

Duferco UK Limited

**Annual report and financial
statements**

Registered number 03538773
For the year ended 30 September 2018

Contents

| | |
|---|-------|
| Strategic report | 1 |
| Directors' report | 4 |
| Statement of directors' responsibilities | 4-5 |
| Independent auditors' report to the members of Duferco UK Limited | 6-7 |
| Statement of profit and loss | 8 |
| Balance sheet | 9 |
| Statement of changes in equity | 10 |
| Notes | 11-20 |

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

We are pleased to advise Duferco UK Ltd had another strong trading year in 2017/2018, even though market conditions were extremely challenging. The company traded over 290,000MT of material in twelve different product groups to over 170 customers in the UK and Ireland, and from several different origins/mills from around the globe. Our market offer / business strategy changed quite dramatically with a focus change from captive sources from Chinese mills to third party trading mills around the world. We are pleased to report strong trading relationships with various steel mills in Vietnam, Turkey, India, Taiwan, Belarus and Korea.

During the first half of the year, demand and prices remained strong, however there was a noticeable drop both in demand and prices in the second half of the year. Overall we could consider approximate 10% drop in prices, from the start to the finish of the year, £40-£60/MT, depending on product. We invoiced approx. 90,000MT of long products and 200,000MT of strip mill flat products, in 2017/18. Notable accomplishments and achievements for the year include: building and improving relationships with third party suppliers, servicing an increasing customer base, and increasing our rebar business both in UK and Ireland.

Finally to end on a positive note, we have a strong UK team, who are resourceful, positive and extremely customer focused.

Financial results

The Company's financial results in 2018 show a profit for the financial year of £455,000 (2017: profit for the financial year £2,623,000) and a decrease in revenue of 12% to £164,067,000 (2017: £185,401,000). The Company increased its total equity to £9,820,000 (2017: 9,365,000). The Directors do not propose the payment of a dividend (2017: nil).

Future developments

Domestic issues, namely Brexit and major EU anti-dumping tariffs, protectionism and Safeguarding Measures are a major concern to our businesses going forward. In the last year we have seen a dramatic downturn in demand, construction, automotive and manufacturing suffering the most. The UK economy urgently needs some stimulus, private and government funds being released to move forward with larger steel infrastructure projects. We will continue to monitor the protectionist measures and remain vigilant.

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.

| | 2018 £000 | 2017 £000 |
|-----------------|----------------------------|----------------------------|
| Turnover | 164,067 | 185,401 |
| Gross Profit | 8,180 | 11,474 |
| Return on Sales | 5.0% | 6.2% |

Approved by and signed on behalf of the Board of Directors



B Paterson
Director

11 January 2019

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2018.

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
M Pryor
B Paterson
A Cresswell
I White
M Varney

Charitable donations

During the year, the company made charitable donations of £181 (2017: £142).

Strategic report

The following items have been included within the strategic report on pages 1 to 3:

- Financial results (including dividends)
- Future developments
- Financial risk management

Going concern

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.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning re-appointment will be processed at the Annual General Meeting.

Approved by and signed on behalf of the Board of Directors



B Paterson
Director

Registered office
Duferco House
Buntsford Park Road
Bromsgrove
Worcestershire
B60 3DX

11 January 2019

Independent auditors' report to the members of Duferco UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Duferco UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 September 2018; the statement of profit and loss, the statement of changes in equity for the year then ended 30 September 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Matt Palmer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
11 January 2019

Statement of profit and loss
For the year ended 30 September 2018

| | <i>Note</i> | 2018 £000 | 2017 £000 |
|--|-------------|----------------------------|----------------------------|
| Turnover | 2 | 164,067 | 185,401 |
| Cost of sales | | (155,887) | (173,927) |
| Gross profit | | 8,180 | 11,474 |
| Distribution costs | | (2,759) | (5,256) |
| Administrative expenses | | (3,478) | (2,896) |
| Operating profit | 3 | 1,943 | 3,322 |
| Interest payable and similar expenses | 6 | (1,318) | (1,001) |
| Profit on ordinary activities before taxation | | 625 | 2,321 |
| Tax on profit | 7 | (170) | 302 |
| Profit for the financial year | | 455 | 2,623 |

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

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

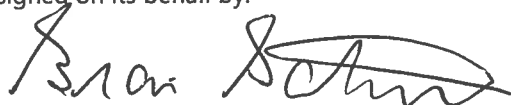
The notes on pages 11 to 20 form part of these financial statements.

Balance sheet
as at 30 September 2018

| | <i>Note</i> | 2018 £000 | 2017 £000 |
|--|-------------|----------------------------|----------------------------|
| Fixed assets | | | |
| Tangible assets | 8 | <u>260</u> | <u>234</u> |
| | | 260 | 234 |
| Current assets | | | |
| Stocks | 9 | 52,936 | 49,538 |
| Debtors | 10 | 51,816 | 66,592 |
| Cash at bank and in hand | | <u>19,097</u> | <u>4,245</u> |
| | | 123,849 | 120,375 |
| Creditors: amounts falling due within one year | 11 | (114,289) | (111,244) |
| Net current assets | | <u>9,560</u> | <u>9,131</u> |
| Total assets less current liabilities | | <u>9,820</u> | <u>9,365</u> |
| Net assets | | <u><u>9,820</u></u> | <u><u>9,365</u></u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 10,400 | 10,400 |
| Profit and loss account | | (580) | (1,035) |
| Total shareholders' funds | | <u><u>9,820</u></u> | <u><u>9,365</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 11 January 2019 and signed on its behalf by:



B Paterson
Director

Company number: 03538773

Statement of changes in equity
For the year ended 30 September 2018

| | Called up share capital £000 | Profit and loss account £000 | Total shareholders' funds £000 |
|--|---|---|---|
| Balance as at 1 October 2016 | 4,600 | (3,658) | 942 |
| Increase in share capital | 5,800 | - | 5,800 |
| Profit for the financial year | - | 2,623 | 2,623 |
| Balance as at 30 September 2017 | 10,400 | (1,035) | 9,365 |
| Profit for the financial year | - | 455 | 455 |
| Balance as at 30 September 2018 | 10,400 | (580) | 9,820 |

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 England and Wales.

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 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 recognised 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 customer obtains title to the goods, which is normally when a delivery or collection is made. Turnover is recognised for goods which are on hand and ready for delivery or collection; where the buyer has taken title, accepted billing and acknowledged the delivery or collection terms and the standard payment terms apply. Commissions are received when the Company acts as an intermediary between a group company and a customer and are recognised 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, an 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:

| | 2018 | 2017 |
|----------------|----------------|----------------|
| | £000 | £000 |
| United Kingdom | 153,075 | 172,500 |
| Rest of Europe | 10,992 | 12,901 |
| | 164,067 | 185,401 |

3 Operating profit

| | 2018 | 2017 |
|---|-----------|-----------|
| | £000 | £000 |
| Included in profit are the following: | | |
| Depreciation on tangible assets | 23 | 14 |
| Impairment (credit)/charge on trade receivables | (29) | 20 |
| Foreign exchange (gain)/loss | (11) | 124 |
| Operating lease expenses | 52 | 87 |
| <i>Auditors' remuneration:</i> | | |
| Audit of financial statements | 21 | 22 |
| Taxation compliance services | 7 | 19 |
| | 28 | 41 |

The company has two (2017: two) property leases: one has no fixed term and includes one month notice period: while the other one has the following minimum lease payments:

| | 2018 | 2017 |
|---|------------|----------|
| | £000 | £000 |
| Not later than one year | 70 | - |
| Later than one year and not later than five years | 193 | - |
| | 263 | - |

4 Remuneration of directors

| | 2018 | 2017 |
|---|--------------|------------|
| | £000 | £000 |
| Directors' emoluments | 1,001 | 689 |
| Company contributions to money purchase pension schemes | 51 | 51 |
| | 1,052 | 740 |

Notes (continued)

4 Remuneration of directors (continued)

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

| | 2018 | Number | 2017 |
|--------------------------------|----------|--------|----------|
| Money purchase pension schemes | <u>4</u> | | <u>4</u> |

The highest paid director received remuneration of £255,289 (2017: £141,625). The value of the Company's contribution paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,670 (2017: £12,875).

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 | |
|-------------------------------|---------------------|-----------|
| | 2018 | 2017 |
| Sales | 6 | 6 |
| Commercial and administration | 9 | 10 |
| Directors | <u>4</u> | <u>4</u> |
| | <u>19</u> | <u>20</u> |

The aggregate payroll costs of these persons were as follows:

| | 2018 | 2017 |
|---------------------------------|--------------|--------------|
| | £000 | £000 |
| Wages and salaries | 2,240 | 1,507 |
| Social security costs | 223 | 182 |
| Other pension costs | 105 | 140 |
| Health and life insurance costs | <u>44</u> | <u>38</u> |
| | <u>2,612</u> | <u>1,867</u> |

6 Interest payable and similar expenses

| | 2018 | 2017 |
|--------------------------|--------------|--------------|
| | £000 | £000 |
| Bank loans and overdraft | <u>1,318</u> | <u>1,001</u> |
| | <u>1,318</u> | <u>1,001</u> |

Notes (continued)

7 Tax on profit

(i) Analysis of charge for the year

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| <i>UK corporation taxes</i> | | |
| Current tax on income for the year | - | - |
| Adjustment in respect of prior periods | - | - |
| Total current tax | - | - |
| <i>Deferred tax (see note 13)</i> | | |
| Current year | 152 | (307) |
| Effect of change in tax rates | 18 | 5 |
| Total deferred tax | 170 | (302) |
| Tax charge on profit | 170 | (302) |

(ii) Factors affecting the tax charge for the year

The current tax charge for the year is £170,000. The standard rate of corporation tax in the UK is 19% (2017: 19.5%). The differences are explained below:

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Profit before taxation | 625 | 2,321 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.5%) | 119 | 453 |
| <i>Effects of:</i> | | |
| Permanently disallowable expenditure | 27 | 20 |
| Movement on previously unrecognised tax losses | - | (780) |
| Other timing differences | 24 | 5 |
| Total current tax charge (see above) | 170 | (302) |

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

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes (continued)

8 Tangible assets

| | Freehold land and buildings | Computer and office equipment | Total |
|---------------------------------|-----------------------------------|-------------------------------------|-------------|
| <i>Cost</i> | £000 | £000 | £000 |
| At the beginning of year | 303 | 45 | 348 |
| Additions | - | 49 | 49 |
| At the end of year | 303 | 94 | 397 |
| <i>Accumulated depreciation</i> | | | |
| At the beginning of year | 92 | 22 | 114 |
| Charge for the year | 5 | 18 | 23 |
| At the end of year | 97 | 40 | 137 |
| Net book value | | | |
| At 30 September 2018 | 206 | 54 | 260 |
| At 30 September 2017 | 211 | 23 | 234 |

Included within freehold land and buildings is land with a cost of £50,000 (2017: £50,000) which is not depreciated.

9 Stocks

| | 2018 £000 | 2017 £000 |
|-------------------------------------|--------------|--------------|
| Finished goods and goods for resale | 52,936 | 49,538 |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £153,445,000 (2017: £171,091,000). The reversal to prior year inventory write down relates to material invoiced during the year amounting to £nil (2017: reversal of write down of £27,000). Inventory is stated after provisions of £nil (2017: £25,000).

Notes (continued)

10 Debtors

| | 2018 £000 | 2017 £000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 49,624 | 66,133 |
| Amounts owed by group undertakings | 136 | 151 |
| Other debtors | 240 | 6 |
| VAT receivable | 1,684 | - |
| Deferred tax assets (note 13) | 132 | 302 |
| | 51,816 | 66,592 |

Trade debtors is stated after provisions of £10,000 (2017: £40,000).

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

11 Creditors: amounts falling due within one year

| | 2018 £000 | 2017 £000 |
|-------------------------------------|----------------|----------------|
| Bank loans (secured) | 78,083 | 79,645 |
| Trade creditors | 2,482 | 1,062 |
| Amounts owed to parent undertakings | - | 23 |
| Amounts owed to group undertakings | 32,152 | 24,394 |
| Taxation and social security | 48 | 46 |
| Accruals and deferred income | 1,521 | 1,719 |
| Other creditors | 3 | 3 |
| VAT payable | - | 4,352 |
| | 114,289 | 111,244 |

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.

Notes (continued)

12 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.

| | 2018 £000 | 2017 £000 |
|--|---------------|---------------|
| Creditors falling due within less than one year | | |
| Secured bank loans | <u>78,083</u> | <u>79,645</u> |

Terms and debt repayment schedule

| | | | Year of maturity | Face value | Carrying amount | Face value | Carrying amount |
|-----------------------|----------|-----------------------------|------------------------|---------------|--------------------|---------------|--------------------|
| | Currency | Nominal interest rate | | 2018 £000 | 2018 £000 | 2017 £000 | 2017 £000 |
| Natixis Bank loan GBP | GBP | 2.21% | Repayable on demand | 75,500 | 75,500 | 77,000 | 77,000 |
| Natixis Bank loan EUR | EUR | 1.50% | Repayable on demand | 2,583 | 2,583 | 2,645 | 2,645 |
| | | | | <u>78,083</u> | <u>78,083</u> | <u>79,645</u> | <u>79,645</u> |

Notes (continued)

13 Deferred tax assets

The following are the deferred tax assets recognised by the Company and movements thereon during the year

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Accelerated capital allowance | (30) | (26) |
| Other timing differences | 162 | 328 |
| | <u>132</u> | <u>302</u> |
| At the beginning of year | 302 | - |
| Charge to statement of profit and loss | (170) | (302) |
| At the end of year | <u>132</u> | <u>302</u> |

14 Called up share capital

| | 2018 | 2017 |
|--|---------------|---------------|
| | £000 | £000 |
| Authorized, allotted, called up and fully paid: | | |
| 10,400,000 ordinary shares of £1 each | <u>10,400</u> | <u>10,400</u> |
| (2017: 10,400,000 ordinary shares of £1 each) | | |

15 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