

Company Registration No. 2366812

Minmetals Iron & Steel UK Ltd

Report and Financial Statements

31 December 2012

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Minmetals Iron & Steel UK Ltd

Report and financial statements 2012

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Minmetals Iron & Steel UK Ltd

Report and financial statements 2012

Officers and professional advisers

Directors

Mr Xueqi Bei
Mr Yi Peng

Secretary

Ms Jeanette O Connor

Registered Office

Mimet House
5A Praed Street
London W2 1NJ

Bankers

Bank of China UK Limited
21 Lothbury
London EC2R 7DB

Barclays Bank PLC
Multinational Corporates / Client Service
London Service Centre
P O Box 69961
1 Churchill Place
E14 1NP

DBS London Limited
4th Floor, Paternoster House
65 St Paul's Churchyard
London, EC4M 8AB

Solicitors

Segens Blount Petre Solicitors
Glade House
52-54 Carter Lane
London EC4V 5ET

Auditor

Deloitte LLP
Chartered Accountants
London

Minmetals Iron & Steel UK Ltd

Directors' report – (continued)

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Business review and principal activity

Minmetals Iron & Steel UK Ltd is a wholly owned subsidiary of Minmetals (UK) Limited, a company registered in England and Wales

The principal activity of the company is the management of properties. In June 2011, the company started international trading of steel and iron ore and intends to continue the trading business in the future. It is likely that in the coming year this will be the principal activity of the company.

As shown in the company's profit and loss account, there was a loss of £607,520 (2011 Loss £155,861)

The company's financial position at the year end as per the balance sheet in the financial statements shows net assets of £13,851,002 (2011 £13,308,522)

There have been no significant events since the balance sheet date which require disclosure

Review of future prospects

Given the support of Minmetals Germany GmbH, a group company, the company is expected to expand its current activities allowing for profit to be made in the trading business. The loss made in the current year is largely due to the company not having sufficient trading volumes to overcome the costs of trading.

Financial risk management

Price risk

The fluctuations of international prices of steel and iron ore are uncertainties of the company's business. The short-term risks can be minimised using certain financial derivatives, however, over a longer period, the changes in the international market will affect the scope of the business and are difficult to predict.

The principal risk faced by the company is that of changes in valuation of its investment properties which are dependent heavily on the property market within London and the United Kingdom. The value of rentals earned also is affected by the changes in the commercial letting market in London.

Credit risk

Credit risk is the risk that the counterparty will be unable to pay amounts in full when due. The management monitors exposure to credit risk through regular review of credit exposure, assessing creditworthiness of counterparties and prudent estimates of provision for doubtful debts.

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its financial requirements. To guard against this risk, assets are managed with liquidity in mind maintaining a healthy balance of cash and cash equivalents. The maturity profile is monitored to ensure adequate liquidity is maintained.

The company has considerable financial resources together with on going trading support from the head office. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Minmetals Iron & Steel UK Ltd

Directors' report – (continued)

Going Concern

As at the date of the report, the directors are not aware of any other risks that might have a material impact on the financial statements. Therefore, after making enquiries, the directors have a reasonable expectation that the company has adequate resources for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the company's financial statements. For further consideration of going concern, see note 1 to the accounts.

Employees

Details of the number of UK operational contracted employees and related costs can be found in note 3 to the financial statement on page 13.

Directors

The following served as directors throughout the year and to the present time unless otherwise stated:

Mr Xueqi Bei

Mr Yi Peng

No director had any beneficial or non-beneficial interests, as defined by the Companies Act 2006, in the shares of the company during the year or at 31 December 2012.

Dividends

The directors do not recommend a payment of final dividend to the shareholders for the year ended 31 December 2012 (2011: £nil).

Disclosure of information to the auditor

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


- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

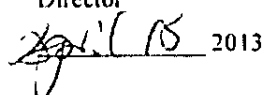
Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint it will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Mr Yi Peng
Director



2013

Minmetals Iron & Steel UK Ltd

Director's Responsibility Statement

The directors are responsible for preparing the accounts for the company 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Minmetals Iron & Steel UK Ltd

We have audited the financial statements of Minmetals Iron & Steel UK Ltd for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Minmetals Iron & Steel UK Ltd (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Anthony Morris (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

24 April 2013

Minmetals Iron & Steel UK Ltd

Profit and loss account Year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	1	8,826,954	9,066,648
Cost of sales		(8,629,123)	(8,445,759)
Gross profit		197,831	620,889
Administrative expenses		(759,432)	(796,015)
Operating loss	2	(516,601)	(175,126)
Foreign Exchange Gains / (Loss)	2	(3,564)	-
Interest receivable and similar income	4	64,632	38,205
Interest payable and similar charges	5	(106,987)	(31,160)
Loss on ordinary activities before taxation		(607,520)	(168,081)
Tax on loss on ordinary activities	6	-	12,220
Loss on ordinary activities after taxation and retained for the financial year	14	<u>(607,520)</u>	<u>(155,861)</u>

All activities are derived from continuing operations

Minmetals Iron & Steel UK Ltd

Statement of total recognised gains and losses Year ended 31 December 2012

	Note	2012 £	2011 £
Loss for the financial year		(607,520)	(155,861)
Unrealised surplus on revaluation of investment properties	7	<u>1,150,000</u>	<u>515,000</u>
Total recognised gains and losses relating to the year		<u>542,480</u>	<u>359,139</u>

Reconciliation of movements in shareholders' funds Year ended 31 December 2012

	Note	2012 £	2011 £
Loss for the financial year		(607,520)	(155,861)
Unrealised surplus on revaluation of investment properties	7	<u>1,150,000</u>	<u>515,000</u>
Net increase in shareholders' funds		542,480	359,139
Opening shareholders' funds		<u>13,308,522</u>	<u>12,949,383</u>
Closing shareholders' funds		<u>13,851,002</u>	<u>13,308,522</u>

Minmetals Iron & Steel UK Ltd

Balance sheet 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	7	14,677,920	13,588,628
Current assets			
Stocks	9	992,135	4,860,884
Debtors	8	3,311,756	4,652,133
Cash at bank and in hand		2,235,795	953,172
		6,539,686	10,466,189
Creditors: amounts falling due within one year	10	(7,362,277)	(10,735,317)
Net current liabilities		(822,591)	(269,128)
Total assets less current liabilities		13,855,329	13,319,500
Provisions	12	(4,327)	(10,978)
Net assets		13,851,002	13,308,522
Capital and reserves			
Called up share capital	13	50,000	50,000
Revaluation reserve	14	7,117,488	5,967,488
Profit and loss account	14	6,683,514	7,291,034
Total shareholders' funds		13,851,002	13,308,522

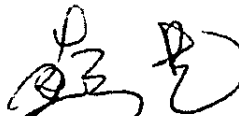
These financial statements were approved by the Board of Directors on 15 April 2013

Signed on behalf of the Board of Directors

Mr Yi Peng

Director

Company Registration Number 2366812


15 April 2013

Minmetals Iron & Steel UK Ltd

Notes to the accounts

Year ended 31 December 2012

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been consistently applied throughout the current and preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention modified by revaluing the investment properties to market value in accordance with the requirements of SSAP 19.

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 Directors' Report. The company meets its day to day working capital requirements through cash reserves as well as using the facilities of a group entity. The group entity has confirmed support will continue for a period of at least twelve months from the date of the Director's Report.

The directors have a reasonable expectation that the Company and the Group have adequate resources 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.

Investment properties

In accordance with SSAP 19, investment properties are revalued annually. Surplus or deficits on individual properties are transferred to the revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property or the reversal of such a deficit, is charged (or credited) to the profit and loss account. No depreciation is provided in respect of investment properties. The company considers the split of owner occupied space as fixed asset rather than investment property when it occupies over 20% of the property in question.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been decreased by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Minmetals Iron & Steel UK Ltd

Notes to the accounts

Year ended 31 December 2012

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets

The rates of depreciation are as follows

Investment properties	Nil
Computer equipment	33% per annum
Fixtures and fittings	25% per annum
Land and buildings	To the end of the lease

Stocks

Stocks are stated at the lower of cost and net realisable value

Turnover

Turnover is derived only in the United Kingdom and represents the gross value of invoiced sales (excluding value added tax) for trading in steel as principal and iron ore as agent, inclusive of profit and loss on future contracted sales. Turnover also includes commission income on agency sales, the gross value of rental income and service charges excluding value added tax from property management activities

Turnover is recognised at the point where delivery of goods is made. For those transactions where the company makes significant risk in terms of stock, pricing or credit, turnover is recognised as principal. Where no significant risk passes to the company and the company acts as either agent or broker then only the commission receivable is recorded as turnover. Rental income is recognised on a straight line basis over the term of the lease.

The analysis of turnover for the company by segment is as follows

	2012 £	2011 £
Metals Trading	8,051,416	8,366,422
Property Income	775,538	700,226
	<u>8,826,954</u>	<u>9,066,648</u>

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

Minmetals Iron & Steel UK Ltd

Notes to the accounts

Year ended 31 December 2012

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

Cash flow statement

The group has taken advantage of exemptions granted by Financial Reporting Standard 1 (Revised) "Cash Flow Statements" and has not prepared a consolidated cash flow statement. All cash flows of the company are included in the consolidated financial statements of Minmetals (UK) Limited, which are publicly available.

2 Operating loss

	2012 £	2011 £
Operating (loss)/profit is stated after charging:		
Depreciation of owned assets	74,962	29,623
Auditor remuneration		
- audit fees – on the audit of the company's annual accounts	12,300	11,800
- other fees – tax compliance services	9,250	6,900
- Foreign exchange losses	3,564	-
	<u> </u>	<u> </u>

3 Information regarding directors and employees

	2012 £	2011 £
Directors' emoluments	<u>262,269</u>	<u>300,682</u>
 Employee costs during the year (including directors)		
	£	£
Wages and salaries	448,250	480,133
Social security costs	65,798	59,977
	<u>514,048</u>	<u>540,110</u>
 Average number of persons employed during the year (including directors)	<u>No. 6</u>	<u>No. 6</u>

Minmetals Iron & Steel UK Ltd

Notes to the accounts

Year ended 31 December 2012

4. Interest receivable and similar income

	2012 £	2011 £
Inter-company interest receivable	64,615	38,193
Other banking interest receivable	17	12
	<u>64,632</u>	<u>38,205</u>

5. Interest payable and similar charges

	2012 £	2011 £
Bank charges	<u>106,987</u>	<u>31,160</u>

6. Tax on loss on ordinary activities

	2012 £	2011 £
Current tax – UK corporation tax	-	-
Over provision in prior years	-	-
Total current tax charge	-	-
Timing differences, origination and reversal	-	(11,315)
Adjustment in respect of prior years	-	(905)
	<u>-</u>	<u>(12,220)</u>

Factors affecting current tax

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK 24.5% (2011 26.5%). The blended rate of 24.5% has been applied due to the standard rate of corporation tax changing part way through the year.

The differences are explained below

	2012 £	2011 £
Loss on ordinary activities before tax	(607,520)	(168,081)
Tax at 24.5% thereon (2011 26.5%)	148,842	44,541
Effects of		
Expenses not deductible for tax purposes	(26,732)	(23,988)
Capital allowances in excess of depreciation	(4,990)	(3,697)
Losses carried forward	<u>(117,120)</u>	<u>(16,856)</u>
Current tax	<u>-</u>	<u>-</u>

Minmetals Iron & Steel UK Ltd

Notes to the accounts Year ended 31 December 2012

7 Tangible fixed assets

	Investment properties £	Computer equipment £	Land and Buildings £	Fixtures and fittings £	Total £
Cost or valuation:					
At 1 January 2012	13,540,000	6,315	-	167,103	13,713,418
Additions	-	2,515	-	11,739	14,254
Revaluation	1,150,000	-	-	-	1,150,000
Disposal	-	-	-	(64)	(64)
Transfers	(1,629,172)	-	1,629,172	-	-
At 31 December 2012	13,060,828	8,830	1,629,172	178,778	14,877,608
Depreciation:					
At 1 January 2012	-	3,262	-	121,528	124,790
Disposals	-	-	-	(64)	(64)
Charge for the year	-	2,175	44,773	28,014	74,962
At 31 December 2012	-	5,437	44,773	149,478	199,688
Net book value:					
At 31 December 2012	13,060,828	3,393	1,584,399	29,300	14,677,920
At 31 December 2011	13,540,000	3,053	-	45,575	13,588,628
Cost or valuation					
At 31 December 2012 is represented by					
- cost	5,943,340	8,830	1,629,172	178,778	7,760,120
- valuation	7,117,488	-	-	-	7,117,488
	13,060,828	8,830	1,629,172	178,778	14,877,608

As at 31 December 2012, the majority of the company's long leasehold properties were occupied by third parties. Accordingly those properties are classified as investment properties under the requirements of SSAP 19.

The investment properties were valued as at 31 December 2012 by external surveyors Symon Smith and Partners on an open market basis. In their opinion the market value for the existing use was £14,690,000 (2011: £13,540,000) as compared with the historical value of £7,572,512 (2011: £7,572,512). The revaluation surplus of £1,150,000 has been incorporated in the financial statements by crediting the revaluation reserve in the balance sheet in accordance with SSAP 19. All other fixed assets are valued at cost.

Minmetals Iron & Steel UK Ltd

Notes to the accounts Year ended 31 December 2012

8 Debtors

	2012 £	2011 £
Trade debtors	2,732,150	4,353,475
Other debtors	151,394	138,461
Corporation tax	7,500	7,500
Prepayments and accrued income	420,712	152,697
	<u>3,311,756</u>	<u>4,652,133</u>

Included in the Company's trade debtors are trading balances of £1,305,664 (2011 Nil) that are due from fellow group undertakings. Trading with these companies is done at arm's length.

9. Stocks

	2012 £	2011 £
Goods for resale	<u>992,135</u>	<u>4,860,884</u>

10 Creditors: amounts falling due within one year

	2012 £	2011 £
Short-term loan	980,438	-
Trade creditors	154,256	163,676
Amounts owed to ultimate parent company	61,793	187,146
Amounts owed to group undertakings	5,714,187	10,197,668
Corporation tax	-	-
Deferred tax liability (see note 11)	-	-
Other creditors including taxation and social security	296,499	44,733
Accruals and deferred income	155,104	142,094
	<u>7,362,277</u>	<u>10,735,317</u>

Minmetals Iron & Steel UK Ltd

Notes to the accounts

Year ended 31 December 2012

11 Deferred taxation

The movements in the deferred taxation balances were as follows

	2012 £	2011 £
Deferred tax asset at beginning of year	-	12,220
Amount charged to profit and loss account	-	(12,220)
Deferred tax asset at end of year	-	-

The current rate of UK corporation tax of 23% has been used to calculate the amount of deferred taxation. The deferred tax asset can be analysed as follows

	2012 £	2011 £
Capital allowances in excess of depreciation	-	12,220

12 Provision for liabilities

	Product warranties £
Charged to profit and loss account	44,738
Utilisation of provision	(40,411)
At 31 December 2012	4,327

The provision is for product warranties relate to expected warranty claims on products sold in 2012. It is expected that the majority of this expenditure will be incurred in the next financial year and that all will be incurred within three years of the balance sheet date.

Minmetals Iron & Steel UK Ltd

Notes to the accounts Year ended 31 December 2012

13. Called up share capital

	2012 £	2011 £
Authorised: 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid: 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

14. Reserves

	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2012	5,967,488	7,291,034	13,258,522
Loss retained for the year	-	(607,520)	(607,520)
Unrealised surplus on revaluation of investment properties	<u>1,150,000</u>	<u>-</u>	<u>1,150,000</u>
At 31 December 2012	<u>7,117,488</u>	<u>6,683,514</u>	<u>13,801,002</u>

15. Related party transactions

As the company is a wholly owned subsidiary it is exempt under Financial Reporting Standard 8 from the requirement to disclose related party transactions with fellow group entities

Minmetals Iron & Steel UK Ltd

Notes to the accounts

Year ended 31 December 2012

16 Ultimate parent company

The immediate parent company is Minmetals (UK) Limited, a company incorporated in the United Kingdom and registered in England and Wales. Minmetals (UK) Limited is the parent undertaking of the smallest group which includes the company for which group accounts are prepared. Copies of the report and accounts are available from Mimet House, 5a Praed Street, London W2 1NJ.

The ultimate parent and controlling company is China Minmetals Corporation, a company incorporated in the People's Republic of China. China Minmetals Corporation is the parent undertaking of the largest group which includes the company for which group accounts are prepared. Copies of the report and accounts are available from No 5 San Li He Road, Haidian District, Beijing, 100044, The People's Republic of China.