

Duferco UK Limited

**Annual report and financial
statements**

Registered number 03538773
For the year ended 30 September 2020

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A handwritten signature in black ink, appearing to read 'Brian Foster', located in the bottom right corner of the page.

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

In an extraordinary turbulent year, the markets were drastically affected by the uncertainties over the Covid-19 Pandemic, the challenges of Brexit, on-going tariff measures, including separate UK Safeguard measures and Quotas. Essentially the markets came to a halt at the end of March and didn't really start to pick-up until July, until some of the uncertainties of the pandemic had been answered. Although challenging, Duferco UK traded material in ten different product groups into the UK and Ireland with volumes in line with previous years. We continued to maintain our market supply of offering consistently product both on quality and delivery performance, from recognised mills from around the world, and are pleased to report strong trading relationships with various steel mills.

Our trading year could be split into the 4 quarters, with the first two quarters, Oct-Dec'19 and Jan-March'20 being steady, on budget, with slow demand, however showing signs of construction picking up. April-June'20 were extremely difficult months, with very little demand, due to the pandemic, however customers slowly but surely were coming back to the market. Since July, strong consistent, real demand has kicked in and we had our record sales and invoicing quarter from July-Sep'20.

Future developments

The market looks to be heading only one way, up, at a very quick rate. All Product Group prices have been rising, and it would appear that we will experience a long-term healthy demand, with probable supply shortages, which for sure will drive the prices up. Duferco UK is well placed to trade favourably through this cycle with excellent mill relationships for supply and a strong customer base, throughout our product range. Uncertainties do remain; what will be the impact of the Brexit Deal, will the Safeguard tariff measures continue after 01 July 2021 in the UK. We will continue to closely monitor these extremely crucial decisions. Given the Government lead on larger steel infrastructure projects commencing, we believe the private sector will follow, and demand will remain strong throughout our next Financial Year 2020/21. We look forward to the continual challenges, remaining extremely optimistic regarding the upturn in the market.


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Strategic report

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.

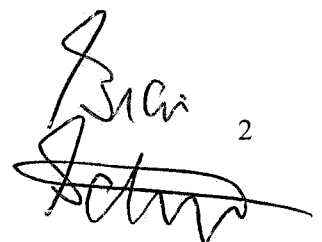
The risk is primarily that market prices for commodities will fluctuate between the time that sales prices are fixed or made determinable and the time at which the corresponding procurement cost is fixed, thereby potentially reducing or eliminating expected margins.

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.

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Strategic report

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.

Statement of the directors' duties in accordance with s172(1) Companies Act 2006

The Board of directors of Duferco UK Ltd consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole in the decisions taken in the financial year just ended, having regard to the stakeholders and matters set out in s172(1) (a) to (f) of the Act, and specifically:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

Decision making

The company's strategy allows it to be competitive, flexible and resilient while also responding to a rapidly changing market situation. In order to pursue its long-term objectives, the Board of directors performed the following activities (amongst others): monthly review of financial performance of the company and Key Performance Indicators; preparation and update of budgets for future periods; continuous review of its operations.

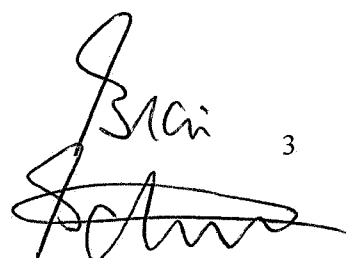
Employee Engagement

The company's employees are fundamental to the success of the business. The company aims to be a responsible employer in its approach to the pay and benefits of employees. The health, safety and wellbeing of its employees is one of the primary considerations in the way the company does business.

Business relationship and reputation

The company is fully committed to effectively engage with all its stakeholders. It operates in a highly connected environment where the views, decisions and actions of stakeholders have a considerable impact on the business. Therefore, the company's success depends on its ability to engage and work together effectively and constructively. To foster its relationships the company engages in regular communications with customers, suppliers, HM Government and its various departments aiming at building trust, understanding positions, identifying trends as well as building on and consolidate partnerships.

From the perspective of the board, all other matters that it is responsible for considering under section 172 have been considered to an appropriate extent by the board in relation to this entity. The board has also considered relevant matters where appropriate.



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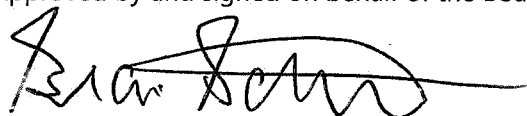
Strategic report

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.

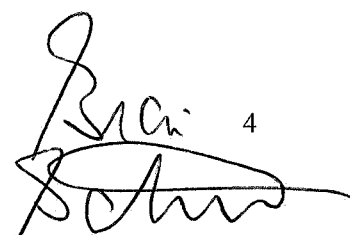
	2020 £000	2019 £000
Turnover	139,898	160,067
Gross Profit	6,427	7,067
Return on Sales	4.6%	4.4%

Approved by and signed on behalf of the Board of Directors



B Paterson
Director

28 January 2021



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Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2020.

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
S Southall

Charitable donations

During the year, the company made charitable donations of £0 (2019: £286).

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.

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Directors' report

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

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.

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.

Directors' confirmations

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.

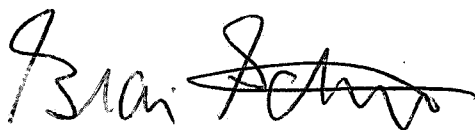
Streamlined energy and carbon reporting

The company is exempt from reporting on streamlined energy and carbon usage as it is a low energy user.

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.

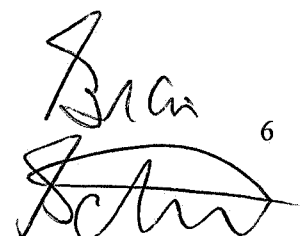
Approved by and signed on behalf of the Board of Directors



B Paterson
Director

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

28 January 2021



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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 2020 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 2020; the Statement of profit and loss, the Statement of changes in equity for the year then ended 30 September 2020; 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 where:

- 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 2020 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 page 5 and 6, 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

Matt Palmer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 January 2021

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Statement of profit and loss
For the year ended 30 September 2020

	<i>Note</i>	2020 £000	2019 £000
Turnover	3	139,898	160,067
Cost of sales		(133,471)	(153,000)
Gross profit		6,427	7,067
Distribution costs		(2,405)	(2,824)
Administrative expenses		(2,213)	(2,682)
Operating profit	4	1,809	1,561
Interest payable and similar expenses	7	(1,137)	(1,506)
Profit before taxation		672	55
Tax on profit	8	(126)	(22)
Profit for the financial year		546	33

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 12 to 26 form part of these financial statements.

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Balance sheet
as at 30 September 2020

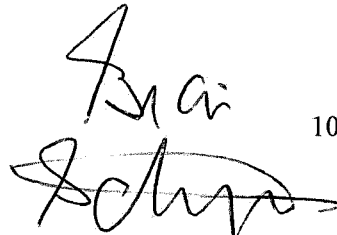
	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	9	223	236
Right-of-use assets	10	312	-
		535	236
Current assets			
Stocks	11	33,154	47,167
Debtors	12	48,910	50,532
Cash at bank and in hand		14,456	11,779
		96,520	109,478
Creditors: amounts falling due within one year	13	(86,415)	(99,861)
Net current assets		10,105	9,617
Total assets less current liabilities		10,640	9,853
Creditors: amounts falling due more than one year	14	(225)	-
Provision for liabilities	16	(16)	-
Net assets		10,399	9,853
Capital and reserves			
Called up share capital	17	10,400	10,400
Profit and loss account		(1)	(547)
Total shareholders' funds		10,399	9,853

The company initially applied IFRS 16 at 1 October 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. Thus, the comparative lease liabilities presented are based on IAS 17 while for the current year based on IFRS 16. The notes on pages 12 to 26 form part of these financial statements.

The financial statements on pages 9 to 26 were approved by the Board of Directors on 28 January 2021 and signed on its behalf by:


B Paterson
Director

Company number: 03538773


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Statement of changes in equity
For the year ended 30 September 2020

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance as at 1 October 2018	10,400	(580)	9,820
Profit for the financial year	-	33	33
Balance as at 30 September 2019	10,400	(547)	9,853
Profit for the financial year	-	546	546
Balance as at 30 September 2020	10,400	(1)	10,399

The notes on pages 12 to 26 form part of these financial statements.

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Notes

(forming part of the financial statements)

1 General information

Duferco UK Limited (the "Company") is a Limited company whose core business is the distribution of steel products such as flat products, long products and pre-painted steel. The Company also acts as sale agent for special steel bars in the UK. It imports material from abroad into UK ports (mainly in Newport and Liverpool) where it is stocked until it is sold. The steel is distributed in the UK and in Ireland.

The Company incorporated and domiciled in the United Kingdom.

2 Significant accounting policies

2.1 Basis of preparation

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 (in compliance with IAS1)
- 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*

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Notes *(continued)*

2 Significant accounting policies *(continued)*

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

2.2 Measurement convention

The financial statements are prepared on the historical cost basis.

2.3 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.

2.4 New standards, amendments and IFRS interpretations

IFRS 16 is a new accounting standard that is effective for the year just ended and has had a material impact on the company's financial statements. There are no other amendments to accounting standards, or IFRS interpretations that are effective for the year just ended that have had a material impact on the company's financial statements.

2.5 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.

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

2.6 Tangible assets

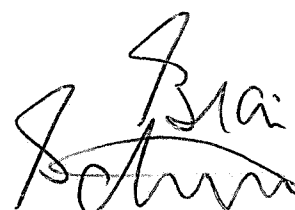
Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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.



Notes *(continued)*

2 Significant accounting policies *(continued)*

2.7 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.

2.8 Loans

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

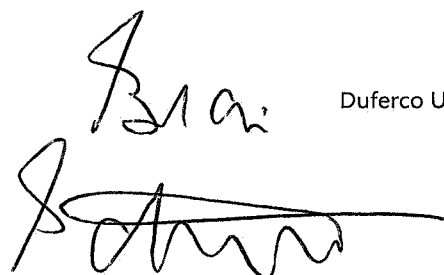
2.9 Employee benefits

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.

2.10 Revenue recognition

Revenue represents the invoiced value, net of value added tax, of goods sold and services provided to customers. Revenue is recognised when a customer obtains title the goods, which is normally when a delivery or collection is made. Revenue 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 act as an intermediary between a group company and a customer and are recognised in line with delivery or collection of the goods.



Duferco UK Limited

Notes (continued)

2 Significant accounting policies (continued)

2.11 Leases

The company leases two offices. Rental contracts are typically made for fixed periods of 4+ years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

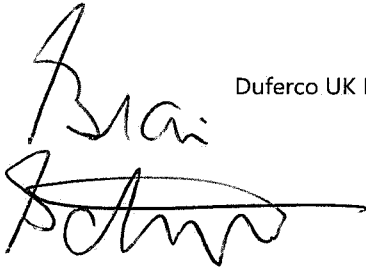
- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.



Duferco UK Limited

Notes (continued)

2.12 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.

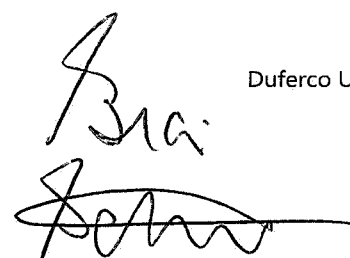
Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount 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 utilised. 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.

3 Turnover

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

	2020	2019
	£000	£000
United Kingdom	126,303	144,750
Rest of Europe	13,595	15,317
	139,898	160,067



Duferco UK Limited

Notes (continued)

4 Operating profit

	2020 £000	2019 £000
Included in profit are the following:		
Depreciation on tangible assets	14	26
Depreciation on right-of-use assets	43	-
Impairment charge on trade receivables	4	5
Foreign exchange loss	114	253
Operating lease expenses	-	133

Auditors' remuneration:

	2020 £000	2019 £000
Audit of financial statements	40	22
Taxation compliance services	8	8
	48	30

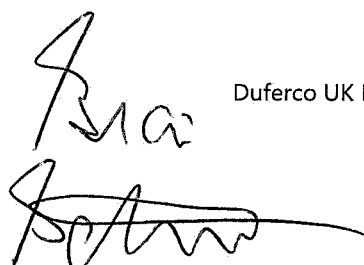
5 Remuneration of directors

	2020 £000	2019 £000
Directors' emoluments	731	588
Company contributions to money purchase pension schemes	64	53
	795	641

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

	2020 Number	2019 Number
Money purchase pension schemes	5	4

The highest paid director received remuneration of £199,816 (2019: £165,236). The value of the Company's contribution paid to a defined contribution pension scheme in respect of the highest paid director amounted to £17,670 (2019: £14,753).



Duferco UK Limited

Notes (continued)

6 Staff numbers and costs

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

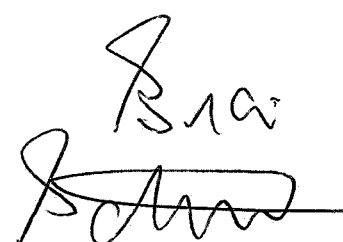
	Number of employees	
	2020	2019
Sales	4	5
Commercial and administration	10	11
Directors	5	4
	19	20

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	1,253	1,212
Social security costs	216	225
Other pension costs	116	110
	1,585	1,547

7 Interest payable and similar expenses

	2020	2019
	£000	£000
Bank loans and overdraft	1,134	1,506
Interest expenses on leases	3	-
	1,137	1,506



Notes (continued)

8 Tax on profit

(i) Analysis of charge for the year

	2020 £000	2019 £000
<i>UK corporation taxes</i>		
Current tax on profits for the year	-	-
Adjustment in respect of prior periods	-	-
Total current tax	-	-
<i>Deferred tax (see note 15)</i>		
Current year	139	25
Effect of change in tax rates	(13)	(3)
Total deferred tax	126	22
Total tax charge on profit	126	22

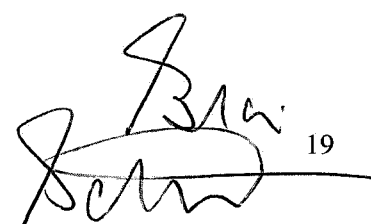
(ii) Factors affecting the tax charge for the year

The current tax charge for the year is £126,000 (2019: £22,000). The standard rate of corporation tax in the UK is 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Profit before taxation	672	55
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	128	10
<i>Effects of:</i>		
Permanently disallowable expenditure	10	19
Other timing differences	(12)	(7)
Total current tax charge (see above)	126	22

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

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

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Notes (continued)

9 Tangible assets

	Freehold land	Buildings	Computer and office equipment	Total
<i>Cost</i>	£000	£000	£000	£000
At the beginning of year	50	253	96	399
Addition	-	-	1	1
At the end of year	50	253	97	400
<i>Depreciation</i>				
At the beginning of year	-	102	61	163
Charge for the year	-	5	9	14
At the end of year	-	107	70	177
Net book value				
At 30 September 2020	50	146	27	223
At 30 September 2019	50	151	35	236

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Notes (continued)

10 Leases

The company has lease contracts for two offices. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amount recognized in the balance sheet

	30 Sep 2020 £000	01 Oct 2019 ¹ £000
Right-of-use of assets		
Land and Buildings	312	355
	312	355
Lease liabilities		
Current	87	85
Non-current	225	270
	312	355

¹ In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the company's borrowings.

(i) Amount recognized in the statement of profit and loss

	2020 £000	2019 £000
Depreciation charge of right-of-use assets		
Land and Buildings	43	-
	43	-
Financial expenses on leasing		
Interest expenses	3	-
	3	-

Future minimum lease payments as at 30 September 2020 are as follows:

	2020 £000	2019 £000
Not later than one year	92	89
Later than one year and not later than five years	232	281
Total gross payments	324	370
Impact of finance expenses	(12)	(15)
Carrying amount of liability	312	355

The total cash outflow for leases in 2020 was £59,000 (2019: £Nil).

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Notes (continued)

11 Stocks

	2020	2019
	£000	£000
Finished goods and goods for resale	<u>33,154</u>	<u>47,167</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £ 132,553,000 (2019: £ 152,228,000). The write-down of stocks to net realisable value amounted to £49,000 (2019: £253,000). The write down is included in cost of sales.

12 Debtors

	2020	2019
	£000	£000
Trade debtors	45,753	48,306
Amounts owed by group undertakings	2,989	1,447
Other debtors	168	261
VAT receivable	-	408
Deferred tax assets (note 15)	-	110
	<u>48,910</u>	<u>50,532</u>

Trade debtors is stated after no provisions (2019: £Nil).

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

13 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Bank loans (secured) (see Note 15)	68,109	62,298
Trade creditors	1,860	836
Amounts owed to group undertakings	10,286	35,602
Lease liabilities (see Note 10)	87	-
Taxation and social security	48	49
Accruals and deferred income	640	1,074
Other creditors	-	2
VAT payable	5,385	-
	<u>86,415</u>	<u>99,861</u>



Notes (continued)

13 Creditors: amounts falling due within one year (continued)

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 15 for further information.

14 Creditors: amounts falling due more than one year

	2020	2019
	£000	£000
Lease liabilities (see Note 10)	225	-
	225	-

15 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.

	2020	2019
	£000	£000
Creditors: falling due within less than one year		
Bank loans (secured)	68,109	62,298
Lease liabilities (see Note 10)	312	-
	68,421	62,298

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Notes (continued)

15 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

			Year of maturity	Face value	Carrying amount	Face value	Carrying amount
	Currency	Nominal interest rate		2020 £000	2020 £000	2019 £000	2019 £000
Natixis Bank loan GBP	GBP	1.55%	Repayable on demand	64,000	64,000	55,000	55,000
Natixis Bank loan EUR	EUR	1.50%	Repayable on demand	4,109	4,109	7,298	7,298
Lease liabilities	GBP	2.19%	3	312	312	-	-
				68,421	68,421	62,298	62,298

16 Provision for liabilities

The provision for deferred tax consists of the following deferred tax (liabilities)/assets:

	2020 £000	2019 £000
Accelerated capital allowance	(23)	(22)
Other timing differences	7	132
	(16)	110
At the beginning of year	110	132
Charge to statement of profit and loss	(126)	(22)
At the end of year	(16)	110

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Notes (continued)

17 Called up share capital

	2020	2019
	£000	£000
Authorised, allotted, called up and fully paid:		
10,400,000 ordinary shares of £1 each	<u>10,400</u>	<u>10,400</u>

(2019: 10,400,000 ordinary shares of £1 each)

18 Controlling parties

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:

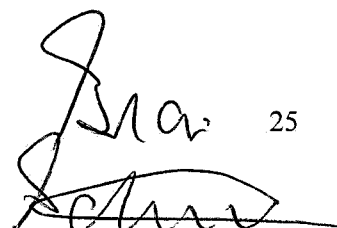
Duferco International Trading Holding S.A.
Rue Guillaume Schneider 6
Luxembourg

19 Effect of adoption of IFRS 16

As indicated in the related notes, the company has adopted IFRS 16 Leases retrospectively from 1 October 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019. The new accounting policies are disclosed in the related notes.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

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Notes (continued)

19 Effect of adoption of IFRS 16 (continued)

(i) Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	2020 £000
Operating lease commitments disclosed as at 30 September 2019	370
Discounted using the lessee's incremental borrowing rate at the date of initial application	355
Lease liabilities recognised as at 01 October 2019	355
<i>out of which</i>	
Current lease liabilities	85
Non-current lease liabilities	270
	355

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