

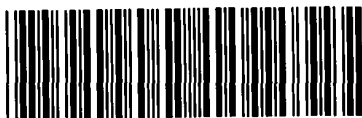
Company Registration No: 04386308

Metal One UK Limited

Annual report and financial statements

for the year ended 31 March 2017

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Metal One UK Limited
Company registration No. 04386308

Annual report and financial statements for the year ended 31 March 2017

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Metal One UK Limited
Company registration No. 04386308

Officers and professional advisers

Directors

R Saito
K Ito
K Iwamoto

Secretary

R Saito

Registered Office

Mid City Place
71 High Holborn
London
WC1V 6BA

Solicitors

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London
EC1A 2FG

Bankers

The Bank of Tokyo-Mitsubishi UFJ Ltd
Ropemaker Place
25 Ropemaker Street
London
EC2Y 9AN

Auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ

Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities and financial review

The company's principal activities are the wholesale of steel products. With a view to increasing global steel demand, we are trying to expand our business in various steel products, such as piping goods, titanium, stainless steel, steel bar, hot roll coil, tin plate, etc.

As shown in the company's profit and loss account on page 9, the company's turnover increased by 43% (2016: increased by 23%).

Despite the significant increase in turnover, we closed the year with a loss which is due to a specific event, namely a large provision for doubtful receivable we had to make in regards to advance payments we paid to two Russian steel mills. This resulted in an operating loss of £3,041,848. The advance payments have been made to the mills under the contractual terms of 30% prepayment at the time of order placements. Due to severe financial difficulties of the mills, the mills have not provided the ordered products to the company and the prepayments have become uncollectible. Therefore a provision was made in the accounts to reflect this.

The loss in relation to the Russian mills represents approximately 124% (£3,783,705) of the operating loss of the company which indicates the company would have realised an operating profit of £741,857 (2016: loss of £6,293,266) if the company had not needed to make the provision.

Foreign exchange gains of £272,433 (2016: gains of £81,645) have been realised for the year. All of the gains and losses relate to trading transactions and are due to movements in foreign exchange rates. The larger than usual gain is mainly attributable to the effect of Brexit on the value of the GBP.

The borrowing interest costs of £42,750 (2016: £44,466) were almost the same as previous year, and are relatively low and stable due to high cash balances and low interest rates during the last few years. The interest costs are expected to increase further in the future in line with expected increase in trade activity.

This year's loss relates to a specific event, namely the provision made for the doubtful receivables from the Russian mills. Management deemed it inappropriate to recognise a deferred tax asset in respect of this loss as there is no certainty that this can be recovered in the near future.

The company uses gross profit margin as a key performance indicator. The basis of calculation is dividing the gross profit by turnover as shown on page 9 of these financial statements. The result this year is 5.16% (2016: -9.57%).

Titanium, Stainless and High performance alloys represent 55% of the total turnover and 65% of gross profit. Although this business section has a significantly lower gross profit margin than the traditional energy business, this level of gross profit margin is expected to remain and to reduce slightly in the future as a higher proportion of profit will be expected from titanium, stainless and high performance alloys as a result of the change in the product mix.

Principal risks and uncertainties

Due to the nature of the steel trade business, the company faces competitive pressures, which could result in losing sales to its key competitors. The company manages this risk by giving fast responses and services to customers, not only in supplying products but also in handling all customer requests, and by maintaining strong relationships with customers.

Because of the trading nature of the company, the directors consider credit risk is relevant to this company. This risk is mitigated by periodic credit reviews on existing customers and suppliers as well as stringent business analysis and credit checks on new customers. Short-term bank loans have increased however the directors consider the interest rate risk is low. The company manages this risk by integrating interest costs into pricing and by timely accounts receivable collection.

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Strategic report (continued)

Foreign exchange risk represents a challenging issue for the company as majority of trading transactions are denominated in foreign currencies, particularly USD, EUR and JPY. The management is monitoring the variations in exchange rates very closely while mitigating the risk by using derivative instruments such as forward contracts and currency swaps.

Business developments and future prospects

The company is currently in the process of strengthening the sales and sourcing capability to achieve new business. We see delays in recovery of the economy within Europe and some of our other regions. However, from the long-term point of view, we expect to establish the foundation for future business expansion and are also expanding our business in Africa, CIS, Middle East and Central Asia where we see growth potential in the future.

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



Raitaro Saito
Managing Director

13 October 2017

Metal One UK Limited
Company Registration No. 04386308

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Dividends

No dividends were declared and paid during the financial year ending 31 March 2017 (2016: Nil).

Directors

The current directors are shown on page 2. The directors who served throughout the year and up to the date of this report except as noted were:

K Ito
R Saito
K Iwamoto (Appointed 7 June 2016)
A Nishida (Resigned 7 June 2016)

Post balance sheet event

Subsequent to the year end, the sole shareholder of Metal One UK Limited, Metal One Corporation, has resolved on 28 September 2017 to apply for the issue and allotment of 200,000,000 ordinary shares of 1p each in the capital of the company for cash at par. Pursuant to the ordinary resolution of Metal One Corporation, a written resolution of the board of directors approved the issue and allotment of the shares. Due to this the share capital of the company has increased from £8,000,000 to £10,000,000.

Political contributions and charitable donations

The Company made no political contributions or charitable donations during the year (2016: £nil).

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 he/she ought to have taken as a director in order to make himself/herself 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.

Deloitte LLP have expressed their willingness to continue in office as the auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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


Raitaro Saito
Managing Director

13 October 2017

Metal One UK Limited
Company registration No. 04386308

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 judgments 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 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 Metal One UK Limited

Company registration No. 04386308

We have audited the financial statements of Metal One UK Limited for the year ended 31 March 2017 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 22. 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), including FRS 101 "Reduced Disclosure Framework".

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 March 2017 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, 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.

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 any material misstatements in the Strategic Report and the Directors' Report.

**Independent auditor's report to the members of
Metal One UK Limited (continued)**

Company registration No. 04386308

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.



Kevin Thompson (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

13 October 2017

Metal One UK Limited
Company registration No. 04386308

Profit and loss account
For the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	4	60,777,769	42,406,792
Cost of sales		(57,642,842)	(46,465,195)
Gross profit/(loss)		<u>3,134,927</u>	<u>(4,058,403)</u>
Administrative expenses		(3,152,674)	(2,774,528)
Foreign Exchange gains		272,433	81,645
Other operating income	5	509,887	458,020
Provision for doubtful receivables	14	(3,806,421)	-
Operating loss	6	<u>(3,041,848)</u>	<u>(6,293,266)</u>
Interest receivable and similar income	8	34,763	17,894
Interest payable and similar charges	9	(42,750)	(44,466)
Loss before taxation		<u>(3,049,835)</u>	<u>(6,319,838)</u>
Tax	10	-	14,186
Loss for the financial year and total comprehensive loss for the period attributable to the owners of the Company		<u><u>(3,049,835)</u></u>	<u><u>(6,305,652)</u></u>

Turnover and operating loss are all derived from continuing operations.

Metal One UK Limited
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Balance sheet
As at 31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	12	32,387	39,082
		<u>32,387</u>	<u>39,082</u>
Current assets			
Stocks	13	1,045,344	773,132
Debtors	14		
- due within one year		24,046,681	13,472,962
- due after one year		25,732	11,633
Investments		-	904,474
Cash at bank and in hand		568,650	644,322
		<u>25,686,407</u>	<u>15,806,523</u>
Creditors: amounts falling due within one year	15	(27,414,761)	(14,491,737)
Net current (liabilities)/assets		<u>(1,728,354)</u>	<u>1,314,786</u>
Total assets less current liabilities and net (liabilities)/assets		<u>(1,695,967)</u>	<u>1,353,868</u>
Capital and reserves			
Called up share capital	16	8,000,000	8,000,000
Profit and loss account		(9,695,967)	(6,646,132)
Equity shareholders' funds		<u>(1,695,967)</u>	<u>1,353,868</u>

The financial statements of Metal One UK Limited (registered number 04386308) were approved by the board of directors and authorised for issue on 13 October 2017. They were signed on its behalf by:



Raitaro Saito
Managing Director

Metal One UK Limited
Company registration No. 04386308

Statement of changes in equity

	Called up share capital £	Profit and loss account £	Total £
Balance at 31 March 2015	8,000,000	(340,480)	7,659,520
Loss for the year and total comprehensive loss for the year	-	(6,305,652)	(6,305,652)
Balance at 31 March 2016	8,000,000	(6,646,132)	1,353,868
Loss for the year and total comprehensive loss for the year	-	(3,049,835)	(3,049,835)
Balance at 31 March 2017	8,000,000	(9,695,967)	(1,695,967)

Metal One UK Limited
Company registration No. 04386308

Notes to the financial statements

For the year ended 31 March 2017

1. General Information

Metal One UK Limited (the company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the strategic report on pages 3 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC).

The financial statements are prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, fair value, capital management, the presentation of a cash flow statement, standards not yet effective and related party transactions.

Where relevant, equivalent disclosures have been given in the group Financial Statements of Mitsubishi Corporation or Metal One Corporation. The group accounts of Mitsubishi Corporation and Metal One Corporation are available to the public and can be obtained as set out in note 21.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Going concern basis

The cash and borrowing positions can be seen on the balance sheet on page 10 and note 15 on page 22. The company has a borrowing facility in place of £14m which is guaranteed by the parent company. This facility is reviewed on annual basis and is expected to be renewed during the next period. The directors believe that the company is well placed to manage its business risk successfully despite the current uncertain economic outlook.

To provide further financial stability, the sole shareholder, Metal One Corporation, have made a capital injection of £2 million on 28 September 2017 (refer to note 22 – Post balance sheet event)

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements (continued)

For the year ended 31 March 2017

2. Significant accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided against cost in equal annual instalments over the estimated useful life of the assets.

Plant and machinery	3 years
Furniture, fixtures and fittings	4 years

Stocks

Stocks consist of goods for resale stated at the lower of cost and net realisable value. Cost includes all the expenditure incurred in bringing stocks to their present location and condition.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Turnover is recognised at the point when risk transfers to customers and this is determined by the Incoterms agreed in the sales contracts. This varies for each transaction and customers.

Foreign currencies

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period.

Leases

Rental payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Retirement benefit costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Notes to the financial statements (continued)

For the year ended 31 March 2017

2. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes or apply hedge accounting.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Notes to the financial statements (continued)

For the year ended 31 March 2017

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Provision of doubtful receivables

In accordance with IAS39, a financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The directors of Metal One UK have applied this policy when two of the company's supplier to whom large amount of prepayments were made breached their contractual obligation and defaulted on the delivery of the ordered materials. The prepaid amounts were also not returned to the company. As the operation by the mills have completely stopped at the 31 March 2017, the directors deemed it highly probable that the prepayments made have become uncollectible, and as that, a provision for doubtful receivable have been made.

4. Turnover

Turnover comprises a single class of business, being the amount received or receivable from the sale of metal products excluding any value-added tax.

An analysis of the Company's turnover by geographical market is set out below:

	2017 £'000	2016 £'000
From customers located in Europe	43,438	28,856
From customers located in Middle East	6,997	6,002
From customers located in Africa	2,831	1,755
From customers located in Asia	4,886	1,695
From customers located in North America	2,626	4,099
	<u>60,778</u>	<u>42,407</u>

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Notes to the financial statements (continued)

For the year ended 31 March 2017

5. Other operating income

Other operating income includes management recharges to other group companies for services provided.

6. Operating loss

Operating loss has been arrived at after (charging)/crediting:

	2017 £	2016 £
Depreciation of tangible fixed assets – owned assets	(23,176)	(19,620)
Loss on disposal of tangible fixed assets	-	(776)
Foreign exchange gains	272,433	81,645
Rentals under operating leases - other operating leases	(141,372)	(141,808)
Write downs of stock recognised as an expense	-	(5,820,135)
Provision for doubtful receivables	<u>(3,806,421)</u>	<u>-</u>

The analysis of auditor's remuneration is as follows:

Fees payable to the company's auditor for the audit of the company's annual financial statements

	2017 £	2016 £
Total audit fee (Auditing the financial statements)	<u>28,500</u>	<u>30,500</u>
Other services pursuant to legislation		
- Tax services	<u>15,300</u>	<u>25,000</u>
Total non-audit fee	<u>15,300</u>	<u>25,000</u>

Metal One UK Limited
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Notes to the financial statements (continued)

For the year ended 31 March 2017

7. Staff costs

	2017 £	2016 £
Directors' emoluments	63,467	99,600

The aggregate emoluments paid to the highest paid director during the period were: £63,467 in 2017 and £99,600 in 2016.

This does not include the emoluments of two of the directors who are remunerated directly from the ultimate parent in Japan. These directors are also directors of a number of Group companies and do not receive any remuneration for the services to this company.

No pension contributions were made on behalf of the directors.

	2017 £	2016 £
Average number of persons employed (excluding directors)		
Trading and administration	20	18
	£	£
Employee costs (including directors' emoluments)		
Wages and salaries	1,267,653	1,191,441
Social security costs	213,524	210,997
Other pension costs (see note 18)	78,440	43,922
	1,559,617	1,446,360

8. Interest receivable and similar income

	2017 £	2016 £
Bank interest	1,002	15,566
Interest income – overdue receivable	32,800	-
Other interest receivable and similar income	961	2,328
	34,763	17,894

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Notes to the financial statements (continued)

For the year ended 31 March 2017

9. Interest payable and similar charges

	2017 £	2016 £
Interest on bank loans	42,750	44,466

10. Tax on loss on ordinary activities

(i) Analysis of tax credit /(charge) on ordinary activities

	2017 £	2016 £
Current tax		
United Kingdom corporation tax at 20% (2016: 20%)	-	-
Adjustment in respect of prior years	-	141,145
Deferred tax (see note 11)		
Deferred tax arising during the year	-	(4,224)
Deferred tax assets arising from previous periods	-	(122,735)
Total tax on loss on ordinary activities	-	14,186

(ii) Factors affecting the current tax for the year

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2017 £	2016 £
Loss on ordinary activities before tax	(3,049,835)	(6,319,838)
Tax at 20% (2016: 20%) thereon:	609,967	1,263,968
Factors affecting the charge for the period:		
Expenses not deductible for tax purposes	(6,891)	(7,026)
Adjustment in respect of prior years	-	18,410
Change in unrecognised deferred tax assets	(603,076)	(1,261,166)
Total tax on loss on ordinary activities	-	14,186

The standard rate of UK Corporation Tax was reduced from 21% to 20% with effect from 1 April 2015. Finance Act 2015 provides for a future reduction of the Corporation Tax rate to 19% from 1 April 2017. Finance Act 2016 further reduced the rate to 17% with effect from 1 April 2020. These reductions to the tax rate had been substantively enacted at the balance sheet date and have therefore been reflected in these financial statements.

Metal One UK Limited
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Notes to the financial statements (continued)

For the year ended 31 March 2017

11. Deferred tax assets

The movements on deferred tax are as follows:

	2017 £	2016 £
At 1 April	-	126,959
Credited/(charged) to profit and loss account	-	(126,959)
At 31 March	-	-

Deferred taxation provided and unprovided in the financial statements are as follows:

	Amount provided 2017 £	2016 £	Amount unprovided 2017 £	2016 £
Capital allowances in arrears of depreciation	-	-	7,359	5,362
Losses carried forward	-	-	1,682,386	1,378,490
Asset	-	-	1,689,745	1,383,852

A deferred tax asset of £1,689,745 has not been recognised this fiscal year (2016: £1,383,852) as the amount is unlikely to be recovered in the foreseeable future.

Metal One UK Limited
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Notes to the financial statements (continued)

For the year ended 31 March 2017

12. Tangible fixed assets

	Plant and machinery £	Furniture, fixtures and fittings £	Total £
Cost			
At 1 April 2016	161,890	45,296	207,186
Additions	15,266	1,216	16,482
Disposals	-	-	-
At 31 March 2017	177,156	46,512	223,668
Accumulated depreciation			
At 1 April 2016	127,052	41,052	168,104
Additions	21,170	2,007	23,177
Disposals	-	-	-
At 31 March 2017	148,222	43,059	191,281
Net book value			
At 31 March 2017	28,934	3,453	32,387
At 31 March 2016	34,838	4,244	39,082

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Notes to the financial statements (continued)

For the year ended 31 March 2017

13. Stocks

	2017 £	2016 £
Finished goods	1,045,344	773,132

14. Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors and accrued income (trade)	27,318,993	12,074,301
Less: allowance for doubtful receivables	(3,806,421)	-
Amounts owed by group undertakings	307,850	1,207,883
Prepayments	145,031	84,342
VAT	-	21,819
Other debtors	81,228	84,617
	<u>24,046,681</u>	<u>13,472,962</u>
	2017 £	2016 £
Amounts falling due after more than one year:		
Other debtors	25,732	11,633

Below is the table showing the movement in the provision against doubtful receivables. Specific provisions are made against receivables where the prospect of collection is foreseen as unlikely.

Movement in the allowance for doubtful receivables

	2017 £	2016 £
Balance at the beginning of the year	-	-
Provision charged during the year	3,806,421	-
Provision reversed during the year	-	-
Balance as at end of the year	<u>3,806,421</u>	<u>-</u>

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Notes to the financial statements (continued)

For the year ended 31 March 2017

15. Creditors: amounts falling due within one year

	2017 £	2016 £
Bank loans and overdrafts	12,974,441	3,440,405
Trade creditors	147,051	616,220
Amounts owed to group undertakings	12,882,246	9,709,909
VAT	17,898	-
Other creditors including taxation and social security	562,163	139,997
Accruals and deferred income	830,961	585,206
	<u>27,414,760</u>	<u>14,491,737</u>

The bank loans and overdrafts are guaranteed by the immediate parent company, Metal One Corporation.

16. Called up share capital

	2017 £	2016 £
Authorised:		
800,000,000 ordinary shares of £0.01 each	<u>8,000,000</u>	<u>8,000,000</u>
Called up, allotted and fully paid:		
800,000,000 ordinary shares of £0.01 each	<u>8,000,000</u>	<u>8,000,000</u>

17. Derivative financial instruments

	2017 £	2016 £
Financial assets or liabilities carried at fair value through profit or loss (FVTPL)		
Forward foreign currency contracts gain	48,109	60,807
Forward foreign currency contracts loss	(18,324)	(13,912)
	<u>29,785</u>	<u>46,895</u>
Forward foreign currency contracts principal	<u>2,875,269</u>	<u>2,350,008</u>

The company uses the derivatives to hedge its exposures to changes in foreign currency exchange rates. The fair values are based on market values of equivalent instruments at the balance sheet date. The company has not used hedge accounting on the derivatives.

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Notes to the financial statements (continued)

For the year ended 31 March 2017

18. Retirement benefit schemes

The company operates a defined contribution scheme. The cost for the accounting period was £78,440 (2016: £43,922). There were no outstanding contributions (2016: £nil) for the month of 31 March 2017 as at the balance sheet date.

19. Operating lease commitments

At 31 March 2017, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2017	2016
	£	£
Within one year	225,674	165,999
In the second to fifth years inclusive	899,638	662,994
After five years	1,006,355	901,992
	<u>2,131,667</u>	<u>1,730,985</u>

20. Controlling party

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party is Mitsubishi Corporation, a company incorporated in Japan. This is the largest group in which the company is consolidated. The immediate parent company is Metal One Corporation, a company incorporated in Japan. This is the smallest group in which the company is consolidated.

Copies of the group consolidated financial statements of the ultimate parent company can be obtained from Mitsubishi Corporation, Department AA-F, 6-3 Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8086, Japan.

Copies of the group consolidated financial statements of the immediate parent company can be obtained from Metal One Corporation, JP Tower, 7-2, Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-7032, Japan.

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Notes to the financial statements (continued)

For the year ended 31 March 2017

21. Related party transactions

The company has taken advantage of the exemption from related party disclosures available in FRS101 paragraph 8.k, as the transactions are entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Related party transactions which do not satisfy disclosure exemption criteria above are as follows:

	Sales to related party		Amounts owed to Metal One UK Ltd	
	2017	2016	2017	2016
	£	£	£	£
Princes Industrie Alimentari SRL (Mitsubishi Corporation, ultimate parent company owns 90% of Princes Ltd, which owns 51% of Princes Industrie Alimentari SRL)	258,999	980,184	-	980,184

	Purchases from related party		Amounts owed by Metal One UK Ltd	
	2017	2016	2017	2016
	£	£	£	£
Sojitz Corporation (Sojitz Corporation owns 40% of Metal One Corporation, which owns 100% of Metal One UK Ltd)	53,344	46,449	27,572	24,288

Sales to related party were made at the company's usual list prices. Purchases were made at market price to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

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Notes to the financial statements (continued)

For the year ended 31 March 2017

22. Post balance sheet events

Increase of share capital

Subsequent to the year end, the sole shareholder of Metal One UK Limited, Metal One Corporation, has resolved on 28 September 2017 to apply for the issue and allotment of 200,000,000 ordinary shares of 1p each in the capital of the company for cash at par. Pursuant to the ordinary resolution of Metal One Corporation, a written resolution of the board of directors approved the issue and allotment of the shares. Due to this the share capital of the company has increased from £8,000,000 to £10,000,000.