REAL ALLOY UK HOLDCO LTD.

Report and Financial Statements

31 December 2018

Directors
R Barr
T J Hogan
C Griffin

Auditors
Ernst & Young LLP
The Paragon
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Registered office
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Westfield Industrial Park
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Group Strategic Report

Results and dividends

The profit for the year after taxation amounted to £936,000 (2017 – Loss of £1,036,000). The directors do not recommend a final dividend (2017– £nil).

Principal activities and review of the Group

The principal activities of the companies within the Group is the recycling of valuable aluminium waste materials for sale to the aluminium (wrought and casting alloy) industries within the UK, mainland Europe and Norway. There have been no significant changes in the Group's principal activities in the year under review.

The Group is a wholly owned subsidiary of RA Parent, Inc. and operates as part of the European recycling division.

On 31st May 2018, Real Alloy Holding Inc. and its subsidiaries was acquired from Elah Holdings, Inc. (formerly known as Real Industry, Inc.) by RA Parent, Inc., pursuant to a plan for Real Industry, Inc. to emerge from its US Chapter 11 bankruptcy proceedings. As a result of this sale, Real Alloy has become part of a privately held group. Real Alloy UK Holdco limited and its group of companies still maintains the Real Alloy name.

The Group's key financial performance indicators during the year were as follows:

	2018	*2017*	*Change*
	£m	*£m*	*%*
Turnover	47.9	44.6	7%
Operating Profit/ (Loss)	2.5	1.1	117%
Profit/ (Loss) after tax	0.9	(1.0)	190%
Average number of employees	94	93	1%

The increase in turnover was due to higher sales in both Buy/Sell remelt sales and tolling work. The large increase in operating profit in 2018 was mainly due to better than expected performance of the UK market due to increase in demand of Aluminium Packaging Recovery Notes (PRNs) which is expected to continue beyond 2018.

Future developments

Demand for many of our products is impacted by regional economic factors in both Europe and Norway, including GDP and industrial production. We believe that production and sales will continue grow due to increasing demands of PRNs.

Principal risks and uncertainties

Company management are responsible for managing any risks and uncertainties and for working with the Real Alloy group to understand and mitigate the risks that the company faces.

The Group has rigorous budgeting and forecasting processes against which performance is monitored and any exposure to business risk can be identified and appropriate plans and actions put in place. A major focus in 2019/2019 will be productivity improvement activities to offset any increasing costs. An area of potential future risk is the decision by the UK to leave the European Union. The potential risks of this decision cannot be quantified at this time.

Group Strategic Report (continued)

Principal risks and uncertainties (continued)

Credit risk
The Group's customers are third parties in the United Kingdom, Europe and Norway. The Group has no history of credit risk from its customers, but has a comprehensive credit policy in place that includes credit risk validations, credit limits and regular follow up of amounts due to the Group.

Currency risk
The Group has transactional currency exposures which arise from sales in Euro, Norwegian Krone and purchases in currencies other than its functional currency (GBP). Potential exposures to foreign currency exchange rate movements are monitored through monthly cash forecasting process. These risks are managed by Real Alloy's treasury department at a group level.

Commodity price risk
The Group's sale of aluminium is affected by the fluctuation of the prices in London Metal Exchange. The potential exposure to the price fluctuations are monitored Real Alloy's treasury department at a group level.

Liquidity and cash flow risks
The Group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets throughout the Group. The Group manages cash flow risk by careful negotiation of terms with customers and suppliers and maintains available funds to enable them to meet their liabilities as they fall due.

Competitive risk
The Group has various competitors, therefore Real Alloy's business leaders' focus on retaining our current business and gaining new business.

Legislative risk
The Group operates in a regulated industry and products are subject to rigorous manufacturing standards.

On behalf of the board

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R.Barr
Director

Date: 23/12/2019

Directors' Group report

The directors who served the company during the year were as follows:

R Barr
T J Hogan
C Griffin

On 31st May 2018, Real Alloy Holding Inc. and its subsidiaries was acquired from Elah Holdings, Inc. (formerly known as Real Industry, Inc.) by RA Parent, Inc., pursuant to a plan for Real Industry, Inc. to emerge from its US Chapter 11 bankruptcy proceedings. As a result of this sale, Real Alloy UK Holdco Limited and its group of companies become part of a privately held group

Environment

Real Alloy UK Holdco Limited and its group of companies recognises the importance of the environment in which it operates and takes this extremely seriously. The Group operates within group policies and monitors its impact on the environment and local community continuously, striving for improvements in health, safety, and environmental impact via initiatives and training of employees.

Employees

The Group encourages participation of employees in all matters relevant to them through meetings and bulletin updates. Union Representatives regularly attend European Workers Council Meetings (EWC) and are regularly consulted on matters affecting them and their member's interests.

Going concern

On the basis of their assessment of the Group's financial position, the Company's Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

RBBa

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R.Barr
Director
Date: 23/12/2019

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Real Alloy UK Holdco Ltd

Opinion

We have audited the financial statements of Real Alloy UK Holdco Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise Group statement of comprehensive income, Group statement of changes in equity, Parent company statement of changes in equity, Group statement of cash flows, Group Balance sheet, Parent Balance sheet and the related Notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".
In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.
Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

Other information (continued)

information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Auditor's responsibilities for the audit of the financial statements (continued)

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

Use of our report

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.

Ernst & Young LLP

Jane Barwell (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
Date: 24 December 2019

Group statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Turnover	2	47,852	44,599
Cost of sales		(40,985)	(38,693)
Gross Profit		6,867	5,906
Selling and distribution costs		(573)	(663)
Administrative expenses		(3,793)	(4,093)
Operating Profit / (Loss)	3	2,501	1,150
Other Financial Income		486	111
Net interest payable	6	(1,539)	(1,773)
Profit /(Loss) on ordinary activities before taxation		1,448	(512)
Tax	7	(512)	(524)
Profit /(Loss) for the financial year		936	(1,036)
Other comprehensive income / (loss)		(148)	210
Total comprehensive income / (loss) for the year, net of tax		788	(826)
Total comprehensive income / (loss) for the year attributable to:			
Non-controlling interests		-	-
Owners of the parent company		788	(826)
		788	(826)

All amounts relate to continuing activities.

Group statement of changes in equity

for the year ended 31 December 2018

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*OCI Reserve £000*		*Total equity £000*	
At 1 January 2017	1	10,997	(11,559)	(619)		(1,180)	
Loss for the year	–	–	(1,036)	–		(1,036)	
Total comprehensive income for the year	–	–	(1,036)	–	–	(1,036)	-
OCI movement for the year	–	–	–	210	–	210	–
As at December 2017	1	10,997	(12,595)	(409)		(2,006)	
Profit for the year	–	–	936	–		936	
Total comprehensive income for the year	–	–	936	–	–	936	–
OCI movement for the year	–	–	–	(148)	–	(148)	–
Share premium arising on share issue	–	9,515	–	–	–	9,515	–
At 31 December 2018	1	20,512	(11,659)	(557)		8,297	

Parent company statement of changes in equity

for the year ended 31 December 2018

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total equity £000*
At 1 January 2017	1	10,997	879	11,877
Loss for the year	–	–	(545)	(545)
At 1 January 2018	1	10,997	334	11,332
Share premium arising on share issue	-	9,515	-	9,515
Loss for the year	–	–	(468)	(468)
At 31 December 2018	1	20,512	(134)	20,379

Group statement of cash flows

for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Net cash inflows from operating activities	13	(4,008)	2,032
Investing activities			
Interest received	6	10	1
Payments to acquire tangible fixed assets		(2,411)	(2,977)
Impairment of goodwill		–	224
Receipts from sales of tangible fixed assets		98	5
Net cashflow from investing activities		(2,303)	(2,747)
Financing activities			
Interest element of finance lease rental payment	6	(25)	(4)
Repayment of capital element of finance leases		(146)	(45)
Issue of ordinary share capital		9,515	-
Translation of company note		(129)	-
Net cashflow from financing activities		9,215	(49)
Increase / (decrease) in cash and cash equivalents		2,904	(764)
Effect of exchange rates on cash and cash equivalents		(24)	22
Cash and cash equivalents at 1 January		5,866	6,607
Cash and cash equivalents at 31 December	13	8,746	5,865

Group Balance sheet

As at 31 December 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Tangible assets	9	12,045	11,300
		12,045	11,300
Current assets			
Stocks	10	2,289	1,636
Debtors	11	6,529	6,323
Cash and cash equivalents	13	8,746	5,865
		17,564	13,824
Creditors: amounts falling due within one year	12	(20,790)	(26,569)
Net current liabilities		(3,226)	(12,745)
Creditors: amounts falling due more than one year		(340)	(386)
Total assets less current liabilities		8,479	(1,831)
Provisions for liabilities			
Deferred tax	7(c)	(182)	(175)
Net assets / (liabilities)		8,297	(2,006)
Capital and reserves			
Called up share capital	19	1	1
Share premium	20	20,512	10,997
Profit and loss account	20	(11,659)	(12,595)
OCI reserve	20	(557)	(409)
Shareholders' funds		8,297	(2,006)

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

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R.Barr
Director
Date: 23/12/2019

Parent Balance sheet

As at 31 December 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Investments	8	30,127	20,613
Current assets			
Other debtors	11	516	406
Creditors: amounts falling due within one year	12	(10,264)	(9,687)
Net current liabilities		(9,748)	(9,281)
Total assets less current liabilities		20,379	11,332
Net assets		20,379	11,332
Capital and reserves			
Called up share capital	19	1	1
Share premium	20	20,512	10,997
Profit and loss account	20	(134)	334
Shareholders' funds		20,379	11,332

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

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R.Barr
Director
Date: 23/12/2019

Notes to the financial statements

As at 31 December 2018

1. Accounting policies

Statement of compliance and basis of preparation
Real Alloy UK Holdco Limited is a limited liability company registered in England and Wales. Its registered office is Westfield Industrial Park, Waunarlwydd, Swansea, SA5 4SF. The group and parent company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2018.

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the presentational currency of the group and parent company and are rounded to the nearest £'000. The functional currency of the parent company is sterling.

The parent company has taken advantage of the section 408 exemption not to present its individual profit and loss account as it has prepared group accounts. The loss dealt with in the financial statements of the parent company is £468,000 (2017: loss of £545,000).
The group has taken advantage of the exemption afforded by FRS 102.33.1A not to disclose transactions between wholly owned members of the group.

Basis of consolidation
The group financial statements consolidate the financial statements of Real Alloy UK Holdco Limited and all its subsidiary undertakings for the year ended 31 December 2018.

Significant accounting policies
Investments in subsidiaries
In the parent company's financial statements investments in subsidiaries are accounted for at cost less impairment.

Goodwill
Positive or negative goodwill acquired on each business combination is written off in the profit and loss account in the year that it arises.

Tangible fixed assets
Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value over their expected useful lives at the following rates:

Short leasehold buildings	–	2.5% straight-line over the lease term
Plant and equipment	–	5-20% straight-line over 5 to 20 years
Buildings and sites	–	Straight-line over 20 years

No depreciation is charged on assets under construction.

Notes to the financial statements

As at 31 December 2018

1. Accounting policies (continued)

Tangible fixed assets (continued)

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks
Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs incurred in bringing each product to its present location and condition, as follows:

Finished goods	–	cost of direct materials and labour plus attributable overheads based on a normal level of activity.
Raw materials	–	cost of direct materials

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Capitalised interest
Interest costs are capitalised as part of the historic cost of furnace construction.

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies
Company
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Group
Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of overseas subsidiary undertakings are translated into the presentational currency at the rate of exchange ruling at the balance sheet date. Income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of transaction. All resulting exchange differences are recognised in the other comprehensive income, in retained earnings.

Notes to the financial statements

As at 31 December 2018

1. Accounting policies (continued)

Turnover
Turnover comprises of revenue recognised by the company in respect of goods and services supplied exclusive of Value Added Tax and trade discounts.

Financial instruments
The group uses future contracts to reduce exposure to changes in the aluminium price. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit and loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the aluminium future contracts is calculated by reference to current aluminium future contracts with similar maturity profiles. The group does not undertake any hedge accounting transactions.

Leasing and hire purchase commitments
Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Rentals payable under operating leases are charged to the profit and loss account net of lease incentives on a straight-line basis over the lease term.

Pensions
The group makes contributions into pension schemes for its employees.

Critical accounting judgments and estimation uncertainties
In the application of the group and company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no judgements or material estimation uncertainties affecting the reported financial performance in the current or prior year.

Notes to the financial statements

As at 31 December 2018

2. Turnover

Turnover represents the amounts derived from the provision of goods and services stated net of value added tax. The group operates in two principal areas of activity, that of recycling of valuable aluminium waste materials for sale to the aluminium (wrought and casting alloy) industries within the UK, mainland Europe and Norway and the disposal/processing of salt cake. There have been no significant changes in the company's principal activities in the year under review

Turnover is analysed as follows:

Geographical area

	2018	*2017*
	£000	*£000*
UK	23,887	19,921
Europe	18,133	18,347
Norway	5,832	6,331
Total	47,852	44,599

Area of activity

	Disposal		Recycling	
	2018	*2017*	*2018*	*2017*
	£000	*£000*	*£000*	*£000*
Turnover	1,723	1,324	46,129	43,275
	1,723	1,324	46,129	43,275

3. Operating profit /(loss)

This is stated after charging/(crediting)

	2018	*2017*
	£000	*£000*
Auditors' remuneration	37	45
Depreciation of fixed assets	1,572	1,659
Disposal of fixed assets (gain) / loss	(5)	15
Operating lease rentals – plant and machinery	484	461
– land and buildings	174	130

Notes to the financial statements

As at 31 December 2018

4. Directors' remuneration

The directors of the company were also directors of other companies in the RA Parent, Inc. group. The directors' services to the group and the company do not occupy a significant amount of time. As such, the director do not consider that they have received any remuneration for their incidental services to the Company for the years ended 31 December 2018 and 31 December 2017. The costs of the director' remuneration is reflected in the financial statement of other group companies.

5. Staff costs

	2018	*2017*
	£000	*£000*
Wages and salaries	4,476	4,467
Social security costs	538	511
Other pension costs	316	298
Other employee related costs	81	101
	5,411	5,377

The average monthly number of employees during the year was made up as follows:

	No.	*No.*
Production	62	63
Administration	11	12
Maintenance	21	18
	94	93

6. Interest payable and similar expenses

	2018	*2017*
	£000	*£000*
Interest payable to group companies	(1,210)	(1,195)
Unrealised foreign exchange losses	(30)	127
Bank Interest	10	1
Interest payable on Finance leases	(25)	(4)
Other financial expenses	(284)	(702)
	(1,539)	(1,773)

Notes to the financial statements

As at 31 December 2018

7. Tax

(a) Analysis of tax charge for the year

	2018	*2017*
	£000	*£000*
Current tax:		
UK corporation tax – current	524	541
Adjustment in respect of prior years	(5)	(3)
	519	538
Foreign tax	-	-
Group current tax	519	538
Deferred tax		
Origination and reversal of timing differences	(7)	(14)
Group deferred tax	(7)	(14)
Tax on profit on ordinary activities	512	524

(b) Tax included in the group statement of total other comprehensive income
The tax (charge)/credit is made up as follows:

Deferred tax:	*2018*	*2017*
	£000	*£000*
Accelerated capital allowances	(7)	(14)

(c) Factors affecting the total tax charge for the year

The tax assessed on the profit before tax for the year is lower than the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are reconciled below:

	2018	*2017*
	£000	*£000*
Profit/ (loss) before Taxation	1,488	(512)
Profit /(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19.25%).	283	(99)
Expenses not deductible for tax purposes	234	626
Tax over provided in previous years	(5)	(3)
Total tax expense	512	524

Notes to the financial statements

As at 31 December 2018

7. Tax (continued)

(c) Deferred taxation

The movements in deferred taxation during the year are as follows:

	£000
At 1 January 2018	175
Charged to profit and loss account	7
At 31 December 2018	182

(d) Factors affecting the future tax charge

The UK corporation tax rate decreased from 20% to 19% from 1 April 2017. Further reductions to the UK corporation tax rate have been announced that will have an impact on the future tax charges. A change in the corporation tax rate to 18% from 1 April 2020 had been enacted in November 2015. In addition, the 2016 budget provided a further reduction in the rate from 1 April 2020 to 17% which was substantively enacted by the 2016 Finance Bill in September 2016. Consequently the deferred tax liability has been calculated using a tax rate of 17%.

Notes to the financial statements

As at 31 December 2018

8. Parent Investments

	2018	*2017*
	£000	*£000*
Investments in subsidiary undertakings at cost	30,127	20,613

The company has investments in the following subsidiary undertakings:

Subsidiary undertakings	*Country of incorporation*	*Proportion of ordinary share capital held by the company*
Real Alloy UK AcquireCo Ltd.	United Kingdom	100%
Real Alloy UK Ltd.	United Kingdom	100%

During the year, the company made a further capital contribution of £9.5 million to Real Alloy UK AcquireCo. Ltd.

The following are indirect Investments held through Real Alloy UK Acquireco Ltd.

Indirect investments	*Country of incorporation*	*Proportion of ordinary share capital held by the company*
Real Alloy Norway AS	Norway	100%
Real Alloy Norway Holding AS	Norway	100%

The registered office of the Norway investments is Rodvikvegen 9 N-6460 Eidsvag I Romsdal.

Notes to the financial statements

As at 31 December 2018

9. Group Tangible fixed assets

	Short-leasehold property	*Building and sites*	*Plant and equipment*	*Construction in progress*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Cost:					
At 1 January 2018	3,685	4,296	17,871	60	25,912
Additions	241	82	1,924	164	2,411
Disposals	-	-	(833)	-	(833)
Transfers	-	-	60	(60)	-
At 31 December 2018	3,926	4,378	19,022	164	27,490
Depreciation:					
At 1 January 2018	1,717	1,192	11,703	-	14,612
Disposals	-	-	(739)	-	(739)
Provided during the year	111	263	1,198	-	1,572
At 31 December 2018	1,828	1,455	12,162	-	15,445
Net book value:					
At 31 December 2018	2,098	2,923	6,860	164	12,045
At 1 January 2018	1,968	3,104	6,168	60	11,300

10. Stocks

	Group		Parent company	
	2018	*2017*	*2018*	*2017*
	£000	*£000*	*£000*	*£000*
Raw materials	2,105	1,618	-	-
Finished goods	184	18	-	-
	2,289	1,636	-	-

The replacement cost of stock is not materially different from the historic cost stated above.

Notes to the financial statements

As at 31 December 2018

11. Debtors

		Group	Parent company	
	2018	*2017*	*2018*	*2017*
	£000	*£000*	*£000*	*£000*
Trade debtors	5,319	5,626	-	-
Amounts owed by group undertaking	688	407	516	406
Prepayments and accrued income	161	214	-	-
Other short-term receivable	277	72	-	-
Other taxes and social security costs	84	4	-	-
	6,529	6,323	516	406

12. Creditors: amounts falling due within one year

		Group	Parent company	
	2018	*2017*	*2018*	*2017*
	£000	*£000*	*£000*	*£000*
Trade creditors	3,734	2,780	-	-
Amounts owed to related party	12,987	18,951	10,261	9,684
Corporation tax	520	358	-	-
Public duties payable	167	188	-	-
Other current debt	3,064	3,728	-	-
Accruals and deferred income	318	564	3	3
	20,790	26,569	10,264	9,687

Notes to the financial statements

As at 31 December 2018

13. Notes to the statement of cash flows

(a)Reconciliation of profit to net cash inflow from operating activities

	2018	*2017*
	£000	*£000*
Profit/ (Loss) before tax	1,448	(512)
Adjustments to reconcile profit before tax to net cashflow from operating activities		
Depreciation of tangible fixed assets	1,572	1,659
(Gain) /loss on disposal of tangible fixed assets	(5)	94
Unrealised foreign exchange gain /(loss)	(79)	187
Net finance costs	15	3
Working Capital movements		
(Increase) / decrease in stocks	(653)	353
Increase in debtors	(206)	(1,729)
Increase / (decrease) in creditors	(5,779)	2,332
Taxation		
Tax paid	(321)	(355)
Net cash inflow from operating activities	(4,008)	2,032

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following;

	2018	*2017*
	£000	*£000*
Cash at bank	8,746	5,865
Cash and cash equivalents	8,746	5,865

Notes to the financial statements

As at 31 December 2018

14. Related party transaction

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	Sales to Related Party (a)	*Purchases from related party (a)*	*Interest paid on behalf of group undertaking (b)*	*Amounts owed from related party (b)*	*Amounts owed to related party (a)*
	£000	*£000*	*£000*	*£000*	*£000*
2018	-	4,393	1,212	3,156	103
2017	293	4,781	860	2,454	199

(a) Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and cash settlement is expected 15 days after the month of invoice. The company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2018, the company has not made any provision for doubtful debts relating to amounts owed by related parties (2017: nil).

(b) Interest paid on behalf of group undertaking is receivable on demand from related party.

15. Pensions

The Group makes contributions into private portable schemes for its employees in the UK. The pension costs charge represents contributions payable by the company to the fund and amounted to £154,000 (2017 - £146,000). In Norway the pension plan is a contribution based scheme. The pension costs charge represents contributions paid into this scheme and amounted to £162,000 (2017 -£152,000)

Notes to the financial statements

As at 31 December 2018

16. Derivatives

The company's aluminium price risk volatility is managed at Group level. On a monthly basis the Company receive the fair value of the derivative held at the balance sheet date, determined by reference to its market values, is as follows:

	Group		Parent company	
	2018	*2017*	*2018*	*2017*
	£000	*£000*	*£000*	*£000*
Forward contracts	(31)	12	-	-
	(31)	12	-	-

17. Obligations under leases and hire purchase contracts

The Group use finance leases and hire purchase contracts to acquire plant and machinery. Future minimum lease payments due under finance leases and hire purchase contracts:

	2018	*2017*
	£000	*£000*
Accounts payable:		
Not later than one year	185	68
Later than one year and not later than five years	218	107
	403	175
Less: finance charges allocated to future periods	(23)	(7)
	380	168

18. Other financial commitments

At 31 December 2018 the Group had future commitments under non-cancellable operating leases as set out below:

	2018			2017		
	Plant & Machinery	Land & Building	Total	Plant & Machinery	Land & Building	Total
	£000	£000	£000	£000	£000	£000
Rental payment due:						
Within one year	467	198	665	238	157	395
In two to five years	996	990	1,986	511	788	1,299
	1,463	1,188	2,651	749	945	1,694

Notes to the financial statements

As at 31 December 2018

Notes to the financial statements

As at 31 December 2018

19. Issued share capital

		2018	2017
Allotted, called up and fully paid	*No.*	*£000*	*£000*
Ordinary shares of £1 each	1,001	1	1

On 17 December 2018, the company issued one new share of £1 to its immediate parent company, Real Alloy UK Holdco Limited for the equivalent of €10.586 million, resulting in additional share premium of £9.5 million.

20. Reserves

Share Premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and Loss account

This reserve holds the profit and loss of the group, after the deduction of any dividends paid in the period.

OCI account

This reserve is used to record increases or decreases in the movement of exchange rates on consolidation of the Group accounts.

21. Ultimate parent undertaking and controlling party

On 31 May 2018, the Company's Ultimate Parent was acquired by RA Parent, Inc., a privately owned company, previously owned by Real Alloy Inc. and which has subsequently changed it's name to Elah Holdings, Inc.

In the directors' opinion the ultimate parent undertaking and controlling party at the balance sheet date was Real Industry, Inc., a company incorporated in the United States of America and which has subsequently changed its name to Elah Holdings, Inc. The company's immediate parent undertaking is Real Alloy Holding Inc., a company incorporated in the United States of America.