

Company Registration No. 06436498 (England and Wales)

EUROPEAN STEEL SHEETS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

MICHAEL KAY
— & —
COMPANY

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EUROPEAN STEEL SHEETS LIMITED

COMPANY INFORMATION

Directors	S L Broadhurst D W Broadhurst
Secretary	S L Broadhurst
Company number	06436498
Registered office	Jean Broadhurst Works Doris Road Bordesley Green Birmingham West Midlands B9 4SJ
Auditor	Michael Kay & Company Limited 2 Water Court Water Street Birmingham West Midlands B3 1HP

EUROPEAN STEEL SHEETS LIMITED

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EUROPEAN STEEL SHEETS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the strategic report and financial statements for the year ended 31 December 2016.

Fair review of the business

We aim to present a balanced and comprehensive review of the development and performance of our business during the period and its position at the period end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

There has been no change in the principal activities of the company during the period.

Principal risks and uncertainties

As for many businesses of our size, the business environment in which we operate continues to be challenging. The market is highly competitive and margins continue to be under pressure. We are of course subject to world economic patterns and the level of activity within our economy.

With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside our control.

Development and performance

We consider that our key performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross margin and return on capital employed.

Turnover has increased by 33.1% compared to the previous period. Gross margin has increased to 22.6% (2015 11.9%).

Overall there has been an operating profit of £1,765,075 (2015 £492,498) and a profit before tax of £1,804,690 (2015 £515,139). After taxation, £1,497,841 (2015 £404,700) has been added to reserves.

Return on capital employed has increased to 5.5% (2015 1.6%). Return on capital employed is calculated as profit before exceptional items, interest and tax divided by capital employed, which constitutes total assets less current liabilities.

Key performance indicators

We consider that the financial position of the company at the period end is satisfactory, with adequate cash resources and an increase in total net assets compared with the previous period.

On behalf of the board



D W Broadhurst

Director

7 September 2017

EUROPEAN STEEL SHEETS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the company continued to be that of steel stockholders.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S L Broadhurst
D W Broadhurst

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Auditor

Michael Kay & Company Limited were appointed auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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

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

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

EUROPEAN STEEL SHEETS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



D W Broadhurst

Director

7 September 2017

EUROPEAN STEEL SHEETS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EUROPEAN STEEL SHEETS LIMITED

We have audited the financial statements of European Steel Sheets Limited for the year ended 31 December 2016 set out on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

EUROPEAN STEEL SHEETS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF EUROPEAN STEEL SHEETS LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Marcus Daly (Senior Statutory Auditor)
for and on behalf of Michael Kay & Company Limited

7 September 2017

Chartered Accountants
Statutory Auditor

2 Water Court
Water Street
Birmingham
West Midlands
B3 1HP

EUROPEAN STEEL SHEETS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	3	14,194,855	10,665,127
Cost of sales		(10,986,443)	(9,393,395)
Gross profit		3,208,412	1,271,732
Distribution costs		(181,759)	(103,177)
Administrative expenses		(1,934,430)	(1,290,388)
Other operating income		672,852	614,331
Operating profit	4	1,765,075	492,498
Other interest receivable and similar income	7	30,123	22,641
Other interest payable and similar expenses	8	(46)	-
Amounts written off investments	9	9,538	-
Profit before taxation		1,804,690	515,139
Taxation	10	(306,849)	(110,439)
Profit for the financial year	25	1,497,841	404,700
Retained earnings at 1 January 2016		26,990,968	26,600,268
Dividends	11	-	(14,000)
Retained earnings at 31 December 2016		28,488,809	26,990,968

The profit and loss account has been prepared on the basis that all operations are continuing operations.

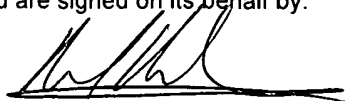
EUROPEAN STEEL SHEETS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	12	3,095,084		3,163,155	
Investment properties	13	13,225,000		13,225,000	
		<u>16,320,084</u>		<u>16,388,155</u>	
Current assets					
Stocks	15	4,176,983		5,854,969	
Debtors	17	5,676,699		3,870,834	
Investments	16	206,847		206,847	
Cash at bank and in hand		8,924,537		6,909,906	
		<u>18,985,066</u>		<u>16,842,556</u>	
Creditors: amounts falling due within one year	18	(2,992,696)		(2,343,678)	
Net current assets		<u>15,992,370</u>		<u>14,498,878</u>	
Total assets less current liabilities		<u>32,312,454</u>		<u>30,887,033</u>	
Provisions for liabilities	19	(1,738,513)		(1,810,933)	
Net assets		<u><u>30,573,941</u></u>		<u><u>29,076,100</u></u>	
Capital and reserves					
Called up share capital	22	68		68	
Revaluation reserve	23	2,085,030		2,085,030	
Capital redemption reserve	24	34		34	
Profit and loss reserves	25	28,488,809		26,990,968	
Total equity		<u><u>30,573,941</u></u>		<u><u>29,076,100</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 7 September 2017 and are signed on its behalf by:



D W Broadhurst
Director

Company Registration No. 06436498

EUROPEAN STEEL SHEETS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from operations	31	1,735,269		765,886	
Interest paid		(46)		-	
Income taxes refunded/(paid)		214,316		-	
Net cash inflow from operating activities		1,949,539		765,886	
Investing activities					
Proceeds on disposal of tangible fixed assets		5,435		-	
Proceeds on disposal of fixed asset investments		-	(30,738)		
Proceeds from other investments and loans		28,385	(97,658)		
Interest received		18,679	11,750		
Dividends received		11,444	10,891		
Net cash generated from/(used in) investing activities		63,943		(105,755)	
Financing activities					
Dividends paid		-	(14,000)		
Net cash used in financing activities		-		(14,000)	
Net increase in cash and cash equivalents		2,013,482		646,131	
Cash and cash equivalents at beginning of year		6,909,906		6,263,775	
Cash and cash equivalents at end of year		8,923,388		6,909,906	
Relating to:					
Cash at bank and in hand		8,924,537		6,909,906	
Bank overdrafts included in creditors payable within one year		(1,149)		-	

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

European Steel Sheets Limited is a private company limited by shares incorporated in England and Wales. The registered office is Jean Broadhurst Works, Doris Road, Bordesley Green, Birmingham, West Midlands, B9 4SJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income is recognised on a straight line basis over the course of the lease.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	1% on valuation
Plant and machinery	10% on reducing balance
Fixtures, fittings & equipment	20% on cost
Motor vehicles	25% on reducing balance

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in profit or loss.

1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Asset valuation

Asset impairment reviews and calculations require the exercise of judgement by the directors which may include references to market conditions, general economic conditions and recent trends in the business.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £	2015 £
Turnover		
Steel Sales	14,194,855	10,665,127

Other significant revenue

Interest income	18,679	11,750
Dividends received	11,444	10,891
Rental income arising from investment properties	672,852	614,331

Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	14,097,553	10,615,518
EEC	97,302	49,609
	14,194,855	10,665,127

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	9,000	9,000
Depreciation of owned tangible fixed assets	60,590	118,324
Loss on disposal of tangible fixed assets	2,046	-
Cost of stocks recognised as an expense	10,986,443	9,393,395
Operating lease charges	19,679	16,250
	<u> </u>	<u> </u>

5 Employees

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

	2016 Number	2015 Number
Directors	2	2
Cost of Sales	4	3
Sales	3	3
Admin	5	5
	<u> </u>	<u> </u>
	14	13
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	459,564	402,140
Social security costs	57,789	48,859
Pension costs	1,471	-
	<u> </u>	<u> </u>
	518,824	450,999
	<u> </u>	<u> </u>

6 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	65,042	16,693
	<u> </u>	<u> </u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

7 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	14,548	11,750
Other interest income	4,131	-
	<u>18,679</u>	<u>11,750</u>
Total interest revenue		
	18,679	11,750
Other income from investments		
Dividends received	11,444	10,891
	<u>11,444</u>	<u>10,891</u>
Total income	<u>30,123</u>	<u>22,641</u>
Disclosed on the profit and loss account as follows:		
Other interest receivable and similar income	<u>30,123</u>	<u>22,641</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	14,548	11,750
Dividends from financial assets measured at fair value through profit or loss	<u>11,444</u>	<u>10,891</u>

8 Interest payable and similar expenses

	2016 £	2015 £
Other finance costs:		
Other interest	46	-
	<u>46</u>	<u>-</u>
Disclosed on the profit and loss account as follows:		
Other interest payable and similar expenses	<u>46</u>	<u>-</u>

9 Amounts written off investments

	2016 £	2015 £
Gain on disposal of current asset investments	<u>9,538</u>	<u>-</u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

10 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	376,918	122,877
Adjustments in respect of prior periods	2,351	-
Total current tax	379,269	122,877
Deferred tax		
Origination and reversal of timing differences	(2,420)	(12,438)
Other adjustments	(70,000)	-
Total deferred tax	(72,420)	(12,438)
Total tax charge	306,849	110,439

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	1,804,690	515,139
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	360,938	104,290
Tax effect of expenses that are not deductible in determining taxable profit	11,797	2,400
Tax effect of utilisation of tax losses not previously recognised	(1,908)	-
Adjustments in respect of prior years	2,351	-
Depreciation on assets not qualifying for tax allowances	5,960	6,033
Tax at marginal rate	-	(79)
Dividend income	(2,289)	(2,205)
Deferred tax provision on revaluation of properties	(70,000)	-
Taxation charge for the year	306,849	110,439

11 Dividends

	2016 £	2015 £
Interim paid	-	14,000

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2016	2,980,000	3,000,005	544,294	861,265	7,385,564
Disposals	-	(3,080)	-	(390,095)	(393,175)
At 31 December 2016	2,980,000	2,996,925	544,294	471,170	6,992,389
Depreciation and impairment					
At 1 January 2016	29,800	2,875,076	544,206	773,327	4,222,409
Depreciation charged in the year	29,800	13,100	4	17,686	60,590
Eliminated in respect of disposals	-	(2,731)	-	(382,963)	(385,694)
At 31 December 2016	59,600	2,885,445	544,210	408,050	3,897,305
Carrying amount					
At 31 December 2016	2,920,400	111,480	84	63,120	3,095,084
At 31 December 2015	2,950,200	124,929	88	87,938	3,163,155

The land and buildings were independently valued at 31 December 2014 by Stephens McBride, Chartered Surveyors on the basis of open market value for existing use value. The valuations comprise owner occupied land & buildings £2,980,000. In the opinion of the directors there has been no material change in the valuation of the properties at 31 December 2016.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2016 £	2015 £
Cost	894,970	894,970
Accumulated depreciation	(400,837)	(392,837)
Carrying value	494,133	502,133

The revaluation surplus is disclosed in note 23. The revaluation surplus is an unrealised reserve and as such is not available for distribution to shareholders.

13 Investment property

	2016 £
Fair value	
At 1 January 2016 and 31 December 2016	13,225,000

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

13 Investment property

(Continued)

Investment property comprises a large portfolio of mostly freehold commercial land and property with a combined value of £13,225,000. The fair value of the investment property has been arrived at on the basis of a valuation carried out at 31 December 2014 by Stephens McBride Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties. In the opinion of the directors there has been no material change in the valuation of the properties at 31 December 2016.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2016 £	2015 £
Cost	4,663,885	4,663,885
Accumulated depreciation	-	-
Carrying amount	<u>4,663,885</u>	<u>4,663,885</u>

The carrying value of land and buildings comprises:

	2016 £	2015 £
Freehold	12,750,000	12,750,000
Long leasehold	475,000	475,000
	<u>13,225,000</u>	<u>13,225,000</u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

14 Financial instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,606,742	3,474,646
Equity instruments measured at cost less impairment	206,847	206,847
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at amortised cost	2,257,283	2,200,478
	<u> </u>	<u> </u>

15 Stocks

	2016 £	2015 £
Finished goods and goods for resale	4,176,983	5,854,969
	<u> </u>	<u> </u>

16 Current asset investments

	2016 £	2015 £
Listed investments	206,847	206,847
	<u> </u>	<u> </u>
Market value if different from carrying amount	220,072	181,197
Potential tax liability if sold at market value	(2,645)	-
	<u> </u>	<u> </u>

17 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	5,335,971	3,169,335
Corporation tax recoverable	5,513	345,057
Other debtors	270,771	310,209
Prepayments and accrued income	64,444	46,233
	<u> </u>	<u> </u>
	5,676,699	3,870,834
	<u> </u>	<u> </u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

18 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Bank loans and overdrafts		1,149	-
Trade creditors		2,043,820	1,987,558
Corporation tax		376,918	122,877
Other taxation and social security		358,495	20,323
Other creditors		95,726	100,764
Accruals and deferred income		116,588	112,156
		<u>2,992,696</u>	<u>2,343,678</u>

19 Provisions for liabilities

	Notes	2016 £	2015 £
Deferred tax liabilities	20	1,738,513	1,810,933
		<u>1,738,513</u>	<u>1,810,933</u>

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
Balances:		
Advanced capital allowances	14,513	16,933
Revaluations	1,724,000	1,794,000
	<u>1,738,513</u>	<u>1,810,933</u>
Movements in the year:		2016 £
Liability at 1 January 2016		1,810,933
Credit to profit or loss		(72,420)
Liability at 31 December 2016		<u>1,738,513</u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

21 Retirement benefit schemes

	2016	2015
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	1,471	-

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

	2016	2015
	£	£
Ordinary share capital Issued and fully paid 68 Ordinary of £1 each	68	68

23 Revaluation reserve

	2016	2015
	£	£
At beginning and end of year	2,085,030	2,085,030

24 Capital redemption reserve

	2016	2015
	£	£
At beginning and end of year	34	34

25 Profit and loss reserves

	2016	2015
	£	£
At the beginning of the year	26,990,968	26,600,268
Profit for the year	1,497,841	404,700
Dividends	-	(14,000)
At the end of the year	28,488,809	26,990,968

26 Financial commitments, guarantees and contingent liabilities

Following the completion of the purchase of own shares in March 2013 the company may be liable for certain professional fees. The quantum and liability of such fees is under negotiation but no provision has been made in the accounts.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

27 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	6,082	-
Between two and five years	-	11,273
	<u>6,082</u>	<u>11,273</u>

Lessor

The operating leases represent leases of property assets to third parties. The leases are usually re-negotiated annually in accordance with prevailing market conditions.

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2016 £	2015 £
Within one year	<u>670,000</u>	<u>665,000</u>

28 Remuneration Trust

The company made a contribution in the accounting period to a Remuneration Trust in the amount of £922,222 (2015 £372,000). The terms of the trust are set out in a trust deed executed by the company and the original trustees.

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2016 £	2015 £
Aggregate compensation	<u>65,042</u>	<u>16,693</u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

30 Directors' transactions

The loans are unsecured and are repayable within one year.

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
Interest free loan	-	77,955	82,704	(100,462)	60,197
Interest free loan	-	40,430	44,638	(45,727)	39,341
		<u>118,385</u>	<u>127,342</u>	<u>(146,189)</u>	<u>99,538</u>

The above loans were repaid on 7 September 2017.

31 Cash generated from operations

	2016 £	2015 £
Profit for the year after tax	1,497,841	404,700
Adjustments for:		
Taxation charged	306,849	110,439
Finance costs	46	-
Investment income	(30,123)	(22,641)
Loss on disposal of tangible fixed assets	2,046	-
Depreciation and impairment of tangible fixed assets	60,590	118,324
Gain on sale of investments	(9,538)	-
Movements in working capital:		
Decrease/(increase) in stocks	1,677,986	(833,507)
(Increase)/decrease in debtors	(2,164,256)	563,957
Increase in creditors	393,828	424,614
Cash generated from operations	<u>1,735,269</u>	<u>765,886</u>