



Policies and Procedures

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Subject: Scrapping of Material	Date Issued:	Supersedes:
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POLICY/PURPOSE:

It is J&E Hall (the “Company’s”) and its subsidiary Coulstock and Place to establish policy standards and procedures to ensure that *the Scrapping of material*¹ are in compliance with management objectives, proper internal control procedures, and IFRS Accepted Accounting Principles. The purpose of this policy is to outline procedures for disposing, transferring and maintaining control of various scrap material. Any non-compliance to this policy requires written approval by the applicable Regional/Business Unit Controller with notification to the Finance Director of J&E Hall.

SCOPE:

This policy applies to all Scrapping of manufactured material in the Company’s consolidated business units. There are varying forms of scrap that is produced during the manufacturing process (especially within C&P), these include:-

- Copper Cable & Insulation
- Copper windings from motors
- Compressor cores
- Motor Stators
- High Grade Metals
- Low Grade Metals – including machine shop swarf

POLICY AND PROCEDURES:

1.0 Copper Cable & Insulation

- 1.1** The main reason for scrapping Copper Cable is due to the initial set-up where a test piece has to be run through the cable cutting machines. It is not practical to measure each length of cable due to time limitation in the work process. There could be between 5 to 20 cable types for each job, therefore 2- meters is considered as being normal scrap.
- 1.2** To ensure that the accuracy of stock is maintained, a form will be completed on each set up and this will be processed through IFS at the end of each day. The form will detail the following information; Date, Job number, Machine operator, Part-number, Quantity to be scrapped, Authorised person to amend stock on IFS expensed.
- 1.3** Other scrap which has occurred during assembly will be recorded in the same way, this may have been the result of incorrect assembly or possible re-work.
- 1.4** The recording of scrap on set-up and assembly will reduce the stock count variances through the twice yearly wall to wall count.
- 1.5** Once the scrap has been collated, the bins will be weighed and the result recorded before sending to the approved scrap merchant. A photograph will be taken of the weight as proof for both internal and external purposes.
- 1.6** When the scrap cable has been received and verified by the scrap merchant they will then issue a certificate detailing the weight that has been received.
- 1.7** JEH/C&P will raise an invoice to the scrap merchant for the agreed weight being taken.

2.0 Copper Windings from Motors – (stored internally)

- 2.1** Once the scrap has been collated, the bin will be weighed and the result recorded before sending to the approved scrap merchant. A photograph will be taken of the weight as proof for both internal and external purposes.
- 2.2** Then follow 1.6 and 1.7.

3.0 Compressor Cores – (stored externally)

- 3.1** Once the scrap has been collated, the bin will be weighed and the result recorded before sending to the approved scrap merchant. A photograph will be taken of the weight as proof for both internal and external purposes.
- 3.2** Then follow 1.6 and 1.7.

4.0 Motor Stators & High-Grade Metals – (stored externally)

4.1 Once the scrap has been collated, the bin will be weighed and the result recorded before sending to the approved scrap merchant. A photograph will be taken of the weight as proof for both internal and external purposes. For additional security, each bin is locked overnight to minimize the risk of theft.

4.2 Then follow 1.6 and 1.7.

5.0 Low Grade Metals – including Machine Shop Swarf

5.1 The Low-Grade metals skip, which includes Machine Shop Swarf is weighed in on a monthly basis with the scrap value being approximately £100 - £150 due to the nature of mixed materials. It is not practical or commercially viable to have a member of staff witness the weighing of the skip.

5.2 On a quarterly basis, a quotation will be required from 3 suppliers in order that the business maximises revenue.

5.3 Then follow 1.6 and 1.7.

6.0 Scrapping of Slow-moving Product

6.1 An annual review will be undertaken to consider the inventory that is deemed as obsolescent. This will be undertaken across both the Cable & Rewind business units. The proposal to scrap inventory will consider the following before any items are physically disposed of:-

1. Sell to existing customer base at reduced cost.
2. Offer back to supplier.
3. Likely proceeds from scrapping.
4. Cost savings resulting from reduced warehouse costs.
5. Actual stock provision held.

6.2 Once the approval process has been completed and signed off according to J&E Hall LOA's then the parts will be identified on IFS.

6.3 The parts will be split into categories and weighed. A quotation will be required by 3 scrap merchants. Once the quote has been accepted, collection will be arranged to physically remove the parts from the premises. Only after this has happened will the inventory be adjusted on IFS.

7.0 Document Process

7.1 For any of the above processes to begin. A form must be filled in (an application form), The format must include the following:-

1. The Application form must detail the material to be scrapped.
2. The weight of the material to be scrapped.
3. Authorised signatures must include
 - Proposer from JEH/C&P
 - Approval by Director of Operations
4. Attached should include the quotations received

7.2 Following 1.6 above, 1.7 should be followed and the issuance of an invoice to the scrap vendor be completed.

7.3 Detailed records of all scrapped material to be kept for a period of 2 years.

/s/Gary Burnett
Director of Finance, J&E Hall and Coulstock & Place