

Ireland Alloys Limited
Financial Statements
For the year ended 30 June 2016

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Ireland Alloys Limited

Financial Statements

Year ended 30 June 2016

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Ireland Alloys Limited

Officers and Professional Advisers

The board of Directors

Mr U Dierkes
Mr I D Hogg
Mr D Wittmann

Registered Office

Craighead Works
Whistleberry Road
Hamilton
ML3 OHP

Auditor

Grant Thornton UK LLP
Chartered Accountants & Registered Auditors
110 Queen Street
Glasgow
G1 3BX

Bankers

HSBC Bank plc
2 Buchanan Street
Glasgow
G1 3LB

Solicitors

Burness Paull LLP
50 Lothian Road
Edinburgh
EH3 9WJ

Ireland Alloys Limited

Strategic Report

Year ended 30 June 2016

Principle activity and business review

The company continues to trade in the United Kingdom and internationally in complex alloy scrap containing nickel, cobalt, chromium, molybdenum, titanium, tungsten and vanadium. The activities involve the buying, sorting, processing and selling of these revert alloy materials.

The directors consider the key financial performance indicators ("KPIs") to be those that reflect the underlying trading performance of the Company. This performance is reflected in the detailed financial statements and disclosed in more detail in this report. In addition to the financial KPIs, the directors internally monitor a suite of operational KPIs relating to on time delivery, product quality and manufacturing efficiency. Further details of these KPIs are not published due to their commercial sensitivity.

Our operations are performed under constant quality review and we maintained our ISO 14001 status as well as audits by LRQA and SEPA.

This year saw a rapid and sustained decline in commodity prices, resulting in the company reducing its turnover by 51% to £6.8m. This decrease was split across all geographical areas with the UK accounting for 40.5% decrease in turnover, Europe being responsible for 36.1% and the Rest of the World being the highest at 74.8%. The focus on higher margin business initiated from the previous year was not as successful as expected, with an overall decrease in gross profit margin to -8.6% (2015 – 5.5%) delivering a loss before tax of £1,257k.

The new financial year has shown considerably improved trading conditions. To benefit from this the directors are investigating new opportunities to further improve trading, particularly in emerging markets.

The directors again look forward to realizing the potential for substantial progress within the SJM (Siegfried Jacob Metallwerke GmbH & Co KG) group which continues to offer the prospect for mutually beneficial synergies.

Financial risk management

The Company's operations expose it to a variety of financial risks as discussed below. The Company has a risk management programme that seeks to limit the effect of such risks on financial performance.

Foreign currency risk:

The Company utilises currency derivatives to hedge significant future transactions and cash flows. The Company is party to a number of forward contracts and non-speculative hedging instruments in the management of its exchange rate exposures.

Credit risk:

The Company is exposed to credit related losses in the event of non-performance by counterparties to financial instruments, but mitigates such risk through its policy of selecting only counterparties with high credit ratings or arranging beneficial credit terms.

Liquidity risk:

The Company's operations are financed by a mixture of shareholders' funds and inter-group borrowings. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Company.

Cashflow risk:

The Company has access to adequate facilities through its own banking facilities to ensure its ability to trade and fund planned expansion and capital expenditure.

Ireland Alloys Limited

Strategic Report *(continued)*

Year ended 30 June 2016

Future Developments

The Company continues to strive towards increasing turnover by attempting to diversify its existing stock portfolio. Emphasis will also be on reducing overhead expenses by securing more competitive deals with suppliers of non-trading materials and services. The Company is also looking at innovative ways to improve efficiency within the factory which should further reduce costs.

This report was approved by the board of directors on 16 November 2016 and signed on behalf of the board by:



Mr I D Hogg
Director

Registered office:
Craighead Works
Whistleberry Road
Hamilton
ML3 0HP

Ireland Alloys Limited

Directors' Report

Year ended 30 June 2016

The directors present their report and the financial statements of the company for the year ended 30 June 2016.

Directors

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

Mr U Dierkes
Mr D Wittmann
Mr I D Hogg

(Appointed 13 July 2015)

Dividends

The directors do not recommend the payment of a dividend.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are 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.

Ireland Alloys Limited

Directors' Report *(continued)*

Year ended 30 June 2016

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

This report was approved by the board of directors on 16 November 2016 and signed on behalf of the board by:



Mr I D Hogg
Director

Registered office:
Craighead Works
Whistleberry Road
Hamilton
ML3 OHP

Ireland Alloys Limited

Independent Auditor's Report to the Shareholders of Ireland Alloys Limited

Year ended 30 June 2016

We have audited the financial statements of Ireland Alloys Limited for the year ended 30 June 2016 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and the related notes. 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 shareholders, 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 shareholders 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 shareholders 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, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 30 June 2016 and of its loss 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 matter prescribed by the Companies Act 2006

In our opinion 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.

Ireland Alloys Limited

Independent Auditor's Report to the Shareholders of Ireland Alloys Limited (continued)

Year ended 30 June 2016

Matters on which we are required to report by exception

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Thomas Chadwick (Senior Statutory Auditor)

For and on behalf of
Grant Thornton UK LLP
Chartered accountant & statutory auditor
110 Queen Street
Glasgow
G1 3BX

16 November 2016

Ireland Alloys Limited

Statement of Income and Retained Earnings

Year ended 30 June 2016

	Note	2016 £000	2015 £000
Turnover	3	6,876	14,037
Cost of sales		7,469	13,271
Gross (loss)/profit		(593)	766
Distribution costs		364	335
Administrative expenses		300	377
Operating (loss)/profit	4	(1,257)	54
(Loss)/profit on ordinary activities before taxation		(1,257)	54
Tax on (loss)/profit on ordinary activities	6	—	—
(Loss)/profit for the financial year		(1,257)	54
Retained earnings at the start of the year		1,104	1,050
Retained (losses)/earnings at the end of the year		(153)	1,104

All the activities of the company are from continuing operations.

There was no other comprehensive income for 2016 (2015: £NIL).

The notes on pages 11 to 19 form part of these financial statements.

Ireland Alloys Limited

Statement of Financial Position

30 June 2016

	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	7	1,524	1,583
Current assets			
Stocks	8	2,760	1,547
Debtors	9	2,155	2,384
Cash at bank and in hand		607	1,928
		<u>5,522</u>	<u>5,859</u>
Creditors: amounts falling due within one year	10	<u>3,508</u>	<u>2,647</u>
Net current assets		<u>2,014</u>	<u>3,212</u>
Total assets less current liabilities		<u>3,538</u>	<u>4,795</u>
Net assets		<u>3,538</u>	<u>4,795</u>
Capital and reserves			
Called up share capital	11	3,691	3,691
Profit and loss account	12	(153)	1,104
Shareholders' funds		<u>3,538</u>	<u>4,795</u>

These financial statements were approved by the board of directors and authorised for issue on 16 November 2016, and are signed on behalf of the board by:



Mr I D Hogg
Director

Company registration number: SC040892

The notes on pages 11 to 19 form part of these financial statements.

Ireland Alloys Limited

Statement of Cash Flows

Year ended 30 June 2016

	2016 £000	2015 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	(1,257)	54
<i>Adjustments for:</i>		
Depreciation of tangible assets	72	74
Accrued expenses	24	(127)
Increase in stocks	(1,213)	(1,032)
Decrease in trade and other debtors	229	256
Increase in trade and other creditors	837	1,811
Net cash used in operating activities	<u>(1,308)</u>	<u>1,036</u>
Cash flows from investing activities		
Purchase of tangible assets	(13)	(117)
Net cash used in investing activities	<u>(13)</u>	<u>(117)</u>
Net decrease in cash and cash equivalents	(1,321)	919
Cash and cash equivalents at beginning of year	<u>1,928</u>	<u>1,009</u>
Cash and cash equivalents at end of year	<u>607</u>	<u>1,928</u>

The notes on pages 11 to 19 form part of these financial statements.

Ireland Alloys Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

1. Company information

Ireland Alloys Limited is a company registered in Scotland. The registered office is based at Craighead Works, Whistleberry Road, Hamilton, ML3 OHP. The principal activity of the company is the buying, sorting, processing and selling of alloy materials.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 20 for an explanation of the transition.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The financial statements have been approved on the assumption that the Company remains a going concern.

The Company meets its day to day working requirements from its own banking facilities supplemented when required through the inter - group funding from SJM, the immediate and ultimate parent of the Company.

This support is in place for 12 months from the date of signing the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported.

These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

The company has elected to use its most recent revaluation of its property as its deemed cost as at the date of transition to FRS 102 and no further adjustment will be required.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome.

The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next

Ireland Alloys Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

financial year are as follows:

The company has made estimates when accounting for various provisions such as bad debts or stock provisions. These estimates are a reflection of what the company believes to be realistic at that given time.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

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

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Tangible assets

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

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	No depreciation is provided in respect of land
Buildings	-	25 years
Plant and machinery	-	5-10 years
Fixtures and fittings	-	3- 5 years

Financial Instruments

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 entity after deducting all of its financial liabilities.

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

Ireland Alloys Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

Financial Instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

Operating leases

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Ireland Alloys Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

3. Turnover

Turnover arises from:

	2016	2015
	£000	£000
United Kingdom	5,867	3,998
Overseas	1,009	10,039
	<u>6,876</u>	<u>14,037</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2016	2015
	£000	£000
United Kingdom	5,867	3,998
Overseas	1,009	10,039
	<u>6,876</u>	<u>14,037</u>

4. Operating profit

Operating profit or loss is stated after charging:

	2016	2015
	£000	£000
Depreciation of tangible assets	<u>72</u>	<u>74</u>

5. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2016	2015
	No.	No.
Production staff	31	29
Administrative staff	6	6
	<u>38</u>	<u>35</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016	2015
	£000	£000
Wages and salaries	1,034	1,073
Social security costs	96	124
Other pension costs	61	54
	<u>1,191</u>	<u>1,251</u>

Ireland Alloys Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

5. Staff costs (continues)

Remuneration in respect of directors was as follows:

	2016 £000	2015 £000
Emoluments	80	164
Contributions to defined pension schemes	5	5
	<u>85</u>	<u>169</u>

The number of directors who were members of the pension schemes was as follows:

	2016 Number	2015 Number
Defined contribution schemes	<u>1</u>	<u>2</u>

6. Tax on ordinary activities

a) Analysis of tax charge in the year

	2016 £000	2015 £000
Current tax:		
Deferred tax		
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 20% (2015 – 20.75%)

	2016 £000	2015 £000
Profit on ordinary activities before taxation	<u>(1,257)</u>	<u>53</u>
Profit on ordinary activities multiplied by standard rate of tax	(251)	11
Effect of		
Fixed asset differences	4	4
Adjustments to brought forward values	(5)	-
Deferred tax not recognised	<u>252</u>	<u>(15)</u>
Total tax charge for the period	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The Finance (No.2) Act 2015 includes legislation which reduces the tax rate to 19% from 1 April 2017, and to 18% from 1 April 2020.

The Finance (No.2) Act 2015 was substantially enacted on 26 October 2015. The recognised deferred tax balances have been re-measured to 18%.

A further reduction to 17% with effect from 1 April 2020 has been substantially enacted in the Finance Act 2016 on 15 September 2016.

Ireland Alloys Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

7. Tangible assets

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost				
At 1 July 2015	1,579	2,095	84	3,758
Additions	—	13	—	13
At 30 June 2016	<u>1,579</u>	<u>2,108</u>	<u>84</u>	<u>3,771</u>
Depreciation				
At 1 July 2015	214	1,889	72	2,175
Charge for the year	18	51	3	72
At 30 June 2016	<u>232</u>	<u>1,940</u>	<u>75</u>	<u>2,247</u>
Carrying amount				
At 30 June 2016	<u>1,347</u>	<u>168</u>	<u>9</u>	<u>1,524</u>
At 30 June 2015	<u>1,365</u>	<u>206</u>	<u>12</u>	<u>1,583</u>

At 30 June 2013, the freehold land and buildings were re-valued at £1,400,000 by Jones Lang LeSalle. The valuation was carried out on an existing use basis and conducted in accordance with the RCIS Valuation Standards (2012). Based on movements in the property market, the Directors do not consider there to be a movement in the property value as at the balance sheet date. At the transition date to FRS 102 the current valuation of the property was taken to be deemed cost and will be carried as such going forward.

8. Stocks

	2016 £000	2015 £000
Finished goods and goods for resale	<u>2,760</u>	<u>1,547</u>

9. Debtors

	2016 £000	2015 £000
Trade debtors	1,871	2,272
Prepayments and accrued income	116	112
Other debtors	168	—
	<u>2,155</u>	<u>2,384</u>

Ireland Alloys Limited

Notes to the Financial Statements (continued)

Year ended 30 June 2016

10. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	1,433	1,160
Amounts owed to parent company	1,958	1,350
Accruals and deferred income	82	58
Social security and other taxes	27	72
Other creditors	8	7
	<u>3,508</u>	<u>2,647</u>

11. Called up share capital

Authorised share capital

	2016		2015	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>3,691,110</u>	<u>3,691</u>	<u>3,691,110</u>	<u>3,691</u>

Issued, called up and fully paid

	2016		2015	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>3,691,110</u>	<u>3,691</u>	<u>3,691,110</u>	<u>3,691</u>

12. Reserves

Called up share capital – represents the nominal value of shares that have been issued.

Profit and loss account – includes all current and prior period retained profits and losses.

13. Contingent Liabilities

At 30 June 2016, the Company had no contingent liabilities.

14. Commitment under operating leases

At 30 June 2016, the Company had future minimum lease payments under other non-cancellable operating leases as set out below.

	2016 £000	2015 £000
Not later than 1 year	38	20
Later than 1 years and not later than 5 years	<u>22</u>	<u>-</u>

Ireland Alloys Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

15. Capital commitments

The Company had no contracted capital commitments as at 30 June 2016 (2015 – nil)

16. Related party transactions

The Company sold metals and alloys to its parent company, Siegfried Jacob Metallwerke GmbH &Co KG totalling £26,215 and recharged costs of £38,236 (2015 - £180,015). Of this sum, £24,096 was outstanding at 30 June 2016 (2015 - £90,405). The Company purchased metals and alloys from its parent company totalling £1,484,807 (2015 - £2,126,130). Of this sum, £1,885,679 was owed as at 30 June 2016 (2015 - £1,355,153). See note 5 for details of key management compensation, it has been considered that other than the directors there are no key management personnel.

17. Ultimate holding company

The ultimate holding company is Siegfried Jacob Metallwerke GmbH &Co KG, who control 100% of the share capital. Their principle place of business is JacobstraBe 41-45, D-58256 Ennepetal, Germany.

18. Ultimate controlling party

The Ultimate controlling party is, Mr Eckhard Jacob, a director of the ultimate holding company (note 17), and members of his close family, shared control of this Company as a result of controlling directly or indirectly 100% of the issued share capital of the ultimate holding company.

19. Financial risk management

The Company has exposure to a variety of financial risks – foreign currency exposure, liquidity and customer credit exposure. To a lesser extent the Company is exposed to interest rate risk.

Foreign exchange transactional currency exposure

The Company uses a combination of natural hedging and also utilises currency derivatives to hedge significant future transactions and cash flows. The net exposure of each currency is monitored by the use of forward foreign exchange contracts, currency loans or overdrafts.

Liquidity risk

The objective of the Company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Company expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all of the financial obligations the Company would look to its parent company for credit facilities. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Company.

Customer credit risk

The Company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Company is at risk to the extent that a customer may be unable to pay the debt on the specific due date. This risk is mitigated by selecting only customers with high credit ratings and arranging beneficial credit terms.

Ireland Alloys Limited

Notes to the Financial Statements *(continued)*

Year ended 30 June 2016

19. Financial risk management (continued)

Interest rate risk

The Company borrows from its bankers using either overdrafts or term loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rates.

20. Transition to FRS 102

The Company has adopted FRS 102 for the year ended 30 June 2016 and has restated the comparative prior year amounts.

Explanations

Changes for FRS 102 adoption

1. Forward contracts for commodities are now recognised on the balance sheet at fair value with gains and losses recognised through the profit and loss for the year. Previously these were not included in the financial statements. 2016 £ 9,554 liability on the balance sheet and expense through the profit and loss, there were no open contracts at the 2015 year end.
2. Property was previously held at valuation but at the transition date an accounting policy choice has been made to hold the property at deemed cost.
3. Holiday pay accrual of £26,002 has been included on the balance sheet to account for the difference between the holiday year and the financial year.

There have been no material adjustments that have impacted the previously reported equity or profit or loss.

21. Financial assets and liabilities

	2016 £000	2015 £000
Financial assets measured at fair value through profit and loss	607	1,928
Financial assets measured at amortised cost	<u>4,915</u>	<u>3,931</u>
Financial liabilities measured at amortised cost	3,508	2,647