Ausurus Group Ltd

Annual report and consolidated financial statements

Registered number 09123549

31 December 2017

Contents

Strategic Report

The directors present their report together with the audited financial statements of Ausurus Group Ltd ("Ausurus" and the "Company") and together with its subsidiaries, associated undertakings and joint ventures (the "Group"), for the year ended 31 December 2017.

Principal activities

The Ausurus Group comprises the core European Metal Recycling business ("EMR"), property businesses in the UK and US ("Praedius") and a growing technology business ("Invenens").

EMR's principal activities relate to the recycling of high value metal commodities from a range of sources such as end-of-life vehicles and consumer goods, industrial waste streams and the construction and demolition of buildings, ships and industrial equipment. EMR is actively engaged in all stages of the recycling process including the acquisition, collection, processing and delivery of scrap metal to the Group's international customer base.

Praedius currently holds a significant number of freehold sites in the UK and USA, which are leased to EMR.

Invenens acts as a vehicle for the Group's investment in recycling innovation and technology and holds the subsidiaries MBA Polymers (United Kingdom) Limited and Innovative Environmental Solutions UK Limited.

Global outlook

As reported in last year's Strategic Report, sales markets in 2016 became more stable and liquid with new trading ranges for commodity prices established.

Markets in 2017 continued to show further improvement in stability and liquidity with a narrative of solid global growth. Steel scrap prices started the year at $291 per tonne and continued to follow a rising trend ending the year at $371 per tonne (*source: Platts The Steel Index: Turkish imports HMS #1&2 80/20 scrap*). There were also increases in the prices of other metals in the year, copper and aluminium prices rising by 18% and 16% respectively (*source: London Metal Exchange*).

The improving sales market environment and strong volumes in FY17 resulted in the Group achieving a significant recovery in underlying profitability in 2017.

The sales markets in 2017 were not without a few challenges; Brexit uncertainty weighed on the UK business and created continued volatility in foreign exchange rates; China began making significant changes to policies around imported recycled products; the Turkish economy became increasing fragile and the corresponding sharp decline in the Lira caused consternation to some significant customers; and the US approach to trade weighed on the outlook for Steel and Aluminium in other world markets. Looking forward these macroeconomic risks continue through 2018 and have been:

- Individual countries taking protectionist measures that negatively impact free commodity trading, disrupting liquidity in the sales markets and putting downward pressure on commodity prices. Reference is made to the decision made by the US government in Q1 2018 to increase tariffs on steel and aluminium for specific countries and the recent reaction of the Chinese government (banning all scrap imports from the USA for 1 month).
- New Chinese legislation to reduce Category 7 imports of specific Non-Ferrous materials and changes to Chinese import and inspection legislation mostly targeted at the import of non-metallic recycled commodities, but will nevertheless have an impact on the import of all recycled commodities.
- The UK's decision to leave the EU ("Brexit").

Management continues to consider the impact of Brexit on the Group going forward, as described below.

- *Weakness of the pound.* With operations and revenues in the UK, the USA and Continental Europe, the Group has something of a natural hedge to the foreign exchange movements already experienced and anticipated in the future. Any exposure to foreign exchange elsewhere in the business is carefully controlled and managed to have minimal impact.
- *A weakening of the UK economy.* The Group expect that this could have an impact on UK scrap arising as a result of manufacturing, consumer and construction activity falling.

Strategic Report *(continued)*

- *Trade barriers and tariffs.* Revenues are determined by the movement of commodity raw materials, internationally traded in US dollars. Accordingly, the Group sees limited impact of any such measures on sales. However, it is conceivable that purchases of recycled materials from the automotive and other industrial sectors could be affected.
- *Legislation.* The UK business is largely regulated under EU environmental legislation. The broad consensus of opinion is that environmental/waste laws under which we operate are a good thing. The Group therefore expects no meaningful change on this front in the short to medium term.
- *Ripples in the global economy.* Global demand for recycled commodities is ultimately driven by the health of the global economy, in particular emerging markets. The Group believes that, although there could be some effect from the Brexit decision, China is the overwhelming driver of the economics for the sale of hard commodities. As commodities are now trading in a more normal range, the Group does not expect significant adverse adjustments in prices.

2018 year to date performance continues to be solid although slightly behind the very strong performance in the first part of 2017. Management, however, continues to remain vigilant as the global economic situation remains uncertain.

Business overview

The Group uses a number of key financial performance indicators in assessing and driving performance, as shown below:

	2017	2016
Turnover (£m)	**3,296**	2,227
Gross margin	**21.3%**	23.6%
Underlying operating profit* (£m)	**136**	86
Underlying EBITDA* (£m)	**195**	137
Underlying profit/(loss) after tax* (£m)	**94**	63
Goodwill amortisation – subsidiaries (£m)	**(18)**	(27)
Goodwill amortisation – joint ventures and associated undertakings (£m)	**(2)**	(11)
Exceptional items, net of tax (£m)	**(50)**	(194)
Statutory profit/(loss) after tax for the financial year (£m)	**24**	(169)
Net assets excluding exceptional items (£m)	**581**	732
Exceptional items, net of tax (£m)	**(50)**	(194)
Statutory net assets (£m)	**531**	538

* *Underlying earnings measures are before the impact of exceptional items and goodwill amortisation.*

Total sales for the year were £3.3bn (2016: £2.2bn), driven by growth in sales volumes. This has resulted in a gross profit of £701m (2016: £526m).

Total distribution and administration costs (excluding exceptional items) in 2017 were £583m, 24% higher than 2016 driven by a strong increase in volumes processed and handled in 2017 and continued investment in the Group's operations. The Group continues to exercise strong monitoring and control of costs.

As a result of the above, the Group's underlying operating profit* has increased to £136m (2016: £86m) and underlying EBITDA* increased to £195m (2016: £137m). Underlying profit after tax* for the year was £94m, compared to £63m in 2016.

In line with the Group's conservative approach to accounting, the Group has taken the cautious decision to make charges against the carrying value of amounts due from associated undertakings, joint ventures and third parties. The total value of these provisions in the year ended 31 December 2017 was £58m (2016: £221m). Given the size and one-off nature of these provisions, the directors' judgement is that these provisions are exceptional items, which is consistent with the way financial performance is measured by management and reported to the Board.

Group net assets at 31 December 2017 are £531m (2016: £538m). The decrease in the current year is driven by the impact of the currency translation totalling £29m offset by the statutory profit of £24m.

Strategic Report *(continued)*

The carrying value of goodwill in the balance sheet at 31 December 2017 is £75m (2016: £60m). This increase is a result of the acquisition activity during the year as outlined below.

In August 2017, the Group acquired 100% equity ownership in Metal and Waste Recycling Limited and associated companies ("MWR"). The acquisition is subject to a review by the Competition and Markets Authority which has restricted the Group's ability to integrate the business during 2017.

During the current year, the Group acquired a further 9.2% equity interest in EMR Gold Recycling LLC and associated companies ("Gold") which increased the Group's equity ownership to 100%.

During the current year, the Group acquired a further 24.1 % equity interest in MBA Polymers (United Kingdom) Limited which increased the Group's equity ownership to 100%.

In March 2018, the Group took full ownership of its joint venture Innovative Environmental Solutions UK Ltd ("IES").

The Group continues to invest for the future. Total capital expenditure on tangible fixed assets in the year was £49m (2016: £20m).

A core part of the Group's strategy in the USA is the further development of the Mid-Atlantic business. In September 2015, the Board received confirmation that its application under the New Jersey Economic Opportunity Act 2013 had been successful and the Group was awarded tax credits – the total value of tax incentives is currently $155m. The Group has until September 2019 to complete investment projects and obtain the tax benefits. Tax benefits obtained will then be paid out over 10 years starting from the completion date of the investments. This investment will support significant investment in the Group's Camden operation, adding significant long-term value to the Group. The execution of this investment program is well underway.

Net debt at 31 December 2017 is £353m (2016: £343m), with net debt/EBITDA and interest cover ratios remaining comfortable despite significant increases in working capital due to significant increases in revenues and inventory prices.

In March 2017, the Group signed new bank facility agreements. The new facilities and the on-going support of our banking partners provide a strong platform for future growth of the business.

Despite a number of challenging years for the industry as a whole as commodity markets adjusted harshly to new expectations of Chinese and wider global growth, the company has continued to invest in new ideas and its people. The world continues to provide political and macroeconomic change; however, the board is optimistic about its ability to respond to these changes and create opportunity and continue to perform and grow. The Group recognises that its success is only possible because of the commitment and diligence of its exceptional and dedicated workforce and the Board would like to thank them for their contribution.

Principal risks and uncertainties

The directors have set out below the principal risks facing the business. The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

- Macroeconomic conditions. The business has exposure to both scrap metal prices and volumes, both of which are inherently linked to the global economic environment. Consequently, changes in the levels of consumer and industrial activity will have a direct impact on the supply of, and demand for, recycled metal and therefore the level of activity and results achieved by the Group. In response to this risk, senior management aim to keep abreast of economic conditions and modify strategies accordingly.
- Competition. The market in which the Group operates is competitive resulting in margin pressures. Policies of constant price monitoring and ongoing market analysis are in place to mitigate such risks.
- Reputational risk from operational incidents. The Group's success is dependent on conducting its business safely and in accordance with applicable regulatory requirements. An adverse operational incident could potentially damage the Group commercially. The Group places emphasis on the health and safety of its operations which are constantly monitored by the Board. Policies and processes are in place to ensure our operations remain safe and compliant.

Strategic Report *(continued)*

- Recruitment and retention of key staff. Our success is dependent on recruiting and retaining the right people in all areas of our business. The failure to attract and retain personnel of the right calibre could have an adverse impact on the business. Succession and talent development is regularly discussed at Board level. The Group has a strategy in place to attract, retain and motivate key individuals to ensure their commitment to the ongoing success of the business.

Financial risk management objectives and policies

The Group uses financial instruments, such as loans, loan notes, cash, 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 raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. In order to manage the Group's exposure to those risks, in particular the Group's exposure to currency risk and metal price risk, the Group enters into forward foreign currency contracts and London Metal Exchange ("LME") contracts.

- Currency risk. The Group is exposed to translational and transactional foreign currency risk. A substantial part of the Group's sales are denominated in currencies other than Sterling. Accordingly, transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts (note 25). The Group does not hedge Euro sales made by its European business or US Dollar sales by its US business.

- Metal price risk. The Group is exposed to the movement in scrap metal prices. Where appropriate, LME contracts (note 25) are used to hedge any metal price exposure inherent in physical metal contracts.

- Credit risk. The Group seeks to manage the risk of customers defaulting through the use of stringent customer acceptance thresholds and credit limits. In addition, the Group, where appropriate, uses payment in advance, letters of credit and credit insurance.

- Interest rate risk. The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash which earns interest at a floating rate. The interest bearing borrowings of the Group are detailed in note 18 to the financial statements and provide a mix of floating and fixed rate debt instruments.

- Going concern and liquidity risk. The Group and Company seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short term flexibility is achieved via overdraft and bank revolver facilities. Details of the Group's borrowings and available facilities can be found in note 18 of these financial statements.

The financial statements have been prepared on a going concern basis. The directors' assessment of the Group and Company as a going concern is disclosed within the principal accounting policies.

By order of the Board

Christopher Sheppard
Director

Sirius House
Delta Crescent
Westbrook
Warrington
WA5 7NS
26 June 2018

Directors' report

Dividend

Dividends paid during the financial year totalled £nil (2016: £1m).

Directors

The directors who served throughout the year and up to the date of this report (unless otherwise stated) are set out below:

Christopher Sheppard	Group Chief Executive Officer
Edwin Lcijnse	Group Chief Financial Officer
Robin Sheppard	
Edward Pysden	Non-Executive Director
Colin Iles	Non-Executive Director (resigned 12 October 2017)
David Landless	Non-Executive Director (appointed 30 June 2017)

During the financial year, a qualifying third party indemnity provision for the benefit of all of the directors and other senior management was in force.

Employees

The necessity for, and importance of, good communication with all employees is recognised and practised by the Group. It is the policy of the Group to maintain the employment of disabled persons wherever practicable and to ensure appropriate opportunities exist for their training, career development and promotion. The Group operates bonus schemes to provide employee incentive payments.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and will therefore continue in office.

By order of the board

Christopher Sheppard
Director

Sirius House
Delta Crescent
Westbrook
Warrington
WA5 7NS
26 June 2018

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report, 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 they have elected to prepare the Group and parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Ausurus Group Ltd

Opinion

We have audited the financial statements of Ausurus Group Ltd ("the company") for the year ended 31 December 2017 which comprise the Consolidated profit and loss account and other comprehensive income, consolidated balance sheet, company balance sheet, consolidated statement of changes in equity, company statement of changes in equity, consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent auditor's report to the members of Ausurus Group Ltd *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Stuart Burdass

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

26 June 2018

Consolidated Profit and Loss Account and Other Comprehensive Income

for year ended 31 December 2017

	Note	2017 £m	2016 £m
Turnover	2	**3,296**	2,227
Cost of sales		**(2,595)**	(1,701)
Gross profit		**701**	526
Distribution costs		**(209)**	(145)
Administrative expenses (including exceptional items)		**(431)**	(547)
Other operating income	3	**(1)**	4
Operating profit before exceptional items and goodwill amortisation		**136**	86
Goodwill amortisation – subsidiaries	10	**(18)**	(27)
Exceptional items	4	**(58)**	(221)
Operating profit/ (loss)	4	**60**	(162)
Group's share of (loss)/profit in			
Joint ventures	12	**(13)**	(27)
Associates	12	**-**	-
Other interest receivable and similar income	7	**13**	29
Interest payable and similar charges	8	**(19)**	(21)
Profit/(Loss) on ordinary activities before taxation		**41**	(181)
Tax on loss on ordinary activities	9	**(17)**	12
Profit after tax before exceptional items and goodwill amortisation		**94**	63
Goodwill amortisation – subsidiaries	10	**(18)**	(27)
Goodwill amortisation – joint ventures and associated undertakings	12	**(2)**	(11)
Exceptional items, net of tax	4	**(50)**	(194)
Profit/(Loss) for the financial year		**24**	(169)
Other comprehensive income			
Foreign exchange differences on translation of foreign operations		**(29)**	43
Net loss on hedge of net investments in foreign operations		**-**	(22)
Other comprehensive income for the year		**(29)**	21
Total comprehensive loss for the year		**(5)**	(148)
Profit/(Loss) attributable to			
Shareholders of the parent company		**24**	(166)
Minority interests		**-**	(3)
Total profit/ (loss)		**24**	(169)
Total comprehensive loss attributable to			
Shareholders of the parent company		**(5)**	(145)
Minority interests		**-**	(3)
Total comprehensive loss		**(5)**	(148)

The notes on pages 17 to 50 form part of the financial statements

Consolidated Balance Sheet
at 31 December 2017

	Note	2017 £m	£m	2016 £m	£m
Fixed assets					
Intangible assets - goodwill	*10*	**75**		60	
Tangible assets	*11*	**341**		349	
Investments					
Investments in joint ventures	*12*	**(84)**		(75)	
Investments in associates	*12*	**-**		3	
			332		337
Current assets					
Stocks	*13*	**239**		212	
Debtors (including £10m (2016: £44m) due after more than one year)	*14*	**596**		595	
Cash at bank and in hand	*15*	**27**		-	
		862		807	
Creditors: amounts falling due within one year	*16*	**(273)**		(489)	
Net current assets			**589**		318
Total assets less current liabilities			**921**		655
Creditors: amounts falling due after more than one year	*17*	**(370)**		(100)	
Provisions for liabilities					
Deferred tax liability	*20*	**-**		(1)	
Other provisions	*21*	**(20)**		(16)	
			(390)		(117)
Net assets			**531**		538
Capital and reserves					
Called up share capital	*23*		**-**		-
Merger reserve	*23*		**8**		8
Other reserves	*23*		**5**		2
Profit and loss account	*23*		**518**		523
Equity attributable to the parent's shareholders			**531**		533
Minority interests			**-**		5
Shareholders' funds			**531**		538

These financial statements were approved by the board of directors on 26 June 2018 and were signed on its behalf by:

Christopher Sheppard
Director
Company registered number: 09123549

The notes on pages 17 to 50 form part of the financial statements.

Company Balance Sheet
at 31 December 2017

	Note	**2017** **£m**	**£m**	2016 £m	£m
Fixed assets					
Investments	*12*	**29**		29	
			29		29
Current assets					
Debtors (including £nil (2016: £nil) due after more than one year)	*14*	**24**		27	
Cash at bank and in hand	*15*	**-**		-	
		24		27	
Creditors: amounts falling due within one year	*16*	**(4)**		(4)	
Net current assets			**20**		23
Total assets less current liabilities			**49**		52
Creditors: amounts falling due after more than one year	*17*	**(41)**		(55)	
Provisions for liabilities					
Deferred tax liability	*20*	**-**		-	
			(41)		(55)
Net assets/(liabilities)			**8**		(3)
Capital and reserves					
Called up share capital	*23*		**-**		-
Profit and loss account	*23*		**8**		(3)
Shareholders' funds/(deficit)			**8**		(3)

These financial statements were approved by the board of directors on 26 June 2018 and were signed on its behalf by:

Christopher Sheppard
Director

Company registered number: 09123549

The notes on pages 17 to 50 form part of the financial statements.

Consolidated Statement of Changes in Equity

	Called up share capital £m	Merger reserve £m	Revaluation reserve £m	Profit & loss account £m	Total shareholders' equity £m	Minority interests £m	Total equity £m
Balance at 1 January 2016	-	8	2	669	679	12	691
Total comprehensive loss for the year							
Loss for the year	-	-	-	(166)	(166)	(3)	(169)
Other comprehensive income (see note 24)	-	-	-	21	21	-	21
Total comprehensive loss for the year	-	-	-	(145)	(145)	(3)	(148)
Dividends paid				(1)	(1)	-	(1)
Acquisition of minority interests	-	-	-	-	-	(5)	(5)
Exchange difference	-	-	-	-	-	1	1
	-	-	-	(1)	(1)	(4)	(5)
Balance at 31 December 2016	-	8	2	523	533	5	538

The notes on pages 17 to 50 form part of the financial statements.

Consolidated Statement of Changes in Equity *(continued)*

	Called up share capital £m	Merger reserve £m	Revaluation reserve £m	Hedging reserve £m	Profit and loss account £m	Total shareholders' equity £m	Minority interests £m	Total equity £m
Balance at 1 January 2017	-	8	2	-	523	533	5	**538**
Total comprehensive loss for the year								
Profit/(loss) for the year	-	-	-	-	24	24	(1)	**23**
Other comprehensive income (see note 24)	-	-	-	-	(29)	(29)	-	**(29)**
Total comprehensive loss for the year	-	-	-	-	(5)	(5)	(1)	**(6)**
Dividends paid	-	-	-	-	-	-	-	**-**
Acquisition of minority interests	-	-	-	-	-	-	(4)	**(4)**
Hedging gain	-	-	-	3	-	3	-	**3**
	-			3	-	3	(4)	**(1)**
Balance at 31 December 2017	**-**	**8**	**2**	**3**	**518**	**531**	**-**	**531**

The notes on pages 17 to 50 form part of the financial statements.

Company Statement of Changes in Equity

	Called up share capital £m	Profit and loss account £m	Total equity £m
Balance at 1 January 2016		(1)	(1)
Total comprehensive loss for the year			
Loss for the year	-	(1)	(1)
Other comprehensive income (see note 24)	-	-	-
Total comprehensive loss for the year	-	(1)	(1)
Dividend paid	-	(1)	(1)
Balance at 31 December 2016	-	(3)	(3)

The notes on pages 17 to 50 form part of the financial statements.

Company Statement of Changes in Equity

	Called up share capital £m	Profit and loss account £m	Total equity £m
Balance at 1 January 2017		(3)	(3)
Total comprehensive loss for the year			
Profitfor the year	-	11	11
Other comprehensive income (see note 24)	-	-	-
Total comprehensive income for the year	-	11	11
Dividends paid	-	-	-
Balance at 31 December 2017	-	**8**	**8**

The notes on pages 17 to 50 form part of the financial statements.

Consolidated Cash Flow Statement
for year ended 31 December 2017

	Note	2017 £m	2016 £m
Cash flows from operating activities			
Profit/(loss) for the year		**24**	(169)
Adjustments for:			
Exceptional items	*4*	**58**	221
Depreciation, amortisation and impairment		**71**	78
Foreign exchange differences		**11**	(3)
Interest receivable and similar income		**(19)**	(29)
Interest payable and similar charges		**13**	21
Gain on sale of tangible fixed assets		**1**	(4)
Losses from joint ventures and associates		**13**	27
Taxation		**17**	(12)
Increase in trade and other debtors		**(70)**	(240)
Increase in stocks		**(17)**	(62)
Increase in trade and other creditors		**32**	72
(Decrease)/Increase in provisions and employee benefits		**4**	(2)
Defined benefit contributions paid		**-**	(1)
Dividends paid		**-**	(1)
Interest paid		**(15)**	(13)
Tax paid		**(1)**	(15)
Net cash from operating activities		**122**	(132)
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**6**	5
Interest received		**7**	23
Acquisition of subsidiaries	*30*	**(63)**	(12)
Payment of deferred consideration		**-**	(5)
Acquisition of tangible fixed assets	*11*	**(49)**	(20)
Net cash from investing activities		**(99)**	(9)
Cash flows from financing activities			
Proceeds from new loan	*18*	**26**	115
Repayment of borrowings	*18*	**(22)**	(2)
Net cash from financing activities		**4**	113
Net increase/(decrease) in cash and cash equivalents		**27**	(28)
Cash and cash equivalents at 1 January		**(7)**	19
Foreign exchange differences		**7**	2
Cash and cash equivalents at 31 December	*15*	**27**	(7)

The notes on pages 17 to 50 form part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Ausurus Group Ltd (the "Company") was incorporated on 9 July 2014. It is a company limited by shares and is incorporated and domiciled in the UK.

On 7 November 2014, Ausurus Group Limited became the immediate parent company of European Metal Recycling Limited ("EMR") following a group reconstruction in which the Company acquired the entire share capital of EMR. The ultimate shareholders and their relative rights were unaffected by this transfer. As this is a Group reorganisation, merger accounting was applied.

These Group and parent company financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2016, which were effective immediately, have been implemented. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest one million pounds.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been and will continue to be applied:

- no separate parent company cash flow statement with related notes is included;
- key management personnel compensation has not been included a second time; and
- no financial instrument disclosures are included as the information is included in the consolidated disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis, except for derivative financial instruments and financial instruments classified at fair value through the profit or loss which are stated at their fair value.

1.2 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 4 of the financial statements. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Strategic Report of the financial statements. The Group has considerable financial resources together with long term relationships with a number of customers and suppliers across different geographical areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the levels of its current facilities.

After making enquiries, the directors have a reasonable expectation that the Group and the Company, as holding company, have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2017.

A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investor holds between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

In the parent company financial statements, investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition, other financial instruments are measured at fair value with changes recognised in profit or loss, except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Notes *(continued)*

1 Accounting policies *(continued)*

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income ("OCI") is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Net investment hedges

Where the hedged item is the translation risk for the net assets of overseas subsidiaries in the consolidated financial statements, the Group may designate borrowings in the same currency as that overseas subsidiary's functional currency as a hedging instrument. In that case, the effective portion of the hedge is recognised in other comprehensive income, and only the ineffective portion of the hedging item's translation value is recorded in profit or loss.

Cumulative exchange differences recognised in OCI relating to a hedge of a net investment in a foreign operation shall not be reclassified to profit or loss on disposal or partial disposal of that foreign operation.

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold and long leasehold properties	25 - 50 years or over the term of the lease
Short leasehold properties	Period of lease
Plant and machinery	3 - 20 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognises goodwill as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.10 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any amount exceeding the fair value of non-monetary assets acquired shall be recognised in the profit or loss account in the periods expected to benefit.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses. The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years. The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date

Goodwill and other intangible assets are tested for impairment when there is an indication that goodwill or an intangible asset may be impaired.

1.11 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.13 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

***1.13 Impairment excluding stocks and deferred tax assets** (continued)*

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.14 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes *(continued)*

1 Accounting policies *(continued)*

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability/asset, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the entity has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.15 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.16 Turnover

Turnover is measured at the fair value of consideration receivable by the Group for goods supplied and a service produced, excluding VAT and trade discounts, and is recognised on despatch of goods over the weighbridge or on departure of vessels from ports for bulk shipments. Adjustments relating to price and weight differences are accrued against turnover as identified.

1.17 Exceptional items

The Group's consolidated profit and loss account identifies exceptional items. Such items are those that in the opinion of the directors are one-off in nature or non-operating and need to be disclosed as a result of their size or nature. Such items may include, but are not limited to, impairment provisions, restructuring costs, acquisition-related costs and income from legal settlements. In determining whether an item should be disclosed in this way, the directors consider quantitative and qualitative factors such as frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing exceptional items separately provides additional understanding of the underlying performance of the Group.

Notes *(continued)*

1 Accounting policies *(continued)*

1.18 Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy in 1.4 above).

Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.19 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branches, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

The turnover is attributable to the purchasing, processing and sale of ferrous and non–ferrous scrap metal and associated activities.

The analysis of turnover by geographical market required by the Companies Act 2006 has not been provided as, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Group.

3 Other operating income

	2017	2016
	£m	£m
Net (loss)/gain on disposal of tangible fixed assets	**(1)**	4

4 Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2017	2016
	£m	£m
Exceptional items (see below)	**58**	221
Depreciation and other amounts written off tangible fixed assets - group	**52**	51
Depreciation and other amounts written off tangible fixed assets – joint ventures and associated undertakings	**13**	13
Amortisation of goodwill – subsidiaries	**18**	27
Amortisation of goodwill – joint ventures and associated undertakings	**2**	11
Hire of plant and machinery – operating leases	**7**	3
Hire of other assets – operating leases	**23**	15

Exceptional items included in administrative expenses:

	2017	2016
	£m	£m
Impairment of fixed asset investments – associated undertakings and joint ventures	**3**	62
Impairment of amounts due from undertakings in which the Group has a participating interest	**55**	82
Impairment of other debtors	**-**	77
	58	221

4 Expenses and auditor's remuneration *(continued)*

Auditor's remuneration:

	2017	2016
	£000	£000
Audit of these financial statements	**10**	10

Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**725**	691
Other services	**225**	179

Notes *(continued)*

5 Staff numbers and costs

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

	2017 No.	2016 No.
United Kingdom	1,743	1,627
Europe	168	158
USA	1,217	1,194
Other	21	21
	3,419	3,000

The aggregate payroll costs in respect of these persons:

	2017 £m	2016 £m
Wages and salaries	129	107
Social security costs	18	16
Other pension costs	2	2
	149	125

Pension costs are amounts charged to operating profit and do not include amounts charged/credited to net interest (see notes 7 and 8) and amounts recognised in other comprehensive income.

6 Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	1,890	1,689
Amounts receivable under long term incentive schemes	1,440	465
Company contributions to money purchase pension schemes	15	25
	3,345	2,179

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £1,546,000 (2016: £1,012,000).

Retirement benefits accrued to two directors (2016: one) under a money purchase scheme during the year.

7 Other interest receivable and similar income

	2017 £m	2016 £m
Net gain on financial assets measured at fair value through profit and loss (excluding derivatives used in hedging arrangements)	1	3
Interest receivable on financial assets at amortised cost	5	8
Net interest income on defined benefit pension plan assets	1	2
Interest receivable from associates and joint ventures	7	15
Fair value movement on shares classed as financial liabilities	-	1
Total interest receivable and similar income	14	29

Notes *(continued)*

8 Interest payable and similar charges

	2017 **£m**	2016 £m
Net loss on financial assets measured at fair value through profit or loss (excluding derivatives used in hedging arrangements)	-	5
Interest payable on financial liabilities at amortised cost	**16**	12
Net interest expense on defined benefit pension liabilities	**1**	2
Other interest and charges	**2**	2
Total interest payable and similar charges	**19**	21

9 Taxation

Total tax expense/(credit) recognised in the profit and loss account, other comprehensive income and equity:

	2017 **£m**	**£m**	2016 £m	£m
Current tax				
Current tax on income for the period	**13**		(5)	
Adjustments in respect of prior periods	**3**		(2)	
Total current tax expense/(credit)		**16**		(7)
Deferred tax (see note 20)				
Origination and reversal of timing differences	**1**		(5)	
Total deferred tax credit		**1**		(5)
Total tax expense/(credit)		**17**		(12)

	2017 Current tax £m	**Deferred tax £m**	**Total tax £m**	2016 Current tax £m	Deferred tax £m	Total tax £m
Recognised in the profit and loss account	**16**	**1**	**17**	(7)	(5)	(12)
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity				-	-	-
Total tax charge/(credit)	**16**	**1**	**17**	(7)	(5)	(12)

Analysis of current tax recognised in profit and loss:

	2017 **£m**	2016 £m
UK corporation tax	**16**	(7)

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of effective tax rate:

	2017 £m	2016 £m
Profit/(Loss) for the year	**24**	(169)
Total tax expense/(credit)	**17**	(12)
Profit/(Loss) before taxation	**41**	(181)
Tax using the UK corporation tax rate of 19.25 % (2016: 20.25%)	**8**	(36)
Effect of tax rates in foreign jurisdictions	**2**	(5)
Non-deductible expenses	**23**	29
Other timing differences on which deferred tax has not been recognised	**(19)**	5
Under/(Over) provided in prior years	**3**	(5)
Total tax expense/ (credit) included in profit or loss	**17**	(12)

Reductions in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) and further phased reductions to 17% (effective 1 April 2020) have been substantively enacted. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

10 Intangible fixed assets – goodwill

Group

	£m
Cost	
Balance at 1 January 2017	370
Acquisitions through business combinations (see note 31)	34
Effect of movements in foreign exchange	(16)
Balance at 31 December 2017	388
Amortisation and impairment	
Balance at 1 January 2017	310
Amortisation for the year	18
Effect of movements in foreign exchange	(13)
Balance at 31 December 2017	315
Net book value	
At 1 January 2017	60
At 31 December 2017	75

Amortisation is recognised within administrative expenses in the profit and loss account.

Notes *(continued)*

11 Tangible fixed assets

Group

	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold land and buildings £m	Plant and machinery £m	Total £m
Cost					
Balance at 1 January 2017	202	32	2	551	787
Reclassifications	4	-	-	(4)	-
Acquisitions through business combinations	-	-	-	15	15
Additions	7	-	-	42	49
Disposals	(2)	(1)	-	(26)	(29)
Effect of movements in foreign exchange	(8)	(2)	-	(16)	(26)
Balance at 31 December 2017	203	29	2	562	796
Depreciation and impairment					
Balance at 1 January 2017	42	9	2	385	438
Depreciation charge for the year	11	-	-	41	52
Disposals	(1)	-	-	(21)	(22)
Effect of movements in foreign exchange	(2)	(1)	-	(10)	(13)
Balance at 31 December 2017	50	8	2	395	455
Net book value					
At 1 January 2017	**160**	**23**	-	**166**	**349**
At 31 December 2017	**153**	**21**	-	**167**	**341**

The Group's freehold property includes land of £86m (2016: £84m) which is not depreciated.

Plant and machinery includes assets in the course of construction amounting to £19m (2016: £14m), which is not depreciated.

All other assets are depreciated.

Leased plant and machinery

At 31 December 2017, the net carrying amount of plant and machinery leased under finance leases was £5m (2016: £nil).

Notes *(continued)*

12 Fixed asset investments

Group

	Interests in associated undertakings £m	Interests in joint ventures £m	Total £m
Cost			
At beginning of year	22	123	145
Effects of movements in foreign exchange	-	(9)	(10)
At end of year	22	114	136
Share of post acquisition reserves			
At beginning of year	14	(169)	(155)
Retained profits less losses (net of goodwill amortisation of £2m)	-	(15)	(15)
Effects of movements in foreign exchange	-	15	15
At end of year	14	(169)	(155)
Provisions for impairment			
At beginning of year	(33)	(29)	(62)
Provided in the year (note 4)	(3)	-	(3)
At end of year	(36)	(29)	(65)
Net book value			
At 1 January 2016	3	(75)	(72)
At 31 December 2017	**-**	**(84)**	**(84)**

Company

	Shares in group undertakings £m
Cost and net book value	
At 1 January 2017	29
Additions	-
At 31 December 2017	**29**

The undertakings in which the Group and Company held an interest at the year end are detailed in note 32.

Notes *(continued)*

13 Stocks

Group

	2017	2016
	£m	£m
Raw materials	**234**	206
Consumables	**5**	6
	239	212

The Company had no stocks at 31 December 2017 (2016: £nil).

14 Debtors

	Group 2017 £m	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Trade debtors	**247**	148	-	-
Amounts owed by group undertakings	**-**	-	**24**	27
Amounts owed by group undertakings in which the entity has a participating interest	**290**	303	-	-
Other debtors	**22**	88		-
Corporation tax recoverable	**-**	20		-
Deferred tax assets (see note 20)	**10**	11		-
Other financial assets (see note 25)	**3**	3		-
Prepayments and accrued income	**25**	22		-
	597	595	**24**	27
Due within one year	**587**	551	**24**	27
Due after more than one year:				
Amounts owed by group undertakings in which the entity has a participating interest	**10**	44	-	-
	597	595	**24**	27

15 Cash and cash equivalents

	2017	2016
	£m	£m
Cash at bank and in hand	**27**	-
Bank overdrafts (see note 16)	**-**	(7)
Cash and cash equivalents per the consolidated cash flow statement	**27**	(7)

Notes *(continued)*

16 Creditors: amounts falling due within one year

	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Bank loans and overdrafts (see note 18)	-	244	-	-
Trade creditors	166	142		-
Amounts owed to group undertakings	-	-	4	4
Amounts owed to undertakings in which the entity has a participating interest	-	-	-	-
Taxation and social security	8	11		-
Other creditors	-	1		-
Accruals and deferred income	91	76		-
Other financial liabilities (see note 19)	7	15		-
Finance leases	1	-		
	273	489	4	4

17 Creditors: amounts falling after more than one year

	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Amounts owed to group undertakings	-	-	40	54
Shares classified as debt (see note 24)	1	1	1	1
Bank loans and overdrafts (see note 18)	364	98	-	-
Accruals and deferred income	1	1	-	-
Finance leases	4	-	-	-
	540	100	41	55

The directors have reviewed the share capital and have determined that the following shares should be classified as financial liabilities:

	2017 Number	2017 £m	2016 Number	2016 £m
Allotted, called up and fully paid				
"B" Ordinary shares of 1p each	42,600	1	42,600	-

The "B" Ordinary shares represent a compound financial instrument, of which the liability component's value is £1m (2016: £1m).

The "B" Ordinary shares are redeemable at the option of the shareholder and attract a minimum redemption price of £4.7435 per share. The consideration payable on the redemption of the "B" Ordinary shares is due within 12 months of redemption notice being given.

Notes *(continued)*

18 Interest-bearing loans and borrowings

The contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost, are set out below:

	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Creditors falling due within less than one year				
Secured loans and loan notes	-	7		-
Bank borrowings	285	237		-
	285	244		-
Creditors falling due more than one year				
Secured loans and loan notes	79	98		-

Borrowings at 31 December 2017

As at 31 December 2017, the Group has the following borrowings:

- Revolving credit facility - UK/EU. With effect from 27 March 2017, the Group has a new agreement for a £230m multi-currency revolving credit facility. This facility is secured on the assets of certain UK and European group businesses and is committed through to 27 March 2021. In September 2017, the accordion facility was taken up which increased the facility to £260m.
- Asset-based lending facility - US. On 27 March 2017, the Group's US business signed a new asset based lending facility. This is a committed, secured facility with an expiry date of 27 March 2022. The facility is subject to maximum drawdown of $180m.

In addition to the above, the Group also has access to other material bank and ancillary credit facilities.

The Group incurs non-utilisation fees for its committed bank facilities.

Bank facilities are provided subject to standard banking covenants, including net debt/EBITDA and interest cover ratios for its UK/EU revolving credit facility.

19 Other financial liabilities

	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Amounts falling due within one year				
Derivative financial instruments measured at fair value through profit or loss	7	14	-	-
Derivative financial instruments measured at fair value and designated in an effective hedging relationship	-	1	-	-
	7	15		-

Notes *(continued)*

20 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets 2017 £m**	Assets 2016 £m	**Liabilities 2017 £m**	Liabilities 2016 £m	**Net 2017 £m**	Net 2016 £m
Accelerated capital allowances	**(1)**	-	**-**	1	**(1)**	1
Tax losses available	**(4)**	(7)	**-**	-	**(4)**	(7)
Other	**(5)**	(4)	**-**	-	**(5)**	(4)
Net tax (assets) / liabilities	**(10)**	(11)	**-**	1	**(10)**	(10)

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £289m (2016: £276m).

The Company had no deferred tax assets or liabilities at 31 December 2017 (2016: £nil).

21 Other provisions

Group	**£m**
Balance at 1 January 2017	16
Provisions charged during the year	4
Balance at 31 December 2017	**20**

Other provisions relate to those costs expected to be incurred by the Group in the future where a present obligation exists at the year end date and a reliable estimate can be made of the obligation. In particular, provision has been made for contractual or constructive obligations on vacating operating sites where these require remedial environmental action prior to vacation. Such remediation costs are reviewed annually and updated where the basis of calculation has changed as a result of, for example, changes in site utilisation plans and dirt disposal costs.

Further provision is made for costs to be incurred with regards to onerous leases, with these costs being determined by the annual lease cost and the unexpired lease term. Also included in other provisions are the costs for insurance claims relating to current and prior periods, having been valued by a qualified professional.

22 Employee benefits

The Group contributes to a number of pension schemes as described below.

Defined contribution pension scheme
The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £2m (2016: £2m).

Contributions amounting to £nil were payable to the scheme at the year-end (2016: £nil).

Defined benefit scheme
The Group operates a funded defined benefit pension scheme for the benefit of certain of the Group's employees and directors. The scheme is closed to new members. The assets of the scheme are administered by trustees in a fund independent from the assets of the Group.

Notes *(continued)*

22 Employee benefits *(continued)*

Net pension (liability)/asset:

	Group 2017 £m
Defined benefit obligation	(53)
Plan assets	53
Net pension (liability)/asset	-

Movements in present value of defined benefit obligation:

	Group 2017 £m
At 1 January 2017	52
Interest expense	1
Re-measurement: actuarial losses	1
Benefits paid	(1)
At 31 December 2017	53

Movements in fair value of plan assets:

	Group 2017 £m
At 1 January 2017	52
Re-measurement: return on plan assets less interest income	3
Benefits paid	(2)
At 31 December 2017	53

Expense recognised in the Group profit and loss account:

	2017 £m	2016 £m
Current service cost	-	1
Net interest on net defined benefit liability	-	-
Total expense recognised in the profit and loss account	-	1

Notes *(continued)*

22 Employee benefits *(continued)*

The fair value of the plan assets and the return on those assets were as follows:

	Group 2017 £m	Group 2016 £m
Diversified growth	**35**	34
Gilts and bonds	**18**	18
	53	52
Actual return on plan assets	**3**	3

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	Group 2017 %	2016 %
Discount rate	**2.55**	2.70
Expected rate of return on plan assets	**2.55**	2.70
Expected return on plan assets at beginning of the period	**3.55**	3.70
Future salary increases	**3.55**	3.30
Rate of price inflation	**3.55**	3.30
Rate of LPI 5% pension increases based on RPI	**3.25**	3.20
Rate of LPI 3% pension increases based on RPI	**2.40**	2.40
Rate of LPI 3% pension increases based on CPI	**2.15**	2.15
Rate of LPI 2.5% pension increases based on RPI	**2.10**	2.10

The last full actuarial valuation was performed on 5 April 2016. To measure the defined benefit obligation as at 31 December 2017, the Company adjusted salary levels by 3.55%.

In valuing the liabilities of the pension fund at 31 December 2017, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65: 22 years (male), 25 years (female).
- Future retiree upon reaching 65: 24 years (male), 26 years (female).

Notes *(continued)*

23 Finance Leases

The future minimum lease payments are as follows:

	Group 2017 £m
Within one year	1
Later than one year and not later than five years	4
Later than five years	-
Total gross payments	5
Less: finance charges	(1)
Carrying amount of liability	4

24 Capital and reserves

Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
10,000,000 (2016: 10,000,000) "A" Ordinary shares of 1p each	100	100
42,600 (2016: 42,600) "B" Ordinary shares of 1p each	-	-
	100	100
Shares classified in shareholders' funds	100	100
Shares classified as financial liabilities	-	-
	100	100

The "B" Ordinary shares have been classified as liabilities and compound instruments. Further details on these classifications are set out in note 17.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

24 Capital and reserves *(continued)*

Other comprehensive income

2017

Group	Profit and loss account £m	Total other comprehensive income/loss £m	Minority interests £m
Other comprehensive income/(loss)			
Foreign exchange differences on translation of foreign operations	(29)	(29)	-
Net loss on hedge of net investments in foreign operations	-	-	-
Total other comprehensive income	(29)	(29)	-

2016

Group	Profit and loss account £m	Total other comprehensive income/(loss) £m	Minority interests £m
Other comprehensive income/(loss)			
Foreign exchange differences on translation of foreign operations	43	43	-
Net loss on hedge of net investments in foreign operations	(22)	(22)	-
Total other comprehensive income	21	21	-

The Company had no other comprehensive income or losses in the year ended 31 December 2017 (2016: £nil).

Notes *(continued)*

25 Financial instruments - Group

25(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	Note	**2017 £m**	2016 £m
Derivative financial instruments – assets/(liabilities) measured at fair value through profit or loss			
Currency options	*14*	**-**	3
Forward commodity contracts	*19*	**(7)**	(9)
Currency swaps	*19*	**-**	(5)
Derivative financial instruments - liabilities measured at fair value and designated in an effective hedging relationship			
Forward currency contracts and interest rate swaps	*19*	**3**	(1)
Assets measured at amortised cost			
Trade receivables	*14*	**247**	148
Amounts owed by group undertakings in which the entity has a participating interest	*14*	**290**	303
Other receivables	*14*	**47**	109
Liabilities measured at amortised cost			
Secured loans and loan notes	*18*	**(79)**	(105)
Bank borrowings	*18*	**(285)**	(237)
Trade creditors	*16*	**(166)**	(142)
Amounts owed to group undertakings in which the entity has a participating interest	*16*	**-**	-
Other creditors	*16*	**-**	(1)

25(b) Derivative financial instruments

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for future foreign currency commitments. At 31 December 2017, the fair value of the forward foreign currency contracts is a asset of £3,136,000 (2016: £1,216,000 liability) and all of the outstanding contracts mature within six months (2016: six months).

The Group enters into forward commodity contracts to protect against movements in the underlying commodity of the related material purchase or sale. The Group's primary exposure is to non-ferrous metal prices. At 31 December 2017, the fair value of the forward commodity contracts is a liability of £7,231,000 (2016: £8,949,000 liability) and all of the outstanding contracts mature within one year (2016: one year).

The Group enters into foreign currency swaps to manage its short term foreign currency position. At 31 December 2017, the fair value of the currency swaps is a liability of £594,000 (2016: £5,421,000 liability) and all of the outstanding contracts mature within three months (2016: three months).

The Group enters into foreign currency options to mitigate the exchange rate risk associated with its foreign currency bank borrowings. There were no outstanding currency options at 31 December 2017. At 31 December 2016, the fair value of the currency options is an asset of £3,309,000.

The fair values of all derivatives above are determined by using broker valuations obtained by the Group.

Notes *(continued)*

25 Financial instruments *(continued)*

25(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	2017						2016					
	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Forward currency contracts:												
Assets	3	3	3	-	-	-	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-	-	(1)	-	(1)	-	-
	3	3	3	-	-	-	-	(1)	-	(1)	-	-

Notes *(continued)*

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Less than one year	15	10	-	-
Between one and five years	53	36	-	-
More than five years	186	95	-	-
	253	141	-	-

During the year, £30m was recognised as an expense in the profit and loss account in respect of operating leases (2016: £18m).

27 Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were:

	Group 2017 £m	2016 £m	Company 2017 £m	2016 £m
Contracted	26	17	-	-

28 Related parties

In addition to amounts disclosed within notes 14 and 16 in the financial statements, the Group had the following transactions with related parties in the normal course of its business:

	2017 £m	2016 £m
Sales of goods to associated undertakings	-	8
Purchase of goods from associated undertakings	-	8
Sales of goods to joint ventures	5	2
Purchase of goods from joint ventures	4	2
Management charges to joint ventures	2	2

29 Subsequent events

In February 2018, Innovative Environmental Solutions UK Limited ('IES'), which was previously a joint venture became a 100% subsidiary. There was no consideration.

In April 2018 the Group settled a significant claim in the US, the $35m settlement will be accounted for as income in 2018.

On 1 June 2018 the Competition and Markets Authority (CMA) published its provisional findings in relation to its investigation of the acquisition by European Metal Recycling Limited (EMR) of the entire issued share capital of Cufe Investments Limited (the holding company of the Metal & Waste Group). Provisionally, the CMA found that the acquisition would lead to a significant lessening of competition in a number of areas and has invited comments.

The CMA is due to publish its final decision on or around 24 July 2018. Should the CMA's view not change from that set out in its provisional findings, it is likely that the CMA would require EMR to divest of the whole or parts of the business of the Metal & Waste Group.

Notes *(continued)*

30 Key accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Provisions (note 21)

Provisions are made for dilapidations and contingencies. Thcsc provisions require management's best estimate of the cost that will be incurred based on legislative and contractual requirements, and the timing of the cash flows.

Defined benefit pension scheme (note 22)

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, asset valuations and the discount rate on corporate bonds. Management estimate these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Impairment of goodwill (note 10)

At each balance sheet date, the Group considers whether goodwill is impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Impairment of trade and other debtors (note 14)

The Group regularly reviews the recoverability of trade and other debtors. A provision for impairment is made where the Group believes that it will not be able to collect amounts due according to the original terms of trade. Provisions for impairment are estimates of future events and are therefore uncertain.

Classification of exceptional items (note 4)

Certain items of income and expense are classified as exceptional items due to their nature or size and are presented separately on the face of the profit and loss account in order to provide a better understanding of the Group's underlying financial performance. Further detail on exceptional items is included in note 4.

Notes *(continued)*

31 Acquisition of subsidiaries

On 29 April 2017, the final 9.2% equity interest was acquired in EMR Gold Recycling LLC and associated companies ("Gold") for a total cash consideration of £10m. The Group had previously acquired 90.2% interest in Gold during the period 2011 to 2016.

The acquisition has been accounted for using the acquisition method of accounting. Details of the book value of net assets, which equated to fair value, at the date of acquisition are shown below.

Goodwill arising on the above acquisition is being amortised over 10 years, as the directors consider this to be the estimated useful life.

	Book and fair value £m
Tangible fixed assets	18
Stocks	12
Debtors	34
Cash at bank	(1)
Creditors and accruals	(9)
Total net assets	54
Percentage share of net assets acquired	9.2%
Share of net assets	5
Goodwill	5
Cost of acquisition – satisfied by cash	10

Notes *(continued)*

31 Acquisition of subsidiaries *(continued)*

On 25 August 2017, the Group acquired 100% of the ordinary shares of CuFe Investments Ltd, which is the parent of Metal and Waste Recycling Limited (''MWR'').

The acquisition has been accounted for using the acquisition method of accounting. Details of the book value of net assets, which equated to fair value, at the date of acquisition are shown below.

Goodwill arising on the above acquisition is being amortised over 10 years, as the directors consider this to be the estimated useful life.

The acquisition is currently under review by the Competition and Markets Authority and therefore it has not been possible to separate out any intangible assets from the goodwill as the businesses have been kept separate.

The net assets at the date of disposal and the total sales proceeds are shown below:

	Book and fair value £m
Tangible fixed assets	14
Stocks	9
Debtors	11
Creditors and accruals	(36)
Cash	(1)
Total net assets	(3)
Percentage share of net assets acquired	100%
Share of net assets	(3)
Goodwill	29
Sale proceeds – satisfied by cash to the vendors	26
Inter-group loans	27

Notes *(continued)*

31 Acquisition of subsidiaries *(continued)*

On 31 December 2017, the Company acquired the remaining 24.09% of the ordinary shares of MBA Polymers (United Kingdom) Limited ("MBA") from MBA Inc.

The acquisition has been accounted for using the acquisition method of accounting. Details of the book value of net assets, which equated to fair value, at the date of acquisition are shown below.

The net assets at the date of acquisition and the total sales price are shown below:

	Book and fair value £m
Tangible fixed assets	15
Stocks	2
Debtors	1
Creditors and accruals	(16)
Total net assets	2
Percentage share of net assets acquired	24.09%
Share of net assets acquired	-
Goodwill	-
Cost of acquisition – satisfied by inter company funding	-

Notes *(continued)*

32 Group entities

The undertakings in which the Group and Company had an interest at the year-end are as follows.

	Country of incorporation	Principal activity	Class and percentage of shares held Company	Group
Subsidiary undertakings				
European Metal Recycling Limited *1	United Kingdom	Metal recycler	100%	100%
Praedius Ltd. *2	United Kingdom	Holding company	100%	100%
Invenens Limited *1	United Kingdom	Holding company	100%	100%
American Iron & Steel Company	USA	Metal recycler	-	100%
American Steel & Industrial Supply Co LLC	USA	Metal recycler	-	87%
Auto Shred Recycling LLC	USA	Dormant company	-	100%
Automobile Recycling Services LLC	USA	Dormant company	-	100%
CD Jordan and Son (Transport) Limited *1	United Kingdom	Dormant company	-	100%
CD Jordan and Son Limited *1	United Kingdom	Dormant company	-	100%
Cleveland Metals Limited *1	United Kingdom	Dormant company	-	100%
Cooper Barnes Metals Limited *1	United Kingdom	Dormant company	-	100%
Coopers Holdings Limited *1	United Kingdom	Dormant company	-	100%
Coopers Metals (Holdings) Limited *1	United Kingdom	Dormant company	-	100%
CuFe Investments Limited	United Kingdom	Holding company	-	100%
Holstock Limited	United Kingdom	Holding company	-	100%
Broomco (3935) Limited	United Kingdom	Dormant company	-	100%
GAD Holdings Limited	United Kingdom	Dormant company	-	100%
Metal and Waste Recycling Limited	United Kingdom	Metal recycler	-	100%
End of Life Vehicles Limited	United Kingdom	Dormant company	-	100%
Foreman Recycling Limited	United Kingdom	Dormant company	-	100%
GD Metal Recycling Limited	United Kingdom	Dormant company	-	100%
E Barnes & Co Limited *1	United Kingdom	Dormant company	-	100%
EMR (USA Holdings) Inc	USA	Holding company	-	100%
EMR 2003 *1	United Kingdom	Dormant company	-	100%
EMR Advanced Recycling LLC	USA	Dormant company	-	100%
EMR Deutschland Beteiligungsgesellschaft mbH	Germany	Holding company	-	100%
EMR Eastern LLC	USA	Holding company	-	100%
EMR Energy LLC	USA	Dormant company	-	100%
EMR European Metal Recycling GmbH	Germany	Metal recycler	-	100%
EMR Exports Limited *1	United Kingdom	Holding company	-	100%
EMR Financing Limited *1	United Kingdom	Holding company	-	100%
EMR Financing LLC	USA	Holding company	-	100%
EMR GmbH	Switzerland	Metal recycler	-	100%
EMR Gold Export Services Inc	USA	Metal recycler	-	100%
EMR Gold Recycling LLC	USA	Metal recycler	-	100%
EMR Holdings BV	Netherlands	Holding company	-	100%
EMR (Jersey) Limited	Jersey	Metal recycler	-	100%
EMR Management Services LLC	USA	Dormant company	-	100%
EMR Marine Terminals LLC	USA	Dormant company	-	100%
EMR Maritime GmbH	Germany	Export company	-	100%
EMR Metales SLU	Spain	Metal recycler	-	100%
EMR Midland Shredders Limited *1	United Kingdom	Dormant company	-	100%
EMR OOO	Russia	Metal recycler	-	100%
EMR Polymers LLC	USA	Dormant company	-	100%
EMR Shipping Limited *1	United Kingdom	Dormant company	-	100%
EMR Swindon Limited *1	United Kingdom	Dormant company	-	100%
EMR Trading LLC	USA	Metal recycler	-	100%
European Metal Recycling (Dormant) Ltd *1	United Kingdom	Holding company	-	100%
European Metal Recycling (Hong Kong) Limited	Hong Kong	Metal recycler	-	100%
European Metal Recycling (International) Ltd *1	United Kingdom	Holding company	-	100%
European Metal Recycling (USA) Limited *1	United Kingdom	Holding company	-	100%
European Metal Recycling B.V	Netherlands	Metal recycler	-	100%
European Metal Recycling Inc	USA	Dormant company	-	100%
European Metal Recycling S.R.L.	Italy	Metal recycler	-	100%

Notes *(continued)*

32 Group entities *(continued)*

	Country of incorporation	Principal activity	Class and percentage of shares held Company	Group
***Subsidiary undertakings** (continued)*				
Ever 1052 Limited *1	United Kingdom	Dormant company	-	100%
Gainesville Homestead Properties LLC	USA	Property company	-	100%
GMFW Real Property LLC	USA	Property company	-	100%
GMR Recycling LLC	USA	Metal recycler	-	100%
GMY Enterprises LLC	USA	Metal recycler	-	100%
GMY Ltd	USA	Metal recycler	-	100%
GNR Operations Inc	USA	Metal recycler	-	100%
GNR Recycling LP	USA	Metal recycler	-	100%
Evinco Terminals LLC	USA	Dormant company	-	100%
Gold Metal Recyclers Fort Worth LLC	USA	Metal recycler	-	100%
Gold Metal Recyclers Gainesville LLC	USA	Metal recycler	-	100%
Gold Metal Recyclers Ltd	USA	Metal recycler	-	100%
Gold Metal Recyclers Management LLC	USA	Metal recycler	-	100%
Gold Metal Recyclers Oklahoma LLC	USA	Metal recycler	-	100%
Goldberg Industries Inc	USA	Metal recycler	-	100%
Great Western Recycling Inc	USA	Metal recycler	-	100%
GW Acquisition Corp	USA	Holding company	-	100%
Henderson Kerr (Scrap Processors) Limited *3	United Kingdom	Dormant company	-	100%
Henderson Kerr Limited *3	United Kingdom	Dormant company	-	100%
International Metal & Steel B.V.	Netherlands	Investment company	-	100%
International Metal Recycling UK Limited *1	United Kingdom	Dormant company	-	100%
International Shipbreaking Limited LLC	USA	Metal recycler	-	100%
Invenens B.V.	Netherlands	Investment company	-	100%
Island Recycling Limited *1	United Kingdom	Dormant company	-	100%
J T Broadhurst & Sons Limited *1	United Kingdom	Dormant company	-	100%
Jackson Dunn Limited *1	United Kingdom	Dormant company	-	100%
Jordans (Newhaven) Limited *1	United Kingdom	Dormant company	-	100%
Mayer Environmental Ltd *1	United Kingdom	Environmental consultants	-	100%
Mayer Parry (East Anglia) Limited *1	United Kingdom	Dormant company	-	100%
Mayer Parry Recycling (Holdings) Limited *1	United Kingdom	Dormant company	-	100%
Mayer Parry Recycling Limited *1	United Kingdom	Dormant company	-	100%
MBA Polymers United Kingdom Limited *4	United Kingdom	Recycling of plastics from metal streams	-	100%
Meon Valley Metals Limited *1	United Kingdom	Dormant company	-	100%
Metals Reduction Company, LLC	USA	Dormant company	-	100%
Mossdale Metals (Durham City) Limited *1	United Kingdom	Dormant company	-	100%
Mountstar Metal Corporation Limited *1	United Kingdom	Dormant company	-	100%
Northern Metals LLC	USA	Metal recycler	-	100%
Northern Metals Recovery LLC	USA	Dormant company	-	100%
Phillips Recycling Systems LLC	USA	Metal recycler	-	100%
Praedius UK Limited *2	United Kingdom	Landholding company	-	100%
Praedius UK (No 1) Limited *1	United Kingdom	Landholding company	-	100%
Praedius UK (No 2) Limited *1	United Kingdom	Landholding company	-	100%
Praedius UK (Industrial) Limited *2	United Kingdom	Landholding company	-	100%
Praedius UK (Development) Limited *2	United Kingdom	Landholding company	-	100%
Praedius USA Inc	USA	Landholding company	-	100%
Praedius USA1 LLC	USA	Landholding company	-	100%
Praedius BV	Netherlands	Dormant company	-	100%
Premier Granules UK Limited *1	United Kingdom	Dormant company	-	100%
Robinson Group Ltd *1	United Kingdom	Dormant company	-	100%
Robinson Shipping Services Limited *1	United Kingdom	Dormant company	-	100%
Scrap Processing (Portsmouth) Limited *1	United Kingdom	Dormant company	-	100%
Sheppard Group Limited *1	United Kingdom	Dormant company	-	100%
Southern Recycling Sales LLC	USA	Metal recycler	-	100%
Southern Scrap Material Co LLC	USA	Dormant company	-	100%

Notes *(continued)*

32 Group entities *(continued)*

	Country of incorporation	Principal activity	Class and percentage of shares held Company	Group
Subsidiaries undertakings (continued)				
Southern Scrap Recycling Morgan City LLC	USA	Dormant company	-	100%
SSX LLC	USA	Dormant company	-	100%
T Holloway & Sons (Metals) Limited *1	United Kingdom	Dormant company	-	100%
T Lethbridge Limited *1	United Kingdom	Dormant company	-	100%
The Auto Store LLC	USA	Metal recycler	-	100%
Toy Eau Claire Properties LLC	USA	Property company	-	100%
Toy Properties LLC	USA	Property company	-	100%
Toy's Custom Shearing LLC	USA	Metal recycler	-	100%
Toy's Scrap and Salvage Corp	USA	Metal recycler	-	100%
Toy's Transport LLC	USA	Transport company	-	100%
Viking Land Holdings LLC	USA	Property company	-	100%
Recource Recycling LLC	USA	Dormant company	-	100%
Joint ventures				
1751 Kenilworth Land, LLC	USA	Property company	-	50%
Allegany Scrap, Inc.	USA	Metal recycler	-	50%
Atlas Traders, LLC	USA	Metal recycler	-	50%
Auto Recycling Real Estate, LLC	USA	Metal recycler	-	50%
Baltimore Western Marine Terminal LLC	USA	Metal recycler	-	25%
Beaver Heights Associates, LLC	USA	Metal recycler	-	50%
Camden Iron & Metal Inc	USA	Metal recycler	-	50%
Camden Iron & Metal, LLC	USA	Metal recycler	-	50%
Camden Metal Company, Inc	USA	Metal recycler	-	50%
Capitol Heights Metal Recycling Inc	USA	Metal recycler	-	50%
Caroline Lands LLC	USA	Property company	-	50%
Caroline Scrap Metal Inc	USA	Metal recycler	-	50%
Carroll Land LLC	USA	Property company	-	50%
Carroll Scrap Metal Inc	USA	Metal recycler	-	50%
Cohen Recycling, Inc.	USA	Metal recycler	-	25%
CRI Property Co., LLC	USA	Property company	-	25%
Cumberland Land, LLC	USA	Property company	-	50%
David Paul Inv., LLC	USA	Holding company	-	50%
Day Road Land LLC	USA	Property company	-	50%
Deenah, LLC	USA	Property company	-	25%
Delco Metals Inc	USA	Metal recycler	-	50%
Delmar Industries, LLC	USA	Property company	-	50%
Denton Scrap Metal Recycling	USA	Metal recycler	-	50%
Dover Scrap Metal Inc	USA	Metal recycler	-	50%
Eastern Metal Recycling Inc	USA	Metal recycler	-	50%
Eastern Metal Recycling LLC	USA	Metal recycler	-	50%
Eastern Metal Recycling Terminal, LLC	USA	Metal recycler	-	50%
EMR / Smith Industries LLC	USA	Holding company	-	50%
F&K, Inc.	USA	Metal recycler	-	50%
FDR, LLC	USA	Property company	-	50%
Frederick Motor Company, Inc.	USA	Metal recycler	-	50%
Frederick Scrap Inc	USA	Metal recycler	-	50%
Fredericksburg Land LLC	USA	Property company	-	50%
General Auto Parts, Inc.	USA	Metal recycler	-	50%
Girard Point Corp	USA	Metal recycler	-	50%
Gunston Cove Land, LLC	USA	Property company	-	50%
Harbor Auto Associates LLC	USA	Metal recycler	-	50%
Harrisonburg Land, LLC	USA	Property company	-	50%
Hartly Land, LLC	USA	Property company	-	50%
Hayden Auto Service Inc	USA	Metal recycler	-	50%
Henderson Land, LLC	USA	Property company	-	50%

Notes *(continued)*

32 Group entities *(continued)*

	Country of incorporation	Principal activity	Class and percentage of shares held Company	Group
Joint ventures (continued)				
Henderson Scrap Metal Inc	USA	Metal recycler	-	50%
Innovative Environmental Solutions UK Limited *1	United Kingdom	Production of energy from waste streams	-	40%
Innovative Recovery Products, LLC	USA	Metal recycler	-	50%
Johnstown Lands LLC	USA	Property company	-	50%
Johnstown Scrap Metal, Inc	USA	Metal recycler	-	50%
Joppa 420, LLC	USA	Property company	-	50%
Joppa 500, LLC	USA	Property company	-	50%
Joppa Auto Salvage, Inc.	USA	Metal recycler	-	50%
Joseph Smith & Sons, Inc.	USA	Metal recycler	-	50%
JS Trucking, Inc.	USA	Metal recycler	-	50%
Halethorpe Farms Land Inc.	USA	Property company	-	50%
Kenilworth Recovery Systems, LLC	USA	Metal recycler	-	50%
Kent Land, LLC	USA	Property company	-	50%
Kent Scrap Metal, Inc.	USA	Metal recycler	-	50%
L&L Acquisition Company	USA	Property company	-	50%
L&L Waste Disposal & Metal Recycling Inc.	USA	Metal recycler	-	50%
Lands of Shenandoah LLC	USA	Property company	-	50%
Lands of Somerset, LLC	USA	Property company	-	50%
Lands of Westover, LLC	USA	Property company	-	50%
Lands of Woodbridge LLC	USA	Property company	-	50%
Manassas Land, LLC	USA	Property company	-	50%
Metal Properties, Inc.	USA	Property company	-	50%
Olive Street Property, LLC	USA	Property company	-	50%
Preston Terminals Inc	USA	Metal recycler	-	50%
Prince Georges Scrap, Inc.	USA	Metal recycler	-	50%
Prince William Metal Recycling, Inc	USA	Metal recycler	-	50%
R. Kelly Freedman Holding Group, LLC	USA	Holding company	-	50%
R.P. Smith Properties, LLC	USA	Property company	-	50%
Recovermat Mid-Atlantic LLC	USA	Metal recycler	-	50%
Recovermat Technologies, Inc.	USA	Metal recycler	-	50%
Recycling Properties LLC	USA	Property company	-	50%
R Fanelle & Sons Inc	USA	Metal recycler	-	50%
Rhino Recycling Inc	USA	Metal recycler	-	50%
Ritchie Road Land, LLC	USA	Property company	-	50%
RPM Realty LLC	USA	Property company	-	45%
RPS Land, LLC	USA	Property company	-	50%
RPS Marine, LLC	USA	Metal recycler	-	50%
RPS Mid-Atlantic Marine Terminal, LLC	USA	Metal recycler	-	50%
RPS Realty Holdings LLC	USA	Holding company	-	50%
S Street Land, LLC	USA	Property company	-	50%
Salisbury Scrap Metal Inc	USA	Metal recycler	-	50%
Satellite Services Inc	USA	Metal recycler	-	50%
Service Bays, LLC	USA	Metal recycler	-	50%
Shenandoah Scrap Metal Inc	USA	Metal recycler	-	50%
Smith Camden Disc Inc	USA	Holding company	-	50%
Smith CRI, LLC	USA	Metal recycler	-	50%
Smith Export Terminal, Inc.	USA	Metal recycler	-	50%
Smith Industries, Inc.	USA	Holding company	-	50%
Smith Payroll Services, Inc.	USA	Administration company	-	50%

Notes *(continued)*

32 Group entities *(continued)*

	Country of incorporation	Principal activity	Class and percentage of shares held Company	Class and percentage of shares held Group
Joint ventures (continued)				
Smith Railroad Company Inc				
SPC Corporation	USA	Transport company		50%
Springfield Scrap Metal Inc	USA	Metal recycler	-	50%
Stafford Scrap Metal Inc	USA	Metal recycler	-	50%
Sussex Scrap Metal, Inc.	USA	Metal recycler	-	50%
	USA	Metal recycler	-	50%
			-	
Tioga Real Estate, LLC	USA	Property company	-	50%
United Compressed Steel Company	USA	Metal recycler	-	50%
US Electronics Land LLC	USA	Property company	-	25%
US Electronics, LLC	USA	Metal recycler	-	25%
Vineland Processing Inc	USA	Metal recycler	-	50%
Westernport Land, LLC	USA	Property company	-	50%
Westernport Salvage, Inc.	USA	Metal recycler	-	50%
Westover Scrap Metal Inc	USA	Metal recycler	-	50%
Wicomico Land LLC	USA	Property company	-	50%
Wilmington Metal Recycling Inc	USA	Metal recycler	-	50%
Winchester Land, LLC	USA	Property company	-	50%
Winchester Scrap, Inc	USA	Metal recycler	-	50%
Woodbridge Metal Recycling Inc	USA	Metal recycler	-	50%
Somerset Scrap Metal, Inc	USA	Metal recycler	-	50%

**1 registered office: Sirius House, Delta Crescent, Westbrook, Warrington, WA5 7NS.*
**2 registered office: Capella House, Delta Crescent, Westbrook, Warrington, WA5 7NS.*
**3 registered office: Kirklee Road, Moss End, Bellshill, ML4 2QW.*
**4 registered office: Sandy Lane, Worksop, S80 3ET.*

At 31 December 2017 the Group held 49% of the shares of Worlds Window Impex Private Limited (''WWI'') and its subsidiaries. The Group is taking steps to dispose of the shares.