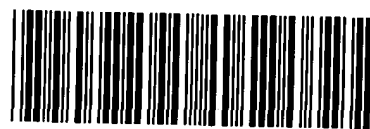


Registered number: 03551533

**AALCO METALS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**AALCO METALS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	R W Colburn S A Hussey A Roberts C Meredith
<b>Company secretary</b>	M Hale
<b>Registered number</b>	03551533
<b>Registered office</b>	Parkway House Unit 6 Parkway Industrial Estate Pacific Avenue Wednesbury WS10 7WP
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1020 Eskdale Road Winnersh Wokingham Berkshire RG41 5TS

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**AALCO METALS LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report and the financial statements for the year ended 31 December 2017.

**Results and dividends**

The profit for the year, after taxation, amounted to £17,236,281 (2016: £14,070,601).

The directors have not recommended a dividend (2016: £10,000,000).

**Directors**

The directors who served during the year were:

R W Colburn  
S A Hussey  
A Roberts  
C Meredith (appointed 6 March 2017)

**Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, the directors' report and the 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company'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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Provision of information to the 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'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's auditor is aware of that information.

**Financial risk management objectives and policies**

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

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

*Liquidity risk*

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved through support from the parent company.

*Market risk*

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

*Credit risk*

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

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

**Employee consultation and disabled employees**

Recruitment policies are designed to ensure equal opportunity of employment. Appropriate consideration is given to disabled applicants in offering employment.

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

**Qualifying third party indemnity provisions**

The company has maintained directors' and officers' liability insurance in respect of its directors.

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**AALCO METALS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Auditor**

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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



**A Roberts**  
Director

Date: 28 September 2018

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their strategic report for the year ended 31 December 2017.

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**Principal activities**

The principal activity of the company during the year was metal stockholding. The company trades through 20 service centres around the country that offer local stock to meet the immediate needs of customers in the local area, supplemented by bulk stocks held at a central warehouse.

**Business review and future development**

The profit for the year, after taxation, amounted to £17,236,281 (2016 - £14,070,601). The directors have not recommended a dividend (2016 - £10,000,000).

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

- Turnover £385.2 million (2016 - £338.5 million)
- Profit before tax £20.1 million (2016 - £19.7 million)
- Net assets £167.8 million (2016 - £146.5 million)
- Average number of employees increased from 779 to 804

The directors of the company are not satisfied with the results for the year. Whilst gross profit decreased compared to 2016, in a broadly flat market, operating expenses have been subject to inflationary pressures, with some investment for future growth. To provide a platform for sustainable growth and to negate the impact of the specific risks and uncertainties highlighted below, the company will continue to implement operational efficiency improvements, thereby enhancing productivity and reducing operating expenses.

The statement of comprehensive income includes an FRS102 adjustment relating to the defined benefit pension scheme deficit, calculated by the scheme actuary. The net movement on the defined benefit pension scheme deficit for the year is a reduction in the deficit of £6.3m, details of which are contained within note 25 to the financial statements.

**Principal risks and uncertainties**

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

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

The ultimate shareholder has requested that the directors include the following statement in the Strategic report - the ultimate parent company is privately held, as is the company, and they believe the requirement to publish private accounts is a violation of both the spirit and law under European Union right to privacy legislation.

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Going concern**

The directors of the parent undertaking, Amari Metals Limited, having carefully considered all pertinent matters are satisfied that the company and group is a going concern and that sufficient funds are available for a period of at least twelve months from the date of signing these financial statements. The company participates in a group treasury function available to the parent and all companies in the group; the directors of this company accordingly continue to prepare the financial statements on the going concern basis.

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



A Roberts  
Director

Date: 28 September 2018



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AALCO METALS LIMITED**

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**Opinion**

We have audited the financial statements of Aalco Metals Limited (the 'company') for the year ended 31 December 2017, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Who we are reporting to**

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

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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**Responsibilities of directors for the financial statements**


As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



Steven Cenci FCA (Senior Statutory Auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
Reading

Date: 28/9/2018

# AALCO METALS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Turnover	4	385,186,295	338,529,480
Change in stocks of finished goods and work in progress		5,858,133	10,406,262
Raw materials and consumables		(319,648,102)	(274,406,871)
Other external charges		(26,538,541)	(31,808,637)
Other operating income	5	1,434,664	1,434,664
Staff costs	8	(28,184,192)	(26,591,620)
Depreciation and amortisation	:	(834,362)	(925,801)
<b>Operating profit</b>	6	<b>17,273,895</b>	<b>16,637,477</b>
Interest income	10	3,924,895	4,123,766
Interest expense and similar charges	11	-	(9,943)
Other finance expense	12	(1,126,000)	(1,011,000)
<b>Profit on ordinary activities before taxation</b>		<b>20,072,790</b>	<b>19,740,300</b>
Tax on profit on ordinary activities	13	(2,836,509)	(5,669,699)
<b>Profit for the financial year</b>		<b>17,236,281</b>	<b>14,070,601</b>
Actuarial gain/(loss) on defined benefit pension deficit	25	4,951,000	(15,827,000)
Movement of deferred tax relating to pension deficit		(860,905)	1,850,600
<b>Other comprehensive income for the year</b>		<b>4,090,095</b>	<b>(13,976,400)</b>
<b>Total comprehensive income for the year</b>		<b>21,326,376</b>	<b>94,201</b>

All amounts relate to continuing operations.


There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

The notes on pages 12 to 33 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	15	2,725,234	2,403,010
Investments	16	-	4
		<u>2,725,234</u>	<u>2,403,014</u>
<b>Current assets</b>			
Stocks	17	54,366,098	48,507,965
Debtors: amounts falling due after more than one year	18	5,968,710	7,082,560
Debtors: amounts falling due within one year	18	219,078,610	212,265,928
Cash at bank and in hand	19	36,024,652	24,516,406
		<u>315,438,070</u>	<u>292,372,859</u>
Creditors: amounts falling due within one year	20	(111,336,912)	(103,155,447)
<b>Net current assets</b>		<u>204,101,158</u>	<u>189,217,412</u>
<b>Total assets less current liabilities</b>		<u>206,826,392</u>	<u>191,620,426</u>
<b>Provisions for liabilities</b>			
Other provisions	23	(1,749,330)	(1,604,740)
Pension liability	25	(37,263,000)	(43,528,000)
<b>Net assets</b>		<u>167,814,062</u>	<u>146,487,686</u>
<b>Capital and reserves</b>			
Called up share capital	27	131,500,002	131,500,002
Profit and loss account	28	36,314,060	14,987,684
<b>Shareholder's fund</b>		<u>167,814,062</u>	<u>146,487,686</u>

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

  
A Roberts  
Director

Date: 28 September 2018

The notes on pages 12 to 33 form part of these financial statements.

# AALCO METALS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £	Profit and loss account £	Total £
At 1 January 2016	131,500,002	24,893,483	156,393,485
Profit for the year	-	14,070,601	14,070,601
Other comprehensive loss for the year	-	(13,976,400)	(13,976,400)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>94,201</b>	<b>94,201</b>
Dividends paid	-	(10,000,000)	(10,000,000)
At 1 January 2017	131,500,002	14,987,684	146,487,686
Profit for the year	-	17,236,281	17,236,281
Other comprehensive income for the year	-	4,090,095	4,090,095
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>21,326,376</b>	<b>21,326,376</b>
<b>At 31 December 2017</b>	<b>131,500,002</b>	<b>36,314,060</b>	<b>167,814,062</b>

The notes on pages 12 to 33 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1. General information**

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

Registered Number: 03551533

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

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

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

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

The following principal accounting policies have been applied:

**2.2 Going concern**

The directors of the parent undertaking, Amari Metals Limited, having carefully considered all pertinent matters are satisfied that the company and group is a going concern and that sufficient funds are available for a period of at least twelve months from the date of signing these financial statements. The company participates in a group treasury function available to all companies in the group; the directors of this company accordingly continue to prepare the financial statements on the going concern basis.

**2.3 Consolidation**

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the European Economic Area and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts. The information contained within these accounts represents the financial position and performance of the individual company only for the year ended 31 December 2017, and not that of the group.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)****2.4 Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Amari Metals Limited as at 31 December 2017 and these financial statements may be obtained from Companies House.

**2.5 Turnover**

Turnover shown in the income statement represents the total invoice value of goods supplied during the year, exclusive of Value Added Tax.

Turnover is recognised when all of the following criteria are met:

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

**2.6 Tangible fixed assets and depreciation**

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

The company 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 company. 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.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)****2.6 Tangible fixed assets and depreciation (continued)**

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

Depreciation is provided on the following basis:

Plant, Equipment & Motor Vehicles	- 10% to 50%
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

**2.7 Investments**

Fixed asset investments are stated at cost less provision for impairment.

**2.8 Stocks**

Stocks are valued at the lower of either cost or net realisable value after making due allowance for obsolete and slow-moving stocks.

**2.9 Debtors**

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

**2.10 Cash and cash equivalents**

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

**2.11 Creditors**

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

**2.12 Operating leases**

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)****2.13 Finance costs**

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

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

**2.14 Current and deferred taxation**

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

**2.15 Foreign currencies****Functional and presentation currency**

The company'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 except when deferred in other comprehensive income as qualifying cash flow hedges.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)****2.15 Foreign currencies (continued)****2.16 Pension costs****Defined contribution pension costs**

The company participates in a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions are charged to the income statement.

**Defined benefit pension costs**

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

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

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

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**2. Accounting policies (continued)****2.17 Financial instruments**

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other 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 a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company 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.

**2.18 Property dilapidations**

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

**2.19 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

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**AALCO METALS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

**Pension and other post-employment benefits**

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

Being part of a multi-employer defined benefit scheme, the company is unable to identify its individual share of the underlying assets and liabilities in the scheme. The company has previously accounted for the contributions to the group defined benefit scheme as if it was a defined contribution scheme. The directors consider that there is no other contractual agreement or stated policy for charging the net defined benefit costs between the group companies and therefore, on transition to FRS 102, as the principal employer Aalco Metals Limited has accounted for the scheme as a defined benefit scheme. Further details are given in note 25.

**Provisions**

Provision is made for dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

**Trade debtors**

Management applies judgment in evaluating the recoverability of debtors. To the extent that the directors believe debtors not to be recoverable they have been provided for in the financial statements.

**Stock**

Management applies judgment in evaluating stock for obsolescence. This judgment is based on management knowledge of the stock and customer demand, as well as stock age. At each balance sheet date, stocks are assessed for impairment and written down where appropriate.

**4. Turnover**

The whole of the turnover is attributable to the principal activity of the company. A geographical analysis of turnover is as follows:

	2017 £	2016 £
United Kingdom	372,549,004	324,609,126
Rest of European Union	12,057,977	13,314,151
Rest of world	579,314	606,203
	<u>385,186,295</u>	<u>338,529,480</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**5. Other operating income**

	2017 £	2016 £
Other operating income	<u>1,434,664</u>	<u>1,434,664</u>

The other operating income represents contributions, by other group companies, to the defined benefit pension scheme liability recognised within the company's statement of financial position.

**6. Operating profit**

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

	2017 £	2016 £
Depreciation of tangible fixed assets	834,347	925,801
Profit on foreign exchange transactions	(2,908)	(62,250)
Other operating lease rentals		
- plant and machinery	2,156,497	1,962,772
- land and buildings	4,306,404	4,216,525
Profit on disposal of fixed assets	<u>(61,432)</u>	<u>(42,557)</u>

**7. Auditor's remuneration**

	2017 £	2016 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>93,000</u>	<u>126,500</u>
<b>Fees payable to the company's auditor in respect of:</b>		
Taxation compliance services	7,500	15,000
Other accounting services	<u>1,500</u>	<u>1,500</u>

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**AALCO METALS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**8. Staff costs**

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

	2017 £	2016 £
Wages and salaries	24,745,365	23,327,625
Social security costs	2,487,717	2,347,189
Other pension costs	951,110	916,806
	<u>28,184,192</u>	<u>26,591,620</u>

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

2017 No.	2016 No.
<u>804</u>	<u>779</u>

**9. Directors' remuneration**

	2017 £	2016 £
Remuneration	<u>45,262</u>	<u>36,841</u>

During the year retirement benefits were accruing to 2 directors (2016: 2) in respect of defined contribution pension schemes.

**10. Interest income**

	2017 £	2016 £
Interest on loans to group companies	<u>3,924,895</u>	<u>4,123,766</u>

**11. Interest expense and similar charges**

	2017 £	2016 £
Interest on corporation tax	<u>-</u>	<u>9,943</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**12. Other finance costs**

	2017 £	2016 £
Net interest on net defined benefit liability	(3,632,000)	(4,141,000)
Expected return on scheme assets	2,506,000	3,130,000
	<u>(1,126,000)</u>	<u>(1,011,000)</u>

**13. Taxation**

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	2,437,480	2,343,938
Adjustments in respect of previous periods	111,520	6,425
Payment for tax losses claimed from group undertakings	-	3,020,000
<b>Foreign tax</b>		
Foreign tax on income for the year	7,000	-
<b>Total current tax</b>	<u>2,556,000</u>	<u>5,370,363</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	27,564	13,536
Deferred tax in respect of defined benefit pension scheme	252,945	285,800
<b>Total deferred tax</b>	<u>280,509</u>	<u>299,336</u>
<b>Taxation on profit on ordinary activities</b>	<u>2,836,509</u>	<u>5,669,699</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**13. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.0%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>20,072,790</u>	<u>19,740,300</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.0%)	<u>3,864,012</u>	<u>3,948,060</u>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	34,171	47,055
Fixed asset timing differences	39,744	21,723
Adjustments to tax charge in respect of prior periods	111,520	6,425
Income not taxable for tax purposes	(2,946)	-
Utilisation of group relief election	(1,218,312)	(1,380,584)
Difference in tax rates - opening deferred tax	(21,964)	13,706
Difference in tax rates - closing deferred tax	21,140	19,380
Difference in tax rate as a result of deferred benefit pension scheme movements	2,144	(26,066)
Payment for losses claimed - current year	-	1,506,480
Payment for losses claimed - prior years	-	1,513,520
Foreign tax credits	7,000	-
<b>Total tax charge for the year</b>	<u><u>2,836,509</u></u>	<u><u>5,669,699</u></u>

**Factors that may affect future tax charges**

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

**14. Dividends**

	2017 £	2016 £
Dividends paid on equity capital	<u>-</u>	<u>10,000,000</u>

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**AALCO METALS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**15. Tangible fixed assets**

	<b>Plant Equipment &amp; Motor Vehicles £</b>
<b>Cost</b>	
At 1 January 2017	18,231,492
Additions	1,181,584
Transfers intra group	261,877
Disposals	(1,034,144)
At 31 December 2017	<u>18,640,809</u>
<b>Depreciation</b>	
At 1 January 2017	15,828,482
Charge for the year	834,347
Transfers intra group	277,183
Disposals	(1,024,437)
At 31 December 2017	<u>15,915,575</u>
<b>Net book value</b>	
At 31 December 2017	<u><u>2,725,234</u></u>
At 31 December 2016	<u><u>2,403,010</u></u>

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**AALCO METALS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**16. Fixed asset investments**

	<b>Investments in subsidiary undertakings £</b>
<b>Cost</b>	
At 1 January 2017	<b>4</b>
Transfers intra group	<b>(4)</b>
At 31 December 2017	<b>-</b>
At 31 December 2016	<b>4</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**17. Stocks**

	2017 £	2016 £
Goods held for resale	<u>54,366,098</u>	<u>48,507,965</u>

A provision of £1,282,475 (2016: £1,838,964) has been recognised against the stock balance due to slow-moving and obsolete stock. The net reversal of the provision of £556,489 (2016: increase of £715,413) has been recognised in cost of sales.

**18. Debtors**

	2017 £	2016 £
<b>Due after more than one year</b>		
Deferred taxation	<u>5,968,710</u>	<u>7,082,560</u>
<b>Due within one year</b>		
Trade debtors	65,813,132	61,341,761
Amounts owed by group undertakings	145,260,770	142,483,772
Other debtors	2,799,947	2,736,253
Prepayments and accrued income	4,658,905	5,130,722
Deferred taxation	545,856	573,420
	<u>219,078,610</u>	<u>212,265,928</u>

A provision of £146,523 (2016: £92,832) has been recognised against trade debtors. The net increase of the provision of £53,691 (2016: reversal of £11,060) has been recognised in other external charges.

**19. Cash and cash equivalents**

	2017 £	2016 £
Cash at bank and in hand	<u>36,024,652</u>	<u>24,516,406</u>

# AALCO METALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 20. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	88,285,725	78,746,834
Amounts owed to group undertakings	896,236	3,812,019
Corporation tax	522,106	977,682
Other taxation and social security	10,740,136	9,433,619
Accruals and deferred income	10,892,709	10,185,293
	<u>111,336,912</u>	<u>103,155,447</u>

### 21. Financial instruments

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>213,873,849</u>	<u>206,561,786</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(100,074,670)</u>	<u>(92,744,146)</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**22. Deferred taxation**

	2017 £	2016 £
At beginning of year	7,655,980	6,104,716
Income statement movement during the year	(27,564)	(13,536)
Charged to other comprehensive income	(860,905)	1,850,600
Income statement movement during the year in respect of defined benefit pension scheme	(252,945)	(285,800)
<b>At end of year</b>	<b>6,514,566</b>	<b>7,655,980</b>

The deferred tax asset is made up as follows:

	2017 £	2016 £
Fixed asset timing differences	82,256	114,920
Other timing differences	-	(5,100)
Defined benefit pension scheme liability	6,432,310	7,546,160
	<b>6,514,566</b>	<b>7,655,980</b>

**23. Provisions**

	Dilapidation provision £
At 1 January 2017	1,604,740
Income statement movement during the year	144,590
<b>At 31 December 2017</b>	<b>1,749,330</b>

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

**24. Capital commitments**

At 31 December 2017 amounts authorised but not contracted for amount to £256,343 (2016: £209,055).

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**25. Pension commitments****Defined contribution schemes**

The company participates in a defined contribution scheme for the benefit of all enrolled UK employees. The assets of the scheme are administered by trustees in funds independent from those of the company.

The pension cost for the period represents contributions due by the company to the scheme in respect of the financial period and amounted to £951,110 (2016: £916,806). The amounts outstanding at the year end were £nil (2016: £nil).

**Defined benefit schemes**

The company participated in a defined benefit scheme operated by the group of undertakings headed by Amari Metals Limited, for the benefit of all enrolled UK employees.

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

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

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

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

Following the latest actuarial valuation, annual contributions of £2,440,000 will be paid to the scheme, by the participating employers, in an effort to eliminate the deficit disclosed by 31 October 2024. The contribution levels are subject to review at future valuations. The group expects to pay contributions of £2,440,000 in the year to 31 December 2018.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**25. Pension commitments (continued)**

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

Composition of plan assets:

	2017 £	2016 £
Equities	80,661,000	69,796,000
Bonds	6,529,000	12,642,000
Property	7,744,000	6,095,000
Cash	4,808,000	4,184,000
Other	2,205,000	-
Gilts	513,000	-
<b>Total plan assets</b>	<b>102,460,000</b>	<b>92,717,000</b>
	2017 £	2016 £
Fair value of plan assets	102,460,000	92,717,000
Present value of plan liabilities	(139,723,000)	(136,245,000)
<b>Net pension scheme liability</b>	<b>(37,263,000)</b>	<b>(43,528,000)</b>

The amounts recognised in profit or loss are as follows:

	2017 £	2016 £
Interest on obligation	(3,632,000)	(4,141,000)
Interest income on plan assets	2,506,000	3,130,000
<b>Total</b>	<b>(1,126,000)</b>	<b>(1,011,000)</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**25. Pension commitments (continued)**

Reconciliation of fair value of plan liabilities were as follow:

	2017 £	2016 £
Opening defined benefit obligation	136,245,000	113,612,000
Interest cost	3,632,000	4,141,000
Actuarial losses	3,327,000	21,931,000
Benefits paid	(2,912,000)	(3,439,000)
Transfers	(180,000)	-
Other	(389,000)	-
<b>Closing defined benefit obligation</b>	<b>139,723,000</b>	<b>136,245,000</b>

Reconciliation of fair value of plan assets were as follows:

	2017 £	2016 £
Opening fair value of scheme assets	92,717,000	84,482,000
Interest income on plan assets	2,506,000	3,130,000
Actuarial gains	8,278,000	6,104,000
Contributions by company	1,005,336	1,005,336
Contributions by other group companies	1,434,664	1,434,664
Benefits paid	(2,912,000)	(3,439,000)
Transfers	(180,000)	-
Other	(389,000)	-
	<b>102,460,000</b>	<b>92,717,000</b>

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

	2017 %	2016 %
Discount rate	2.40	2.70
Revaluation of deferred pension (non-GMP)	2.80	3.00
Pension increases: Limited Price Indexation	3.00	3.20
Pension increases: Limited Price Indexation (minimum 3% pa)	3.40	3.50
RPI inflation (period prior to retirement)	2.80	3.00

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**25. Pension commitments (continued)**

RPI inflation (period after retirement)	<b>3.10</b>	3.30
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The pre and post-retirement mortality assumptions used to value the benefit obligations at 31 December 2017 are based on the S2PA CMI\_2016\_M/F [1.00%] (2016: S2PA CMI\_2015\_M/F [1.00%]) mortality table with reference to members' actual years of birth.

Under these mortality assumptions, the expected future lifetime for a member retiring at age 65 at the accounting date would be 21.9 years (2016: 21.9 years) for males and 23.7 years (2016: 23.9 years) for females. As a result of expected improvements to mortality in the future, the future expectations of life at retirement for a member retiring at age 65 in 20 years' time would be 23.0 years (2016: 23.2 years) for males and 25.0 years (2016: 25.4 years) for females.

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

## Defined benefit pension schemes

	2017 £	2016 £	2015 £	2014 £
Defined benefit obligation	<b>(139,723,000)</b>	(136,245,000)	(113,612,000)	(117,597,000)
Scheme assets	<b>102,460,000</b>	92,717,000	84,482,000	80,699,000
<b>Deficit</b>	<b><u>(37,263,000)</u></b>	<u>(43,528,000)</u>	<u>(29,130,000)</u>	<u>(36,898,000)</u>

Actual return on scheme assets was as follows:

	2017 £	2016 £
Interest income	<b>2,506,000</b>	3,130,000
Return on assets less interest income	<b>8,278,000</b>	6,104,000
	<b><u>10,784,000</u></b>	<u>9,234,000</u>

# AALCO METALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 26. Operating lease commitments

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
<b>Land and buildings</b>		
Within one year	4,171,210	4,363,975
Between two and five years	14,369,502	14,535,372
After more than five years	8,679,084	11,879,132
	<u>27,219,796</u>	<u>30,778,479</u>
	2017 £	2016 £
<b>Other commitments</b>		
Within one year	2,384,578	2,001,486
Between two and five years	4,544,040	4,313,213
After more than five years	1,583	214,850
	<u>6,930,201</u>	<u>6,529,549</u>

### 27. Share capital

	2017 £	2016 £
<b>Allotted, called up and fully paid</b>		
2 Ordinary shares of £1 each	2	2
131,500,000 Preference shares of £1 each	131,500,000	131,500,000
	<u>131,500,002</u>	<u>131,500,002</u>

The shares rank pari-passu with the exception that the redeemable preference shares have no dividend rights. The redeemable preference shares can be redeemed at par at any time (at the option of the company) having given not less than three months previous notice in writing. As such, these shares have been classified as equity.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**28. Reserves**

**Called-up share capital**

Represents the nominal value of shares that have been issued.

**Profit & loss account**

Includes all current and prior period retained profits and losses.

**29. Contingent liabilities**

During the year the company was party to a group banking facility, including a cross guarantee, which is advanced to the group of companies headed by Amari Metals Limited. Neither the group nor the company have pledged assets as security for this facility.

The contingent liability under this arrangement, being the aggregate bank borrowings of the group, at 31 December 2017 was £Nil (2016: £Nil).

There are no other contingent liabilities at 31 December 2017 or at 31 December 2016.

**30. Related party transactions**

During the year the company made sales to metal distribution companies that are connected by virtue of common directorships of £8,430,548 (2016: £8,335,165) of which £2,079,103 (2016: £1,716,022) was outstanding at year end.

During the year the company made purchases from metal distribution companies that are connected by virtue of common directorships of £171,020 (2016: £257,851) of which £45,550 (2016: £33,007) was outstanding at year end.

The company has made payments to companies connected to certain directors of Britannia Metals Holdings, Ltd. in respect of leases of £857,750 (2016: £857,750).

**31. Ultimate parent undertaking and controlling party**

The ultimate parent company and controlling party is Britannia Metals Holdings, Ltd, (formerly known as Amari UK Holdings, Inc.), a company registered in the USA.

The largest and smallest group of which the company is a member and for which group consolidated financial statements are drawn up is headed by Amari Metals Limited, the immediate parent company. Copies of these financial statements are available from Companies House.

The registered office of the immediate parent company is the same as the address of the company as disclosed in note 1 of the accounts.