					
Other financing	15,16	1,982	97	1,793	97
Lease and leaseback financing	15,16	4,726	5,226	4,726	5,226
Trade payables	16	14,653	11,446	10,112	8,565
Amounts owed to group undertakings	16	-	-	833	898
Amounts owed to parent undertaking	16	937	1,427	217	227
Amounts owed to affiliated undertakings	16	606	45	105	45
Other trade payables	16	927	694	430	485
		23,831	18,935	18,216	15,543

Other financial instruments

The group's financial instruments comprise bank overdrafts, cash and various items such as trade receivables and trade payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations

**Notes to the financial statements for the year ended 31 December 2018
(continued)**

19. Deferred income tax

Group deferred taxation

The movement in the group deferred tax liability is as follows:

	2018 £'000	2017 £'000
1 January	550	622
Foreign exchange differences	-	(2)
Credit to income statement (note 7)	(28)	(70)
Acquisition of Locate Supplied Limited	589	-
31 December	1,111	550

The group deferred tax liability is made up of the following components:

	2018 £'000	2017 £'000
Accelerated capital allowances	88	58
Other timing differences	1,023	492
	1,111	550

The movement in the group deferred tax asset is as follows:

	2018 £'000	2017 £'000
1 January	620	680
Foreign exchange differences	(8)	-
Charge to income statement (note 7)	(103)	(60)
31 December	509	620

Notes to the financial statements for the year ended 31 December 2018 (continued)

19. Deferred income tax (continued)

The group deferred tax asset is made up of the following components:

	2018 £'000	2017 £'000
Other timing differences	509	620
At 31 December	509	620

A deferred tax asset is recognised to the extent that there is persuasive and reliable evidence that it can be realised.

Detailed operating plans are used for deferred tax asset recognition purposes. Losses will only be recoverable if there are sufficient future taxable profits against which they can be offset.

Company deferred taxation

The movement in the company deferred tax liability is as follows:

	2018 £'000	2017 £'000
At 1 January	550	622
Credit to income statement	(9)	(72)
At 31 December	541	550

The company deferred tax liability is made up of the following components:

	2018 £'000	2017 £'000
Company		
Accelerated capital allowances	58	58
Other timing differences	483	492
	541	550

20. Pension obligations

The total pension cost for the group was £559,000 (2017: £409,000). The pension cost for the company was £383,000 (2017: £333,000). Accrued pension costs for the group amounted to £212,000 (2017: £137,000). Accrued pension costs for the company was £37,000 (2017: £nil).

Notes to the financial statements for the year ended 31 December 2018 (continued)

21. Cash flows from operating activities

	2018 £'000	2017 £'000
Profit for the financial year	4,068	3,960
Adjustments for:		
Tax on profit	1,241	1,078
Net interest expense	341	372
Operating profit	5,650	5,410
Depreciation charge on property plant and equipment (note 6)	947	708
Intangibles amortisation (note 6)	450	220
Profit on sale of property, plant and equipment (note 6)	(59)	(2)
(Increase) / decrease in inventory	(8,090)	12,302
(Increase) / decrease in trade and other receivables	(1,881)	12,738
Increase / (decrease) in trade and other payables	2,380	(16,621)
Foreign exchange differences	-	851
Net cash (outflow) / inflow from continuing operating activities	(603)	15,606

22. Capital commitments

The group had capital commitments at 31 December 2018 of £3,092,000 (2017: £7,863).

23. Guarantees and contingent liabilities

Guarantees

The company has guaranteed the bank overdraft facilities of the Indian subsidiary, TW Metals (Bangalore) Pvt Limited. At 31 December 2018 the overdraft was £nil (2017: £nil).

The company has unlimited bank cross guarantees with TW Metals Holdings (SEA) Pte Ltd, TW Metals SARL and TW Metals Polska Sp.z.o.o and The Philip Comes Group Co. Limited. At 31 December 2018 the bank overdraft of these subsidiaries was £344,000 (2017: £nil).

Contingent liabilities

The group had the following contingent liabilities at the year end:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Deferred duty guarantees	106	312	50	100

These bank guarantees are a requirement of both customer and customs institutions. In the unlikely event should we provide to the customer goods that fail in production, the customer is entitled to draw on the guarantee to compensate for their loss. Similarly, in the unlikely event should the company or group companies fail to settle their duty and import VAT liabilities, then the relevant customs institutions are entitled to draw on the bank guarantee to settle the debt.

Notes to the financial statements for the year ended 31 December 2018 (continued)

24. Financial commitments

The group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Payments due				
Not later than one year	591	673	380	374
Later than one year and not later than five years	1,433	1,465	1,231	1,137
Later than five years	-	327	-	318
	2,024	2,465	1,611	1,829

25. Related party transactions

The group has taken advantage of the exemption as per paragraph 33.1A of FRS 102 from disclosing related party transactions with other wholly owned members of the group.

Southern Polishing Services Limited is considered to be a related party of the company from 14 May 2015 by virtue of the majority shareholder of that company being a director of TW Metals Limited from that date. During the year the group received services totalling £7,000 (2017: £29,000) from Southern Polishing Services Limited and owed from the group £863 (2017: £331) as at 31 December 2018.

Hampshire Chamber of Commerce is considered to be a related party of the company from 25 October 2016 by virtue of the appointment of a director of that company being a director of TW Metals Limited from that date. During the year the group contracted for services totalling £1,459 (2017: £1,429) from Hampshire Chamber of Commerce and owed from the group £106 (2017: £25) as at 31 December 2018.

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2018 £'000	2017 £'000
Salaries and other short-term benefits	867	883
Post-employment benefits	47	59
	914	942

**Notes to the financial statements for the year ended 31 December 2018
(continued)**

26. Ultimate and immediate parent companies

The directors regard O'Neal Industries Inc. a company incorporated in the United States of America, as the ultimate parent company and the ultimate controlling party. Copies of the financial statements of O'Neal Industries Inc. can be obtained from The Secretary, P.O.Box 2623, Birmingham, AL 35202-2623, USA.

TW Metals LLC. a company resident in Pennsylvania in the United States of America, owns 100% of issued share capital of TW Metals Limited at 31 December 2018.

The smallest group to consolidate the financial statements of TW Metals Limited is TW Metals LLC. and the largest group is O'Neal Industries Inc.

The address of TW Metals Limited is Majestic Road, Nursling Estate, Southampton, Hampshire, SO16 0AF.

27. Group undertakings registered office address

TW Metals SARL, Rue Jean Monnet, ZA les Varigoins, 45130 Saint Ay, France.

The Philip Cornes Group Co. Limited, Majestic Road, Nursling Estate, Southampton, Hampshire, SO16 0AF, United Kingdom.

TW Metals Polska Sp. z o.o., Rudna Mala 42C, 36-060 Glogow Malopolski, Poland.

TW Metals (Bangalore) Pvt Limited, Unit No.102, 1st Floor, Prestige Towers, 100/26, Residency Road, Bangalore – 560025, India.

TW Metals Italy S.r.l., Via Vannella Gaetani 27, 80121 Napoli (NA), Italy.

TW Metals Holdings (SEA) Pte Ltd, 19 Keppel Road, #06-08 Jit Poh Building, Singapore 089058.

Locate Supplies Limited, Majestic Road, Nursling Estate, Southampton, Hampshire, SO16 0AF, United Kingdom.

28. Post balance sheet events

During the year TW Metals Limited had a branch in Belgium, this branch ceased trading on 30 June 2019.

TW Metals Polska Sp. z o.o. is currently building a new warehouse facility in order to service its growing business activity. This is due to be completed in quarter 4 of 2019.

29. Business combinations

On 31 May 2018, the group acquired control of Locate Supplies Limited through the purchase of 100% of the share capital for total consideration of £9,834,000.

The goodwill of £3,900,000 arising from the acquisition is attributable to the potential to expand both our footprint and capabilities within the group. The acquisition has also resulted in intangible assets relating to customer relationships of £2,099,000 and the trade name of £564,000.

Management have estimated the useful life of the intangibles resulting from the acquisition as follows:

Goodwill	10 years
Customer relationship	15 years
Trade name	15 years

The following table summaries the consideration paid by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

Notes to the financial statements for the year ended 31 December 2018 (continued)

Consideration at 31 May 2018

	£'000
Cash	8,834
Deferred consideration	1,000
Directly attributable costs	156
Total consideration	9,990

The deferred consideration is payable on 30 May 2019. The amount has been discounted at a rate of 4.7% resulting in its present value of £967,800.

For cash flow disclosure purposes the amounts are disclosed as follows:

	£'000
Cash consideration	8,834
Directly attributable costs	156
Less:	
Cash and cash equivalents acquired	(1,052)
Net cash outflow	7,938

Recognised amounts of identified assets acquired and liabilities assumed

	Note	Book value £'000	Adjustments £'000	Fair value £'000
Property, plant equipment	a	1,531	600	2,131
Customer relationships	b	-	2,099	2,099
Trade name	c	-	564	564
Cash and cash equivalents		1,052	-	1,052
Inventory	d	1,150	(85)	1,065
Trade and other receivables		1,472	-	1,472
Trade and other payables		(1,456)	-	(1,456)
Finance leases		(280)	-	(280)
Deferred tax	e	(49)	(540)	(589)
Total identifiable net assets		3,420	2,638	6,058
Goodwill				3,900
Total				9,958

The adjustments arising on acquisition were in respect of the following:

- The uplift in property, plant and equipment to a third party valuation on acquisition.
- The recognition of an intangible asset in respect of existing customer relationships held by Locate Supplies Limited.
- The recognition of an intangible asset in respect of the trade name of Locate Supplies Limited.
- An increase in the stock provision to bring it in line with the Group's policy.
- Deferred tax adjustment arising as a result of the acquisition adjustments.

The revenue from Locate Supplies Limited included in the consolidate income statement for 2018 was £4,446,000. Locate Supplies Limited also contributed profit before tax of £498,000 over the same period.