

**Duferco UK Limited**

**Annual report and financial  
statements**

Registered number 03538773

For the year ended 30 September 2016

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## Strategic report

### Principal activities

The principal activity of the company is the importing and distribution of steel products into the UK and Ireland.

### Review of the business

During financial year 2015/16, Duferco UK Limited made some significant changes to its team. We opened two new offices in London and Manchester, with the focus on broadening our product range to include all strip mill products, hot rolled coils, cold rolled coils, electro galvanized zinc, hot dipped galvanized and pre-painted coil and in long products, hollow section, structural sections and rebars. Staffing and management personnel changes were made in Bromsgrove and we are pleased to report that all three offices are now working well together and servicing our customer's needs. Duferco Manchester (Whitchurch) handles all of our pre-painted products. Duferco Bromsgrove handles hollow sections and special steel sales and its where our finance function is based. Duferco London handles all trading of strip mill and flat products, rebars and plate into the UK and also business into Ireland.

From a slow start in the first quarter (October – December 2015), when prices were at a very low level, everything started to change in January 2016. Prices dramatically increased from quarter to quarter and we witnessed a 220 \$/MT increase over the 9 months from Dec'15 to Sept 16. Our order book and invoicing per month has grown month-on-month and we were extremely pleased to report final year-end figures of invoicing of approximately 160'000 MT p.a. and move the Company back to a profitable business for 2015/2016.

It is important to note that throughout 2016 we have had continual support from the Group, especially for captive strip-mill business, and our working business relationship with head office in Lugano is strong. We have managed to double the quantities the business has previously handled and achieve better returns for the Group. There have been some notable accomplishments and achievements in our first year, namely: introducing new suppliers to the Duferco Group, such as Yongang in rebar, Mobarekeh Steel Co. for hot rolled coils and cold rolled coils and Dongkuk and Dongshin in pre-painted coil; increasing our customer base from 10-20 customers to over 80 customers, trading in flat and long products; implementing a new borrowing base facility with Natixis bank; and creating a happy team. We now have the correct staffing and office set-up to responsibly support all of our business and customers reliably and correctly.

Calendar Year 2016 has surely been a momentous year in the history of steel, we have witnessed record price increases in most steel products, local domestic Mill, Tata, ceasing to produce hot dipped galvanised steel, Brexit and the Forex movement, de-valuation of the sterling, and most importantly several anti-dumping tariffs being introduced on products such as rebar, hot rolled plate, hot rolled coil and cold rolled coil. The next financial year 2016/17 will be a challenge and we await further announcements regarding ongoing and new anti-dumping tariffs.

### Financial results

The Company's financial results in 2016 show a net profit after tax of £258,000 (2015: net loss after tax of £1,518,000) and an increase in revenue of 32% to £55,670,000 (2015: £42,068,000). The Company increased its total equity to £942,000 (2015: £684,000). The Directors do not propose the payment of a dividend (2015: nil).

### Future developments

It is imperative that the Group continue to support our business with sourcing and purchasing opportunities. Given the support, we look forward to a very strong year in 2016/2017. We currently have a robust order book and will look to capitalise on this throughout the rest of the Financial Year.

## **Principal risks and uncertainties**

The Company's normal operating and financing activities expose it to a variety of financial risks. The primary financial risks are market risk (primarily commodity price risk), credit risk and liquidity risk. The Company's overall risk management strategy is governed by the group policy and is designed to identify, manage and mitigate business risk which includes, among others, financial risk.

Treasury risk management, including management of currency risk, interest rate risk and liquidity risk is carried out by the group treasury function.

In June 2016, A UK referendum resulted in a vote for the UK to leave the European Union and the associated uncertainty represents a challenge for the UK business across all sectors. This uncertainty may lead to volatility in markets with potential fluctuations in foreign exchange rates, interest rates and commodity prices.

### Market risk

Market risk is the risk of loss that results from changes in market prices (e.g. commodity prices, foreign currency exchange rates, interest rates) or changes in other market factors (e.g. volumetric changes). The Company's exposure to market risk is variable and is dependent on current market conditions and expectations of future prices or volatility.

The Company maintains a relatively low level of exposure to market risk primarily by entering into back to back contracts with its parent whereby the commercial terms are broadly matched.

#### **i. Commodity price risk**

The Company's cash flows and profitability are sensitive to steel prices which are dependent on a number of factors and on global supply and demand.

The risk is primarily that market prices for commodities will fluctuate between the time that sales prices are fixed or made determinable and the time at which the corresponding procurement cost is fixed, thereby potentially reducing or eliminating expected margins.

#### **ii. Foreign currency risk**

The Company is exposed to currency risk on foreign currency denominated forecast transactions, firm commitments, monetary assets and liabilities (transactional exposure). The majority of the Company's trading activities are denominated in Sterling at present and therefore exposure to currency risk is relatively low.

### Credit risk

The Company's exposure to credit risk takes the form of any potential loss associated with a counterparty's failure or inability to meet their payment or performance obligations. Credit risk is managed by checking a customer's creditworthiness and financial strength both before commencing trade and during the business relationship. Creditworthiness is ascertained before commencing trade by reviewing an appropriate mix of internal and external information to determine limits, contract types and payment mechanisms required to reduce credit risk to an acceptable level. The Company also uses credit insurance which further reduces the risk.

### Liquidity risk

Through the use of debt factoring and group facilities, the Company manages its liquidity to ensure that sufficient cash is available to meet all contractual commitments as they fall due and also to ensure that there is sufficient funding to withstand stressed market conditions or an extreme event. Liquidity risk is managed by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

### Key performance indicators

The Directors have identified the following key performance indicator that they believe is useful in assessing how well the Company is performing against its strategic aims.

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
Turnover	55,670	42,068
Gross Profit	4,327	1,318
Return on Sales	7.8%	3.1%

Approved by and signed on behalf of the Board of Directors



**Brian Paterson**  
Director

13 January 2017

## Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2016.

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were as follows:

E Toschi  
J Green (resigned 29 February 2016)  
M Pryor  
B Paterson (appointed 1 October 2015)  
A Cresswell (appointed 1 January 2016)  
I White (appointed 1 October 2015)  
M Varney (appointed 1 October 2015)

### Charitable donations

During the year, the company made charitable donations of £123 (2015: £20).

### Strategic report

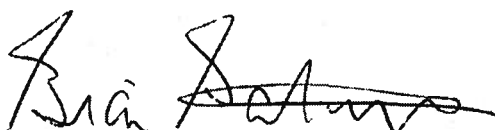
The following items have been included within the strategic report on pages 1 to 2:

- Financial results
- Future developments
- Financial risk management

### Disclosure of information to auditors

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

Approved by and signed on behalf of the Board of Directors



**Brian Paterson**  
Director

Duferco House  
Buntsford Park Road  
Bromsgrove  
Worcestershire  
B60 3DX

13 January 2017

## **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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# ***Independent auditors' report to the members of Duferco UK Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Duferco UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 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.
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### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 30 September 2016;
- the statement of profit and loss for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Opinion on other matter prescribed by the Companies Act 2006**

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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.

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



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## **Responsibilities for the financial statements and the audit**

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### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities 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.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Matt Palmer (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
13 January 2017

**Statement of profit and loss**  
**For the year ended 30 September 2016**

	Note	2016 £000	2015 £000
<b>Turnover</b>	2	55,670	42,068
Cost of sales		(51,343)	(40,750)
<b>Gross profit</b>		<b>4,327</b>	<b>1,318</b>
Distribution costs		(1,999)	(1,378)
Administrative expenses		(1,746)	(1,009)
<b>Operating profit/(loss)</b>	3	<b>582</b>	<b>(1,069)</b>
Interest payables and similar charges	6	(324)	(449)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>258</b>	<b>(1,518)</b>
Tax on profit/(loss) on ordinary activities	7	0	0
<b>Profit/(loss) for the financial year</b>		<b>258</b>	<b>(1,518)</b>

The company has no other comprehensive income in either the current or preceding year other than the profit/(loss) for the financial year.

In both the current and preceding years all turnover arose from continuing operations.

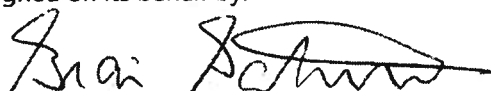
The notes on pages 11 to 20 form part of these financial statements.

**Balance sheet**  
**as at 30 September 2016**

	<i>Note</i>	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
<b>Fixed assets</b>			
Tangible assets	8	<u>231</u>	<u>232</u>
		<b>231</b>	<b>232</b>
<b>Current Assets</b>			
Stocks	9	24,100	5,854
Debtors	10	22,357	10,369
Cash at bank and in hand		<u>8,439</u>	<u>4,227</u>
		<b>54,896</b>	<b>20,450</b>
Creditors: amounts falling due within one year	11	(48,385)	(15,898)
<b>Net current assets</b>		<u><b>6,511</b></u>	<u><b>4,552</b></u>
<b>Total assets less current liabilities</b>		<u><b>6,742</b></u>	<u><b>4,784</b></u>
Creditors: amounts falling due after more than one year	12	(5,800)	(4,100)
<b>Net assets</b>		<u><u><b>942</b></u></u>	<u><u><b>684</b></u></u>
<b>Capital and reserves</b>			
Called up share capital	15	4,600	4,600
Profit and loss account		(3,658)	(3,916)
<b>Total shareholders' funds</b>		<u><u><b>942</b></u></u>	<u><u><b>684</b></u></u>

The notes on pages 11 to 20 form part of these financial statements.

The financial statements on pages 8 to 20 were approved by the Board of Directors on 13 January 2017 and signed on its behalf by:



**Brian Paterson**  
Director

Company number: 03538773

**Statement of changes in equity**  
*For the year ended 30 September 2016*

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholders funds £000</b>
Balance as at 1 October 2014	4,600	(2,398)	2,202
Loss for the financial year	0	(1,518)	(1,518)
<b>Balance as at 30 September 2015</b>	<b>4,600</b>	<b>(3,916)</b>	<b>684</b>
Profit for the financial year	0	258	258
<b>Balance as at 30 September 2016</b>	<b>4,600</b>	<b>(3,658)</b>	<b>942</b>

The notes on pages 11 to 20 form part of these financial statements.

## **Notes** **(forming part of the financial statements)**

### **1 Accounting policies**

#### **Basis of preparation**

Duferco UK Limited (the "Company") is a Limited company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies adopting Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the directors' opinion there are no critical accounting estimates and judgements that impact the financial statements.

The Company's parent undertaking, Duferco International Trading Holding S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Duferco International Trading Holding S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from:

Duferco International Trading Holding S.A.  
Rue Guillaume Schneider 6  
Luxembourg

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash flow statement and related notes;
- Comparative period reconciliations for share capital and tangible assets.
- Disclosures in respect of related party transactions with fellow and wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Duferco International Trading Holding S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share based payments* in respect of group settled share based payments;
- The disclosures required by IFRS 7 *Financial Instrument disclosures*

There were no material changes to International Financial Reporting Standards relevant to the Company during the year.

## Notes (continued)

### 1 Accounting policies (continued)

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

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review in the strategic report on page 1. The financial position of the Company is shown in the balance sheet on page 9.

The Company is the UK distribution arm of a large worldwide group. Due to the positive group support, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Company has adequate resources and related parent company support 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.

#### 1.3 Foreign currency

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

#### 1.4 Tangible assets

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

Where parts of an item of tangible assets have different useful lives, they are accounted for as separate items of tangible assets.

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

Freehold buildings	- 2% per annum
Computer equipment	- 50% per annum
Office equipment	- 10% per annum

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### 1.5 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the average cost principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.6 Loans**

Loans are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, loans are stated at amortized cost calculated on an effective interest basis.

#### **1.7 Employee benefits**

##### *Defined contribution plans*

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

#### **1.8 Turnover**

Turnover represents the invoiced value, net of value added tax, of goods sold and services provided to customers. Turnover is recognised when a delivery or collection is made. Commissions are received when the Company act as an intermediary between a group company and a customer and are recognized in line with delivery or collection of the goods.

#### **1.9 Taxation**

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Given the uncertainty around the future profitability of the Company, as asset has been recognised only to the extent that the deferred tax liability in respect of fixed assets and temporary differences is being offset.

## Notes (continued)

### 2 Turnover

The company's turnover was all derived from its principal activity. Sales were made in the following geographical markets:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	51,396	35,381
Rest of Europe	4,274	225
Rest of World	0	6,462
	<b>55,670</b>	<b>42,068</b>

### 3 Operating profit/(loss)

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Included in profit/(loss) are the following:</b>		
Depreciation on tangible assets	12	8
Impairment (income)/charge of trade receivables	(50)	(8)
Foreign exchange loss	98	54
Operating lease expenses	72	9
<i>Auditors' remuneration:</i>		
Audit of financial statements	21	21
Audit-related assurance services	0	7
Taxation compliance services	13	9
Other services	0	1
	<b>34</b>	<b>38</b>

The company has two (2015: nil) property leases which have no fixed term and include one month notice periods. There are therefore no minimum lease commitments.

### 4 Remuneration of directors

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	1,327	110
Compensation for loss of office	60	0
Company contributions to money purchase pension schemes	27	11
	<b>1,414</b>	<b>121</b>

Retirement benefits are accruing to the following number of directors under:

	<b>2016</b>	<b>Number</b>	<b>2015</b>
Money purchase pension schemes	5		1



## Notes (continued)

The highest paid director received remuneration of £328,936 (2015: £121,000). The value of the Company's contribution paid to a defined contribution pension scheme in respect of the highest paid director amounted to £186 (2015: £11,000).

### 5 Staff numbers and costs

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

	Number of employees	
	2016	2015
Sales	5	5
Commercial and administration	9	5
Directors	4	1
	<b>18</b>	<b>11</b>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	2,066	494
Social security costs	263	57
Other pension costs	54	48
Health and life insurance costs	41	28
	<b>2,424</b>	<b>627</b>

### 6 Interest payable and similar charges

	2016 £000	2015 £000
Bank loans and overdraft	324	449
	<b>324</b>	<b>449</b>

## Notes (continued)

### 7 Tax on profit/(loss) on ordinary activities

#### (i) Analysis of charge for the year

	2016 £000	2015 £000
<i>Uk corporation taxes</i>		
Current tax on income for the period	0	0
Adjustment in respect of prior periods	0	0
<b>Total current tax</b>	<b>0</b>	<b>0</b>
<i>Deferred tax (see note 14)</i>		
Origination and reversal of timing differences	0	0
Effect of change in tax rates	0	0
Adjustment in respect of prior periods	0	0
<b>Total deferred tax</b>	<b>0</b>	<b>0</b>
<b>Tax charge on profit/(loss) on ordinary activities</b>	<b>0</b>	<b>0</b>

#### (ii) Factors affecting the tax charge for the year

The current tax charge for the year is Nil. The standard rate of corporation tax in the UK is 20% (2015: 20.5%). The differences are explained below:

	2016 £000	2015 £000
Profit/(loss) on ordinary activities before taxation	<b>258</b>	<b>(1,518)</b>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.5%)	52	(311)
<i>Effects of:</i>		
Permanently disallowable expenditure	20	5
(Utilisation of unrecognized tax losses)/tax losses not recognised	(72)	306
<b>Total current tax charge (see above)</b>	<b>0</b>	<b>0</b>

#### (iii) Factors that may affect future current and total tax charges

The standard rate of corporation tax in the UK reduced from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for previous accounting year are taxed at an effective rate of 20.5%. Further reductions in the standard tax rate to 19% with effect from April 2017 and to 18% with effect from 1 April 2020 were enacted during the year and deferred tax balances have been considered at a rate of 18%. The budget in March 2016 subsequently announced that the standard rate will fall further to 17% with effect from 1 April 2020. As this rate was not substantially enacted by the balance sheet date it has not been reflected in these financial statements.

## Notes (continued)

### 8 Tangible assets

	Freehold land and buildings	Computer and office equipment	Total
Cost	£000	£000	£000
At the beginning of year	303	18	321
Additions	0	11	11
Disposals	0	(1)	(1)
<b>At the end of year</b>	<b>303</b>	<b>28</b>	<b>331</b>
<i>Accumulated depreciation</i>			
At the beginning of year	82	7	89
Charge for the year	5	7	12
Disposals	0	(1)	(1)
<b>At the end of year</b>	<b>87</b>	<b>13</b>	<b>100</b>
<b>Net book value</b>			
<b>At 30 September 2016</b>	<b>216</b>	<b>15</b>	<b>231</b>
<b>At 30 September 2015</b>	<b>221</b>	<b>11</b>	<b>232</b>

Included within freehold land and buildings is land with a cost of £50,000 (2015: £50,000) which is not depreciated.

### 9 Stocks

	2016 £000	2015 £000
Finished goods and goods for resale	24,100	5,854

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £ 50,298,000 (2015: £ 40,343,000). The reversal to prior year inventory write down relates to material invoiced during the year amounting to £524,000 (2015: write down of £552,000). Inventory is stated after provisions of £27,000 (2015: £552,000).

## Notes (continued)

### 10 Debtors

	2016 £000	2015 £000
Trade debtors	20,722	10,318
Amounts owed by group undertakings	56	50
Other debtors	1	2
VAT receivable	1,578	0
	<u>22,357</u>	<u>10,369</u>

Trade debtors is stated after provisions of £20,000 (2015: £70,000).

Amounts owed by group undertakings are not interest bearing and are payable on demand.

### 11 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Bank loans (secured)	21,500	8,263
Trade creditors	1,344	426
Amounts owed to parent undertakings	123	30
Amounts owed to group undertakings	25,226	5,969
Taxation and social security	40	1,144
Accruals and deferred income	144	67
Other creditors	8	0
	<u>48,385</u>	<u>15,898</u>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The borrowing base facility is secured by a fixed and floating charge on stocks and book debts of the company and a guarantee from a group company, Duferco International Trading Holding S.A. It is repayable on demand. See note 12 for further information.

### 12 Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Amounts owed to parent undertaking	<u>5,800</u>	<u>4,100</u>

The amount owed to parent undertaking is unsecured, bears annual interests equal to LIBOR GBP 12 months + spread of 1% and is repayable on demand but not prior to October 1, 2020.

## Notes (continued)

### 13 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016 £000	2015 £000
<b>Creditors falling due within less than one year</b>		
Secured bank loans	<u>21,500</u>	<u>8,263</u>

#### Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2016 £000	Carrying amount 2016 £000	Face value 2015 £000	Carrying amount 2015 £000
Natixis Bank loan	GBP	1.75%	Repayable on demand	21,500	21,500	0	0
Standard Chartered Bank loan	GBP	1.86%	Repayable on demand	0	0	3,409	3,409
BNP (Fortis) bank overdraft	GBP	1.60%	Repayable on demand	0	0	4,854	4,854
				<u>21,500</u>	<u>21,500</u>	<u>8,263</u>	<u>8,263</u>

## Notes (continued)

### 14 Deferred tax assets and liabilities

#### *Recognised deferred tax assets and liabilities*

Deferred tax assets, relating to losses, amounting to £705,030 (2015: £916,831) are not recognised as the history of taxable profits, being just the current year, is insufficient time to support their recoverability.

### 15 Called up share capital

	2016 £000	2015 £000
<b>Authorized, allotted, called up and fully paid:</b>		
4,600,000 ordinary shares of £1 each	<u>4,600</u>	<u>4,600</u>
(prior year: 4,600,000 ordinary shares of £1 each)		

### 16 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Duferco International Trading Holding S.A., a company incorporated in Luxembourg.

The ultimate parent undertaking and controlling party is Hebstee Global Holding Pte. Ltd., Singapore ("Hebstee") a fully owned subsidiary of Hesteel Group Co. Ltd., The People's Republic of China ("Hesteel").

The smallest group in which the results of the company are consolidated is Duferco International Trading Holding S.A.

The consolidated financial statements of Duferco International Trading Holding S.A. may be obtained from:

Duferco International Trading Holding S.A.  
Rue Guillaume Schneider 6  
Luxembourg