Registered number: 03538773

Duferco UK Limited

Directors' Report and Financial Statements

For the Year Ended 30 September 2021

DAINS
ACCOUNTANTS

Duferco UK Limited

Company Information

Directors	A Cresswell B Paterson M Pryor S Southall E Toschi (resigned 28 January 2021) L Valle (appointed 28 January 2021) M Varney I White
Registered number	03538773
Registered office	Duferco House Buntsford Park Road Bromsgrove Worcestershire B60 3DX
Independent auditors	Dains LLP 15 Colmore Row Birmingham B3 2BH

Duferco UK Limited

Contents

Principal activities

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

Business review

In another extraordinary turbulent year, the steel markets performed better and more consistently than anyone could have determined. Both Long and Flat Product Groups reached record high purchase and sales prices and margins were extremely healthy. However these high prices meant additional financing and credit insurance was needed, with the support of Duferco HQ in Lugano, Duferco UK Limited ("DUK") managed to flourish and support our customers throughout the year. Duferco UK traded and invoiced over 300,000MT of material in twelve different product groups into the UK and Ireland. 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. During these difficult times with COVID and the affect on stop-start production with a lot of the UK and European Mills, it was recognisable the importance the role of Trader/Importer had made with consistent competitive supply to our core customers.

Real demand was consistent throughout the year especially in the construction markets. However, we still await the pick-up of the automotive market both here in the UK and throughout Europe.

Future developments

The market looks to be healthy with real demand for 2022, again with construction heading the way. We all await the issue with semi-conductor supply for the automotive trade to finally resolve itself and once this happens, we expect a demand and price surge.

Uncertainties do remain; continual impact of Brexit, will the Safeguard tariff measures continue after 1 July 2022 in the UK and if so, what will they be, new variants of Coronavirus and the affect it will have on steel production and manufacturing. We will continue to closely monitor all of these major issues that may affect our business. We look forward to the continual challenges.

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.

<u>Market risk</u>

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.

<u>Credit risk</u>

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.

<u>Liquidity risk</u>

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.

Key performance indicators

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

	2021 £000	2020 £000
Turnover	182,401	139,898
Gross Profit	11,778	6,427
Return on Sales	6.5%	4.6%

This report was approved by the board on 27 January 2022 and signed on its behalf.

B Paterson
Director

The directors present their report and the financial statements for the year ended 30 September 2021.

Results and dividends

The profit for the year, after taxation, amounted to £3,514,000 (2020 - £546,000).

The directors have not proposed the payment of a dividend.

Directors

The directors who served during the year were:

A Cresswell
B Paterson
M Pryor
S Southall
E Toschi (resigned 28 January 2021)
L Valle (appointed 28 January 2021)
M Varney
I White

Matters covered in the Strategic Report

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

- Financial results
- Future developments
- Financial risk management
- Engagement with suppliers, customers and others

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.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year is 40,000kWh or lower.

Statement of corporate governance arrangements

DUK operates within the DITH Group of Companies and acts according to the corporate governance arrangements in place within the DITH Group. These include, but are not limited to: Accountability, transparency, fairness and responsibility.

We have specific DITH Group Policies on business Conduct, Whistleblowing and Sanctions, Environmental & Health and Safety, and Human Rights.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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;
- 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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

During the year, PricewaterhouseCoopers LLP resigned as the Company's auditors. Dains LLP were appointed to fill the resulting vacancy. Dains LLP have expressed their willingness to continue in office as auditors and a resolution concerning re-appointment will be processed at the Annual General Meeting.

This report was approved by the board on 27 January 2022 and signed on its behalf.

Brian Paterson

B Paterson
Director

Opinion

We have audited the financial statements of Duferco UK Limited (the 'Company') for the year ended 30 September 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Other matters

The financial statements for the year ended 30 September 2020 were audited by PricewaterhouseCoopers LLP who expressed an unmodified opinion on those statements on 28 January 2021.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the steel sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the financial reporting legislation, Companies Act 2006, taxation legislation, anti-bribery, employment, and environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Auditors' responsibilities for the audit of the financial statements (continued)

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 3 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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 Auditors' 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.

Mark Hargate FCA (Senior statutory auditor)

for and on behalf of
Dains LLP

Statutory Auditor
Chartered Accountants

Birmingham

27 January 2022

Statement of Comprehensive Income
For the Year Ended 30 September 2021

	Note	2021 £000	2020 £000
Turnover	3	**182,401**	139,898
Cost of sales		**(170,623)**	(133,471)
Gross profit		**11,778**	6,427
Distribution costs		**(3,858)**	(2,405)
Administrative expenses		**(2,671)**	(2,213)
Operating profit	4	**5,249**	1,809
Finance cost	8	**(914)**	(1,137)
Profit before tax		**4,335**	672
Tax expense	9	**(821)**	(126)
Profit for the financial year		**3,514**	546

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 15 to 29 form part of these financial statements.

Duferco UK Limited
Registered number:03538773

Balance Sheet
As at 30 September 2021

	Note		2021 £000		2020 £000
Fixed assets					
Property, plant and equipment	10		**224**		223
Right-of-use assets	11		**306**		312
			530		535
Current assets					
Stocks	12	**82,206**		33,154	
Debtors	13	**54,007**		48,910	
Cash and cash equivalents	14	**15,676**		14,456	
		151,889		96,520	
Creditors: amounts falling due within one year	15	**(138,272)**		(86,415)	
Net current assets			**13,617**		10,105
Total assets less current liabilities			**14,147**		10,640
Creditors: amounts falling due after more than one year	16		**(201)**		(225)
Provisions for liabilities					
Deferred Taxation	17		**(33)**		(16)
Net assets			**13,913**		10,399
Capital and reserves					
Called up share capital	18		**10,400**		10,400
Profit and loss account	19		**3,513**		(1)
Total shareholders' funds			**13,913**		10,399

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 January 2022.

B Paterson
Director

The notes on pages 15 to 29 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 30 September 2021

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 October 2019	**10,400**	**(547)**	**9,853**
Profit for the financial year	-	546	546
At 1 October 2020	**10,400**	**(1)**	**10,399**
Profit for the financial year	-	3,514	3,514
At 30 September 2021	**10,400**	**3,513**	**13,913**

The notes on pages 15 to 29 form part of these financial statements.

1. General information

Duferco UK Limited (the "Company") is a private 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 address of the registered office is given on the Company Information page.

The Company is incorporated and domiciled in the United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

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*'

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Accounting policies (continued)

2.2 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 13.

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.

2.3 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 act as an intermediary between a group company and a customer and are recognised in line with delivery or collection of the goods.

2.4 Borrowing costs

Borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

2.5 Financial assets

The Company classifies its financial assets in the following categories:

(a) Financial assets at amortised cost
The Company classifies its financial assets as at amortised cost only if both of the following criteria are met: the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest.

(b) Financial assets at fair value through profit or loss
The Company classified financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' as fair value through profit or loss.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2. Accounting policies (continued)

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.

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 Debtors

Debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.10 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

2. Accounting policies (continued)

2.11 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. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Loans are classified as creditors: amounts falling due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year..

2.12 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 if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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.

2.13 Current and Deferred Tax

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.

2. Accounting policies (continued)

2.14 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.

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

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional currency and presentational currency is GBP and the financial statements are rounded to the nearest £000.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

3. Turnover

The whole of the turnover is attributable to the Company's principal activity.

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	**162,615**	126,303
Rest of Europe	**19,786**	13,595
	182,401	139,898

4. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation of property, plant and equipment	**11**	14
Depreciation on right-of-use assets	**96**	43
Exchange differences	**(380)**	114

5. Auditors' remuneration

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**34**	40

Fees payable to the Company's auditor in respect of:

Taxation compliance services	**-**	8
	-	8

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £000	2020 £000
Wages and salaries	**2,565**	1,253
Social security costs	**182**	216
Cost of defined contribution scheme	**109**	116
	2,856	1,585

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Sales	**4**	4
Commercial and administration	**9**	10
Directors	**5**	5
	18	19

7. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	**911**	731
Company contributions to defined contribution pension schemes	**61**	64
	972	795

During the year retirement benefits were accruing to 5 directors (2020 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £256,000 (2020 - £200,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14,000 (2020 - £18,000).

8. Finance cost

	2021 £000	2020 £000
Bank borrowings	**908**	1,134
Lease liabilities	**6**	3
	914	1,137

9. Tax expense

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	**625**	-
Payment for group relief	**179**	-
Total current tax	**804**	-
Deferred tax		
Origination and reversal of timing differences	**20**	139
Changes to tax rates	**8**	(13)
Adjustment in respect of prior periods	**(11)**	-
Total deferred tax	**17**	126
Taxation on profit	**821**	126

9. Tax expense (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit before tax	**4,335**	672
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	**824**	128
Effects of:		
Expenses not deductible	**1**	10
Other timing differences	**7**	(12)
Adjustment in respect of prior periods	**(11)**	-
Total tax charge for the year	**821**	126

Factors that may affect future tax charges

In the Spring Budget 2021, the government announced that from 1 April 2023 the headline corporation tax rate will increase to 25%. The proposal to increase the rate to 25% had been substantively enacted at the company's balance sheet date, therefore its effects have been included in these financial statements.

10. Property, plant and equipment

	Freehold land £000	Freehold buildings £000	Computer and office equipment £000	Total £000
Cost				
At 1 October 2020	50	253	97	400
Additions	-	-	12	12
At 30 September 2021	50	253	109	412
Depreciation				
At 1 October 2020	-	107	70	177
Charge for the year on owned assets	-	5	6	11
At 30 September 2021	-	112	76	188
Net book value				
At 30 September 2021	**50**	**141**	**33**	**224**
At 30 September 2020	50	146	27	223

11. Right-of-use assets

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

(i) Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	2021 £000	2020 £000
Right-of-use of assets		
Land and buildings	**306**	312
	306	312
Lease liabilities		
Current	**105**	87
Non-current	**201**	225
	306	312

(ii) Amount recognised in the Statement of Comprehensive Income

The Statement of Comprehensive Income shows the following amounts relating to leases:

	2021 £000	2020 £000
Depreciation charge on right-of-use assets		
Land and Buildings	**96**	43
Financial expenses on leasing		
Interest expense (Note 8)	**6**	3

11. Right-of-use assets (continued)

The Company has two property leases which have the following minimum lease payments:

	2021 £000	2020 £000
Not later than one year	**110**	92
Later than one year and not later than five years	**203**	232
Total gross payments	**313**	324
Impact of finance expenses	**(7)**	(12)
Carrying amount of liability	**306**	312

12. Stocks

	2021 £000	2020 £000
Finished goods and goods for resale	**82,206**	33,154

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £165,419,000 (2020 - £132,553,000). The write-down of stocks to net realisable value amounted to £Nil (2020 - £49,000).

13. Debtors

	2021 £000	2020 £000
Trade debtors	**51,770**	45,753
Amounts owed by group undertakings	**2,232**	2,989
Other debtors	**5**	168
	54,007	48,910

Trade debtors are stated after no provision for impairment (2020 - £Nil).

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

14. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	**15,676**	14,456

15. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Bank loans	**77,452**	68,109
Trade creditors	**1,326**	1,860
Amounts owed to group undertakings	**47,075**	10,286
Corporation tax	**625**	-
Other taxation and social security	**9,373**	5,433
Lease liabilities (see Note 11)	**105**	87
Accruals and deferred income	**2,316**	640
	138,272	86,415

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 SA. It is repayable on demand. Interest is charges at LIBOR + 1.5% per annum.

16. Creditors: Amounts falling due after more than one year

	2021 £000	2020 £000
Lease liabilities (see Note 11)	**201**	225

17. Deferred taxation

	2021 £000	2020 £000
At beginning of year	**(16)**	110
Charged to profit or loss	**(17)**	(126)
At end of year	**(33)**	(16)

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	**(33)**	(23)
Other timing differences	**-**	7
	(33)	(16)

18. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
10,400,000 (2020 - 10,400,000) Ordinary shares of £1.00 each	**10,400**	10,400

19. Reserves

Profit and loss account

The profit and loss account reserve represents cumulative profit and losses, net of dividends paid and other adjustments.

20. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £109,000 (2020 - £116,000).

21. 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 Hebsteel Global Holding Pte. Ltd., Singapore ("Hebsteel") 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