Spartan UK Limited

Annual report and financial statements for the year ended 31 December 2019

Registered number 04140355

Spartan UK Limited

Annual report and financial statements

for the year ended 31 December 2019

Contents

Spartan UK Limited

Strategic report for the year ended 31 December 2019

Business review and future developments
The results for the year are set out in the statement of comprehensive income on page 8. Revenue decreased by 12% compared to 2018 to £185.3 million. The volume of Spartan's plate sales decreased slightly and there was also a decrease in the trading of other Group products within existing markets. Steel prices of all products remained static in the first half of the year and then decreased towards the end of the year. A loss of £0.2 million was recorded for the year with a loss of £1.6 million in 2018.

The balance sheet at 31 December 2019 shows that the financial position of the company has deteriorated slightly with net assets of £31.9 million (2018: £32.1 million).

The directors are satisfied with the development of the business, which has performed well in testing market conditions.

In 2020 Spartan UK Limited are expecting continued demand across the markets. It is anticipated that customers will favour Spartan's supply during this year as the short lead times minimise their risks during this period.

Key performance indicators (KPIs)
The company relies on different key performance indicators at an operational level. Such KPIs are used by the management team to monitor performance on a regular basis and are monitored by Metinvest Group.

The main KPI used is the price per ton which was on average £495 during 2019 (2018: £506).

Section 172 Companies Act 2006
The directors must act in a way they consider would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard to the matters set out in Section 172(1). These are set out below:

1. Long term consequences:

The company continues to make both investment and operational decisions for the long term future. The company has invested in best available technology on several heating furnaces to both reduce the specific energy consumption and meet current and future environmental standards.

2. Interest of Employees:

A comprehensive employee engagement scheme is in place and the company has invested in a new Training and Development platform as part of its ongoing commitment.

3. Supplier and Customer relationships:

The company fosters strong relationships with both its customers and suppliers, including long term strategic relationships where appropriate. These have been developed over a number of years, based on mutual trust and understanding, and provide a firm foundation for the long term health of the business.

Section 172 Companies Act 2006 (continued)
4. Impact on the Community and Environment:

The company recognises that its operations have the potential to impact both the local community and the environment. The company has put in place operational practices to minimise the impact on both and has invested in technology to further minimise the overall environmental impact.

5. High Standards of Business Conduct:

The company is guided by the ultimate parent company (Metinvest B.V.) Code of Ethics to maintain high standards of business conduct in all areas of operation. All employees are regularly trained in the requirements and expectations of the code.

6. Act fairly between shareholders:

The company is wholly privately owned so there are no diverse or external interests of shareholders.

Principal and financial risks
The directors have carefully considered the principal risks and uncertainties facing the business. These include:

Market risks
- Selling prices and volumes - The key to success is to leverage the company's position through the premium which its service offering demands. Spartan UK Limited has a well dispersed customer base with no single customer accounting for a significant portion of the business. Equally the business is well spread geographically and across sectors. This spread of business minimises the risks arising from the loss of business in any one area. In 2020 this positioning has been vital to maintaining the level of business achieved.
- Raw material prices – The company is exposed to fluctuations in the price of raw materials. The management manage this risk through monitoring prices and adjusting purchases of raw materials accordingly. Strict control and limiting of raw material stocks also mitigate the risks.
- Currency rates – The company faces transactional exchange rate risk from its foreign currency dealings and translational exchange rate risk from its monetary assets and liabilities. Whilst it seeks to minimise its transactional exchange rate risk by both buying and selling in the same currency, the directors recognise that its monetary assets and liabilities are exposed to adverse rate movements.
- Interest rates – The company is also exposed to interest rate risk on loan interest, however the directors do not consider the risk to be significant.

Liquidity risk
The company's cash position has increased at the end of the year. The net debt has remained the same with no new loans taken out. The directors do not consider that the company is exposed to significant liquidity risk.

Principal and financial risks (continued)

Credit risk

The directors do not consider that the company is exposed to significant bad debt risk due to its well dispersed customer base. Customer credit levels and outstanding debts are monitored to identify any potential credit risks. The extensive use of credit insurance mitigates this credit risk further.

Brexit

Due to the ongoing uncertainty over trading arrangements post Brexit, it is difficult to predict the impact that it will have on the company's business. The company exports 30% to 40% of its products to the European Union. Any outcome which results in additional costs and complexity of moving goods from the UK to the EU would be of concern and could potentially reduce the company's competitiveness in these markets. This could be offset by increased opportunities within the UK if any new arrangements are reciprocated for imports from the EU. However, if the current EU restrictions on steel plate imports from third countries are not replicated as part of the new trading arrangements this would be a potential cause for concern.

It is expected that there will be a suitable notice period once the new arrangements are determined, during which the company will prepare to operate under the new regulations. As such the company currently does not expect any significant impact on the business in the near future.

Covid-19 Impact

The Covid-19 crisis has not had a significant impact on the business to date. The company has continued to operate as normal having put appropriate measures in place. There was a reduction in output at the peak of the crisis in April but the company has now returned to normal operations. The company has generally not furloughed employees apart from a very small number for specific non-operational reasons. Demand is returning although the market outlook remains uncertain. At this stage the company does not expect any significant long term impact on the business. The directors have obtained a letter of support from the company's ultimate parent undertaking, Metinvest B.V., to provide any necessary financial support to the company in order to discharge its liabilities as they fall due and has adequate resources to continue in operational existence for the foreseeable future.

On behalf of the Board

V Dembytskyy
Director
August 20th, 2020

Spartan UK Limited

Directors' report for the year ended 31 December 2019

The directors present their report and audited financial statements of the company for the year ended 31 December 2019.

Registered office
The company's registered office and principal place of business is Ropery Road, Teams, Gateshead, Tyne and Wear, England. NE8 2RD.

Principal activities
The principal activity of the company is that of a steel rolling mill producing hot rolled steel plates. The company is classified as a re-roller, converting and adding value to purchased steel slabs. The company's principal customers are end-users, service centres and stockists in the UK, mainland Europe and Scandinavia. The cornerstones of the business model are short lead times, delivery accuracy and quality. For this service Spartan UK Limited charges a premium.

Proposed dividend
The directors do not recommend the payment of a dividend (2018: £nil).

Qualifying third-party indemnity provisions
As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. This was in place throughout the year and continues to be in place at the date of the approval of these financial statements.

Directors
The directors who held office during the year and up to the date of signing this report were as follows:

A Pogozhev
I Dankova
V Dembytskyy

Financial risk management
Information in relation to the company's financial risk management is set out in note 2.

Future developments
The future developments are disclosed in the Strategic report on page 1. The directors have considered the impact of COVID-19 on its operations and this is disclosed in the Post Balance Sheet Events Note 30 on page 38.

Spartan UK Limited

Directors' report for the year ended 31 December 2019 – continued

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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 company will continue in business.

The directors 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.

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

Statement of disclosure to auditors
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 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 Company's auditors are aware of that information.

On behalf of the Board

V Dembytskyy
Director

August 20th, 2020

Independent auditors' report to the members of Spartan UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Spartan UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the statement of cash flows and the statement 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 company 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

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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.

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.

Independent auditors' report to the members of Spartan UK Limited (continued)

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 2019 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 company and its 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 in respect of the financial statements set out on page 5, 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 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.

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 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 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
20 August 2020

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	3	**185,329,012**	210,051,837
Cost of sales	4	**(171,626,145)**	(198,696,511)
Gross profit		**13,702,867**	11,355,326
Distribution costs	4	**(6,833,409)**	(7,140,311)
Administrative expenses	4	**(5,373,825)**	(4,025,024)
Other operating expenses	4	**(186,073)**	(517,053)
Operating profit/(loss)		**1,309,560**	(327,062)
Finance income	8	**277**	202
Finance costs	9	**(1,549,204)**	(1,639,900)
Loss before income tax		**(239,367)**	(1,966,760)
Income tax credit	10	**31,629**	415,037
Loss for the year		**(207,738)**	(1,551,723)
Total comprehensive expense for the year		**(207,738)**	(1,551,723)

All amounts above relate to continuing operations.

Spartan UK Limited

Balance sheet as at 31 December 2019

	Note	2019 £	2018 £
Assets			
Non-current assets			
Property, plant and equipment	11	**9,256,718**	7,931,798
Right of use assets	23	**461,968**	-
Intangible assets	12	**11,232**	11,827
Investments	13	**7**	7
		9,729,925	7,943,632
Current assets			
Inventories	14	**21,088,061**	32,233,021
Trade and other receivables	15	**41,886,460**	53,171,221
Cash and cash equivalents	16	**12,778,659**	3,955,209
Current income tax asset		**152,922**	128,072
		75,906,102	89,487,523
Total assets		**85,636,027**	97,431,155
Liabilities			
Current liabilities			
Trade and other payables	17	**27,907,803**	39,926,856
Borrowings	18	**25,000,000**	25,000,000
		52,907,803	64,926,856
Non-current liabilities			
Creditors: amount falling due after more than one year	19	**463,292**	-
Deferred tax liability	20	**403,586**	435,215
		866,878	435,215
Total liabilities		**53,774,681**	65,362,071
Equity			
Ordinary shares	21	**2,500,000**	2,500,000
Retained earnings		**29,361,346**	29,569,084
Total equity		**31,861,346**	32,069,084
Total equity and liabilities		**85,636,027**	97,431,155

These financial statements on pages 8 to 38 were approved by the Board of directors on August 20th, 2020 and were signed on its behalf by:

V Dembytskyy
Director
Registered number: 04740355

Statement of cash flows for the year ended 31 December 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Cash used in operations	25	**12,819,450**	(5,240,016)
Corporation tax paid		**(24,850)**	(128,072)
Interest paid		**(1,549,204)**	(1,639,900)
Net cash generated/(used) in operating activities		**11,245,396**	(7,007,988)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(2,405,190)**	(1,327,508)
Purchases of intangible assets		**(17,033)**	(21,527)
Interest received		**131**	53
Dividend received		**146**	149
Net cash used in investing activities		**(2,421,946)**	(1,348,833)
Cash flow from financing activities			
Proceeds from loan		**-**	10,000,000
Net cash generated from financing activities		**-**	10,000,000
Net increase in cash and cash equivalents		**8,823,450**	1,643,179
Cash and cash equivalents at beginning of year		**3,955,209**	2,312,030
Cash and cash equivalents at end of year	16	**12,778,659**	3,955,209

Statement of changes in equity for the year ended 31 December 2019

	Ordinary shares	Retained earnings	Total equity
	£	£	£
At 1 January 2018	2,500,000	31,120,807	33,620,807
Loss for the year and total comprehensive expense	-	(1,551,723)	(1,551,723)
At 31 December 2018	2,500,000	29,569,084	32,069,084
Loss for the year and total comprehensive expense	-	(207,738)	(207,738)
At 31 December 2019	**2,500,000**	**29,361,346**	**31,861,346**

1 Accounting policies

Spartan UK Limited is a private limited company, limited by shares, which is incorporated and domiciled in England in the United Kingdom. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis and under the historical cost convention. A summary of the more important accounting policies is set out below together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Revenue
Revenue comprises the fair value of the consideration received or receivable from the sale of carbon steel plates, and is stated net of value added tax and other discounts.

In accordance with IFRS 15 Revenue from Contracts with Customers the company follows a 5-step process to determine whether to recognise revenue:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to its performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

All revenue for the company is recognised at a point in time upon satisfaction of the performance obligation i.e. on despatch or delivery of goods to customers.

The transaction price is based on the company price list, with additional prices for delivery and additional products if required. There is no variable consideration in customer contracts. The company considers the value of returns, refunds and similar obligations to be not significant based on historical information and experience.

Foreign currencies
Items included in the financial statements are recorded in sterling, which is considered to be the functional and presentational currency. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of comprehensive income.

1 Accounting policies (continued)

Intangible assets and amortisation
Intangible assets (software licences) are held at cost less accumulated amortisation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. They are amortised to £nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of 3 years. Amortisation is charged to the statement of comprehensive income within administrative expenses.

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows. The residual values and useful lives of the assets are reassessed annually by management and adjusted if appropriate.

Freehold buildings	5 years
Plant and machinery	8 – 28 years
Fixtures, fittings and equipment	3 years

No depreciation is provided on freehold land or assets in the course of construction.

Depreciation is charged to the statement of comprehensive income within cost of sales.

Leases
Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Inventories
Inventories are stated at the lower of cost and net realisable value. Raw materials are held at purchase cost plus any costs incurred in bringing the inventories to their present location and condition. For finished goods cost is taken as weighted average production cost, which includes an appropriate proportion of attributable overheads.

Net realisable value is taken as selling price, less any attributable costs. Provision is made where necessary for obsolete, slow moving and defective inventories.

Trade receivables
Trade receivables are recognised in the balance sheet at net realisable value being initial fair value less provision for impairment. Provisions are determined on the basis of an individual assessment of each receivable and the amount of the loss arising from provisions made is recognised within other expenses in the income statement together with the credit relating to the reversal of any provisions no longer required.

1 Accounting policies (continued)

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost. Other payables primarily comprise holiday pay liabilities, income taxes, other taxes and interest payable, which are measured at fair value.

Cash and cash equivalents
Cash and cash equivalents includes cash and balances in accounts with no or short notice (including money market deposits).

Fair value measurements

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Financial instruments

Financial instruments comprise borrowings, cash, money market deposits, trade receivables and trade payables. The main purpose of these financial instruments is to manage the company's operations. No trading in financial instruments is undertaken.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities, including loans such as loans from financial institutions are recognised when obtained at the proceeds received less transaction costs incurred. In subsequent periods, the loans are measured at amortised cost so that the effective interest charges are recognised in the income statement over the term of the loan.

Spartan UK Limited

Notes to the financial statements for the year ended 31 December 2019 - continued

1 Accounting policies (continued)

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Current taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws which have been enacted or substantively enacted by the balance sheet date.

Deferred taxation
Deferred income tax is provided in full using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using average tax rates (and laws) that have been enacted or substantively enacted by the accounting reference date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Post-retirement benefits
The company operates a defined contribution pension scheme to which employees can contribute. The assets of the scheme are held separately from those of the company in an independently administered fund.

Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

Inventory provisioning
The company produces hot rolled steel plates which are subject to changing demands and fluctuations in price. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

Impairment of debtors
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

1 Accounting policies (continued)

New standards, amendments and interpretations

IFRS 16 'Leases' has been adopted from 1 January 2019 which has given rise to a change in accounting policy, the impact of which is explained in this note. The standard has been adopted retrospectively, but comparatives for the 2018 reporting period have not been restated as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as of 1 January 2019, or the rate implicit in the lease. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.0%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made under IAS 17.

New Standards, amendments and interpretations (continued)

Measurement of Lease Liabilities

	£
Operating lease commitments disclosed as at 31 December 2018	371,020
Less: short-term leases not recognised as liability	-
	371,020
Discounted using the lessee's incremental borrowing rate at the date of initial application	329,306
Add: contracts reassessed as lease contracts	-
Add: finance lease liabilities recognised as at 31 December 2018	-
Lease liability recognised as at 1 January 2019	329,306
Of which are:	
Current lease liabilities	68,098
Non-current lease liabilities	261,208
	329,306

Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Adjustments recognised in the balance sheet on 1 January 2019

The change in the accounting policy affected the following items in the balance sheet on 1 January 2019:

Right-of-use asset increased by £329,306.

Lease liabilities increased by £329,306.

The net impact on retained earnings was nil.

New Standards, amendments and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Financial risk management

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The company's overall risk management programme seeks to minimise potential adverse effects on the company's financial performance.

Credit risk
Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, contractual cash flows of debt investments carried at amortised costs as well as credit exposures to customers, including outstanding receivables.

The company's financial assets which include intra group (balances with companies within the Metinvest Group) loans and short term receivables (previously categorised as loans and receivables) are measured at amortised cost on the basis of the entity's business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

In relation to the impairment of financial assets, IFRS 9 requires the company to apply an expected credit loss model and assess changes in expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and amounts owed by group undertakings have been assessed separately. No expected credit loss has been calculated as the company uses a credit insurance policy which covers a significant amount of its exposure. This combined with robust credit management procedures ensure risks are well managed.

Expected credit loss calculated on both intercompany and other trade receivables was not material.

2 Financial risk management (continued)

Liquidity risk
Liquidity risk arises due to purchases from the company's suppliers. Liquidity risk is managed through regular cash flow forecasting to ensure the company has sufficient available funds for its operations and growth. Liquidity risk is also minimised through intercompany indebtedness with Metinvest Group.

The table below analyses the company's financial liabilities into relevant maturity groupings at the accounting reference date, based on contractual maturities.

	Less than 1 year £	Between 2–5 years £
At 31 December 2019		
Borrowings	25,000,000	-
Trade and other payables	27,710,897	463,292
At 31 December 2018		
Borrowings	25,000,000	-
Trade and other payables	39,099,682	-

Market risk
Currency risk
The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US Dollar. Foreign exchange risk arises from commercial transactions and from retranslation of recognised assets and liabilities.

Being part of the Metinvest Group, the overall currency risk is managed at group level.

The company imports its raw materials through the group predominantly in pounds and also imports to a lesser extent in Euros from other external suppliers. Export sales are made in Euros which provides a natural hedge for its liabilities. The company buys and sells foreign currency at spot rates which is consistent with group policy. The currency risks are known and understood by both Spartan management and the shareholders.

Sensitivities have been performed based on the movement in currency rates during the year.

At 31 December 2019, if the Euro had weakened/strengthened by 5% (2018: 5%) against the pound with all other variables held constant, post-tax loss for the year would have been £887,533 (2018: £905,091) higher/lower, mainly as a result of foreign exchange loss/gain on translation of euro-denominated trade receivables.

At 31 December 2019, if the US dollar had weakened/strengthened by 5% (2018: 5%) against the pound with all other variables held constant, post-tax loss for the year would have been £17 (2018: £16) higher/lower, mainly as a result of foreign exchange loss/gain on translation of dollar-denominated bank balance.

2 Financial risk management (continued)

Market risk (continued)

Steel prices

Steel prices remained static in the first half of the year and then decreased towards the end of the year. Management consider that there is no impact on the year end stock values as a result of price changes.

Summary of stock at year end:

	2019			2018		
	Tons	**Value**	**£/ton**	Tons	Value	£/ton
Slab stock	**29,571**	**9,826,930**	**332**	31,477	12,775,736	406
Spare parts	**-**	**3,477,995**	**-**	-	3,286,493	-
Plate stock	**10,029**	**4,488,043**	**448**	9,880	5,125,737	519
Traded stock	**7,153**	**3,295,093**	**461**	20,823	11,045,055	530

The weighted average purchase price for slabs in 2019 was £323/ton (2018: £384/ton). The average net selling price in January 2020 was £433/ton (2019: £510/ton) which would give a plate stock impairment of £147,191 (2018: £90,098). Average selling prices decreased to £428/ton in February 2020.

Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimise the cost of capital. The capital structure is maintained through determining the amount of dividends paid to shareholders, repayment or drawing of debt and payment of other payables. The company's total equity consists of share capital and retained earnings. The company had no new external loan facilities during the prior year, and the existing loan has certain covenant restrictions. It also has extended credit on raw material purchases from within the Metinvest Group. The company monitors its capital risk through various ratios.

	2019	2018
	£	£
Total equity	**31,861,346**	32,069,084
Total assets	**85,636,027**	97,431,155
Group payable balance	**23,304,193**	34,835,779
Interest payable	**1,549,204**	1,639,900
EBITDA	**2,407,458**	1,241,376
Total equity/total assets	**37.2%**	32.9%
Group payable balance/EBITDA (times)	**9.7**	28.1
EBITDA/Interest cost (times)	**1.6**	0.8

Notes to the financial statements for the year ended 31 December 2019 - continued

3 Revenue

Revenue represents revenue from sale of goods and is derived in the following geographic regions and major product lines:

	Plates			Traded Products			Scrap			Other			
2019	UK	Europe	Rest of the World	UK	Europe	Rest of the World	UK	Europe	Rest of the World	UK	Europe	Rest of the World	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Total revenue	73,604	40,567	-	30,596	37,362	-	3,161	-	-	-	39	-	**185,329**
Intercompany	-	(8,170)	-	-	-	-	-	-	-	-	(39)	-	**(8,209)**
Revenue from external customers	73,604	32,397	-	30,596	37,362	-	3,161	-	-	-	-	-	**177,120**
Timing of revenue recognition													
At a point in time	73,604	40,567	-	30,596	37,362	-	3,161	-	-	-	39	-	**185,329**
Over time	-		-	-	-	-	-	-	-	-	-	-	-
	73,604	40,567	-	30,596	37,362	-	3,161	-	-	-	39	-	**185,329**

	Plates			Traded Products			Scrap			Other			
2018	UK	Europe	Rest of the World	UK	Europe	Rest of the World	UK	Europe	Rest of the World	UK	Europe	Rest of the World	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Total revenue	69,442	49,168	519	27,700	59,462	-	3,710	-	-	-	51	-	**210,052**
Intercompany	-	(10,057)	-	-	(387)	-	-	-	-	-	(51)	-	**(10,495)**
Revenue from external customers	69,442	39,111	519	27,700	59,075	-	3,710	-	-	-	0	-	**199,557**
Timing of revenue recognition													
At a point in time	69,442	49,168	519	27,700	59,462	-	3,710	-	-	-	51	-	**210,052**
Over time	-	-	-	-	-	-	-	-	-	-	-	-	-
	69,442	49,168	519	27,700	59,462	-	3,710	-	-	-	51	-	**210,052**

Spartan UK Limited

Notes to the financial statements for the year ended 31 December 2019- continued

4 Expenses by nature

	2019	2018
	£	£
Changes in inventories of finished goods and goods for resale	**66,121,255**	85,290,519
Raw materials and consumables used	**91,674,179**	99,367,723
Employee benefit expense (note 6)	**6,002,259**	5,789,273
Depreciation	**1,080,270**	1,553,403
Amortisation	**17,628**	15,035
Foreign exchange losses/(gains)	**1,344,658**	(46,215)
Other expenses	**17,779,203**	18,409,161
Total cost of sales, distribution costs, administrative expenses and other operating expenses	**184,019,452**	210,378,899

5 Auditors' remuneration

	2019	2018
	£	£
Fees payable in respect of statutory audit	**34,100**	28,056

Spartan UK Limited

Notes to the financial statements for the year ended 31 December 2019- continued

6 Employee benefit expense

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Management and administration	**44**	43
Production	**74**	74
	118	117

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	£
Wages and salaries	**5,272,858**	5,135,580
Social security costs	**557,162**	536,885
Other pension costs	**172,239**	116,808
	6,002,259	5,789,273

7 Remuneration of directors

	2019	2018
	£	£
Aggregate emoluments	**-**	-

Total emoluments for the highest paid director were £nil (2018: £nil). The emoluments of the directors are paid by the parent company. The directors' services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no emoluments in respect of any directors.

Retirement benefits are accruing to none (2018: none) of the directors under money purchase schemes.

8 Finance income

	2019	2018
	£	£
Bank interest receivable	**131**	53
Dividend income	**146**	149
	277	202

9 Finance costs

	2019	2018
	£	£
Interest on bank loan	**1,176,973**	854,464
Other interest payable	**340,091**	785,436
Interest on leases	**32,140**	-
	1,549,204	1,639,900

10 Income tax credit

	2019	2018
	£	£
Current tax:		
Current tax on loss for the year	-	(121,992)
Adjustment in respect of prior years	-	178
Total current tax	-	(121,814)
Deferred tax:		
Current year	**(35,350)**	(241,846)
Changes in tax rate	**3,721**	(51,202)
Adjustment in respect of prior years	-	(175)
Total deferred tax (note 20)	**(31,629)**	(293,223)
Income tax credit	**(31,629)**	(415,037)

10 Income tax credit (continued)

The tax on the company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the company as follows:

	2019	2018
	£	£
Loss before income tax	**(239,367)**	(1,966,760)
Loss before income tax multiplied by the standard rate of corporation tax in the UK, 19% (2018: 19%)	**(45,480)**	(373,684)
Effects of:		
Expenses not deductible for tax purposes	**10,158**	11,437
Changes in tax rate	**3,721**	(51,202)
Income not taxable	**(28)**	(28)
Rate differences on losses carried back	**-**	(1,563)
Adjustments in respect of prior years	**-**	3
Total tax credit	**(31,629)**	(415,037)

The standard rate of tax applied to reported profit on ordinary activities is 19% (2018: 19%). Finance Act 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. This was effected on 17 March 2020 under the Provisional Collection of Taxes Act 1968. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%. If the amended tax rate had been used, the deferred tax liability would have been £47,481 higher.

Notes to the financial statements for the year ended 31 December 2019 - continued

11 Property, plant and equipment

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Assets in course of construction £	Total £
Cost					
At 1 January 2018	1,282,157	28,568,791	118,442	759,183	**30,728,573**
Additions	-	1,143,328	-	184,180	1,327,508
Disposals	-	-	-	-	-
At 31 December 2018	1,282,157	29,712,119	118,442	943,363	**32,056,081**
Transfers	-	242,754	-	(242,754)	-
Additions	-	2,128,655	-	276,535	**2,405,190**
Disposals	-	-	-	-	-
At 31 December 2019	**1,282,157**	**32,083,528**	**118,442**	**977,144**	**34,461,271**
Accumulated depreciation					
At 1 January 2018	880,275	21,572,163	118,442	-	**22,570,880**
Charge for the year	1,488	1,551,915	-	-	**1,553,403**
At 31 December 2018	881,763	23,124,078	118,442	-	**24,124,283**
Charge for the year	394	1,079,876	-	-	**1,080,270**
Disposals	-	-	-	-	-
At 31 December 2019	**882,157**	**24,203,954**	**118,442**	-	**25,204,553**
Net book amount					
At 31 December 2019	**400,000**	**7,879,574**	-	**977,144**	**9,256,718**
At 31 December 2018	400,394	6,588,041	-	943,363	**7,931,798**

12 Intangible assets

	Software licences £
Cost	
At 1 January 2018	98,023
Additions	21,527
At 31 December 2018	119,550
Additions	17,033
At 31 December 2019	**136,583**
Accumulated amortisation	
At 1 January 2018	92,688
Charge for the year	15,035
At 31 December 2018	107,723
Charge for the year	17,628
At 31 December 2019	**125,351**
Net book amount	
At 31 December 2019	**11,232**
At 31 December 2018	11,827

Amortisation is included within Administrative expenses in the Statement of comprehensive income.

13 Investments

	Shares in group undertakings £
Cost and net book value	
At 1 January 2018, 31 December 2018 and 31 December 2019	**7**

The investment represents 0.05% of the voting rights in Trametal Europe Sprl. The registered office is Rue Colonel Bourg 105, B 1030 Bruxelles, Belgium.

Notes to the financial statements for the year ended 31 December 2019 - continued

14 Inventories

	2019	2018
	£	£
Raw materials and consumables	**13,304,925**	16,062,229
Finished goods and goods for resale	**7,783,136**	16,170,792
	21,088,061	32,233,021

15 Trade and other receivables

	2019	2018
	£	£
Trade receivables	**30,015,101**	47,122,193
Amounts owed by group undertakings	**9,161,665**	4,629,105
Other receivables	**2,070,848**	932,913
Prepayments and accrued income	**638,846**	487,010
	41,886,460	53,171,221

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

The directors consider that the carrying value of trade and other receivables is approximately equal to their fair value.

The average credit period granted for sales of goods and services is 60 days. Expected credit losses are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position as well as expected credit loss.

No material amounts of contract assets as defined in IFRS15 are included in the current or prior period.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. The company holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost. Details about the company's impairment policies and the calculation of the loss allowance are provided in note 2. The balances at year end relate to a number of individual customers with whom there is no recent history of default. In addition, the company has insurance in place to cover the majority of the balances. As a result, no expected credit losses were recognised in respect of trade receivables (2018: £nil).

15 Trade and other receivables (continued)

All receivables are current and are repayable on terms consistent within the industry in the various countries in which it trades. The carrying amounts of the company's trade receivables are denominated in the following currencies:

	2019 £	2018 £
Pounds	**22,166,384**	27,092,861
Euro	**7,848,717**	20,029,332
	30,015,101	47,122,193

The company does not (2018 same) hold any collateral or other credit enhancements over any of its trade receivables. The directors have not (2018 same) identified any material amounts of expected credit loss.

The other classes within trade and other receivables do not (2018 same) contain impaired assets.

Concentrations of credit risk with respect to trade receivables are limited due to the company's customer base being large and unrelated. Due to this, management believes there is no credit risk provision required.

16 Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	**12,778,659**	**3,955,209**

17 Trade and other payables

	2019	2018
	£	£
Trade payables	**2,966,165**	2,742,756
Amounts owed to group undertakings (trading balances)	**23,304,193**	34,835,779
Social security and other taxes	**196,381**	202,265
Lease liabilities (note 23)	**16,930**	-
Accruals and deferred income	**1,424,134**	2,146,056
	27,907,803	39,926,856

Amounts owed to group undertakings are unsecured, interest bearing and repayable on demand.

18 Borrowings

	2019	2018
	£	£
Secured loan	**25,000,000**	25,000,000
	25,000,000	25,000,000

The bank loan is repayable in full on 30 November 2020 and will not be renewed. The loan is secured by a fixed and floating charge over the company's assets. The loan attracts an interest rate of 4.0%. The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. Movement in the secured loan are as follows:

	2019	2018
	£	£
At 1 January	**25,000,000**	15,000,000
Draw-down of bank and institutional loans	**-**	10,000,000
At 31 December	**25,000,000**	25,000,000

Notes to the financial statements for the year ended 31 December 2019 – continued

19 Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Lease liabilities (note 23)	**463,292**	-
	463,292	-

20 Deferred income tax liability

	Deferred taxation
	£
At 1 January 2018	728,438
Adjustment in respect of prior years	(175)
Credit to the statement of comprehensive income for the year	(293,048)
At 31 December 2018	**435,215**
Adjustment in respect of prior years	-
Credit to the statement of comprehensive income for the year	(31,629)
At 31 December 2019	**403,586**

The elements of deferred taxation are as follows:

	2019	2018
	£	£
Accelerated tax depreciation	**714,925**	566,398
Temporary differences trading	**(9,093)**	-
Losses	**(302,246)**	(131,183)
	403,586	435,215

Notes to the financial statements for the year ended 31 December 2019 - continued

20 Deferred income tax liability (continued)

Deferred tax (assets)

	2019	2018
	£	£
Recoverable after 12 months	**(311,339)**	(131,183)

Deferred tax liabilities

	2019	2018
	£	£
Payable within 12 months	**714,925**	566,398

21 Ordinary shares

	Number of shares	Ordinary shares £
Authorised, called up and issued £1 ordinary shares		
At 1 January 2018, 31 December 2018 and 31 December 2019	**2,500,000**	**2,500,000**

22 Financial instruments by category

By category	**Financial assets at amortised cost**
	£'000
At 31 December 2019	
Financial assets at amortised cost	
Trade and other receivables	41,247
Cash and cash equivalents	12,779
	54,026

Notes to the financial statements for the year ended 31 December 2019– continued

22 Financial instruments by category (continued)

By category	Other financial liabilities £'000
At 31 December 2019	
Financial liabilities at amortised cost	
Borrowings	25,000
Trade and other payables	27,908
	52,908

By category	Financial assets at amortised cost £'000
At 31 December 2018	
Financial assets at amortised cost	
Trade and other receivables	52,684
Cash and cash equivalents	3,955
	56,639

By category	Other financial liabilities £'000
At 31 December 2018	
Financial liabilities at amortised cost	
Borrowings	25,000
Trade and other payables	39,927
	64,927

22 Financial instruments by category (continued)

Classification as trade receivables
Trade receivables are amounts due from customers for goods sold performed in the ordinary course of business. They are generally due for settlement within 60 days and are therefore all classified as current. Trade receivables are recognised at the amount of consideration that is unconditional. The company holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method. Details about the company's impairment policies and the calculation of the loss allowance are provided in the accounting policies section and note 15.

Fair values of trade receivables
Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure
Information about the impairment of trade receivables and the company's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 2.

23 Leases

The company leases vehicles and cars. Rental contracts for vehicles are typically 5 years. Car leases typically have a term of 3 years. Amounts recognized in the balance sheet are as follows:

	31 Dec 2019	1 Jan 2019
	£	£
Right of use assets		
Vehicles	**429,379**	272,160
Cars	**32,589**	57,146
	461,968	329,306

During the year additions to right-of-use assets were £313,487. Depreciation of £151,043 was charged on vehicles and £24,557 on cars.

	31 Dec 2019	1 Jan 2019
	£	£
Lease liabilities		
Current (note 17)	**16,930**	68,098
Non Current (note 19)	**463,292**	261,208
	480,222	329,306

During the year, the total cash outflow in respect of leases was £194,711 with £32,140 of interest charged.

24 Commitments

(a) Capital commitments for the purchase of property, plant and equipment, at the end of the financial year for which no provision has been made, are as follows:

	2019	2018
	£	£
Contracted	**145,358**	145,358

(b) The future aggregate minimum lease payments under non-cancellable operating leases, are as follows:

	2019	2018
	£	£
No later than one year	**-**	170,373
Between one and five years	**-**	200,647
Greater than five years	**-**	-
	-	371,020

Notes to the financial statements for the year ended 31 December 2019– continued

25 Cash generated from/(used in) operations

	2019	2018
	£	£
Operating profit/(loss)	**1,309,560**	(327,062)
Adjustments for:		
Amortisation	**17,628**	15,035
Depreciation	**1,080,270**	1,553,403
Changes in working capital:		
Decrease/(increase) in inventories	**11,144,960**	(8,588,219)
Decrease in trade and other receivables	**11,284,761**	4,336,551
Decrease in trade and other payables	**(12,017,729)**	(2,229,724)
Cash generated from/(used in) operations	**12,819,450**	(5,240,016)

26 Net debt

	2019	2018
	£	£
Cash in hand, at bank	**12,778,659**	3,955,209
Bank loan	**(25,000,000)**	(25,000,000)
	(12,221,341)	(21,044,791)

Notes to the financial statements for the year ended 31 December 2019 – continued

27 Related party transactions

The company is a subsidiary undertaking of Metinvest Trametal SpA, which is the immediate parent company incorporated in Italy. The principal activity of the company is that of a steel rolling mill producing hot rolled steel plates.

The following transactions were carried out with companies wholly owned within the Metinvest Group:

	2019 £	2018 £
Purchases of raw materials -		
Entities under common control	**88,262,187**	101,465,49
Goods purchased for resale -		
Entities under common control	**57,449,293**	90,730,384
Recharges -		
Entities under common control	**9,552,520**	12,343,280

These transactions resulted in the following balances outstanding at the year end:

	2019 £	2018 £
Assets:		
Entities under common control	**9,161,665**	**4,629,105**
Liabilities:		
Entities under common control	**23,304,193**	**34,835,779**

Notes to the financial statements for the year ended 31 December 2019 - continued

28 Ultimate parent undertaking and controlling party

The ultimate parent undertaking is Metinvest BV, a company incorporated in the Netherlands.

Metinvest BV is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. The consolidated financial statements of Metinvest BV are available from Nassaulaan 2A, 2514 JS, The Hague.

Metinvest BV is beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM"), and Mr. Vadim Novinsky, through various entities commonly referred to as "SMART" or "Smart Group.

29 Capital management

The capital structure of the company consists of equity capital in the form of ordinary shares and retained earnings, and debt capital in the form a bank loan. The company's objectives when managing the capital structure of the company are to safeguard the company's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The company monitors its capital risk through various ratios, as disclosed on page 20.

30 Post Balance Sheet Event Note

In early 2020, the existence of new coronavirus, now known as Covid-19, was confirmed and since this time COVID-19 has spread across the United Kingdom and a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity. The Directors consider the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. As part of the company's ongoing review of going concern, the directors have reviewed the company's position in detail, including the impact of the recent outbreak of COVID-19 on the company's performance and no issues have been noted in respect of continued funding or the company's ability to continue as a going concern.