

**Benteler Distribution Limited**

**Annual report and financial  
statements**

**Registered number 456349**

**For the year ended 31 December 2013**

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## Strategic report

### Business review and principal activities

The company is a wholly-owned subsidiary of Benteler International AG and operates as part of the group's steel tube distribution division

The company's principal activities are the sale and processing of carbon steel tube to the engineering industry in the UK and Eire. There have not been any significant changes in the group's principal activities in the year under review. The directors are not, at the date of this report, aware of any likely major changes in the group's activities in the next year.

Benteler International AG, of which the company is a part, invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the group.

As shown in the company's statement of comprehensive income on page 6, the company's turnover has decreased by 10.6% over the prior year and profit after tax has decreased by 40.1%. The major factors resulting in the decrease in profit after tax was the decrease in sales of all products, however, this was partially compensated by a decrease in overheads of 3.1%.

The balance sheet on page 9 of the financial statements shows that the company's financial position at the year-end is broadly consistent with the prior year.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

Benteler International AG manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Distribution division of Benteler International AG, which includes the company, is discussed in Benteler International AG's Annual Report which does not form part of this report.

### Principal risks and uncertainties

Competitive pressure from countries with a low labour cost base is a continuing risk for the company, which could result in it losing sales to its key competitors. To manage this risk, the company strives to provide added-value products and services to its customers, prompt response times in the supply of products and services and in the handling of customer queries, and through the maintenance of strong relationships with customers.

The company buys products from international markets and it is therefore exposed to currency movements on such purchases, the company also sells products into the European Economic Community and is exposed to similar currency movements. Where appropriate, the company manages this risk with forward foreign exchange contracts in line with Benteler's treasury policies.

The company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The company is financed by a group borrowing facility and pays interest at a fixed rate above LIBOR.

The group risks to which Benteler International AG is exposed are discussed in Benteler International AG's Annual Report which does not form part of this report.

### Environment

Benteler International AG recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The company operates in accordance with these policies, as noted in Benteler International AG's Annual Report, which does not form part of this report. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

### Dividend

During the year dividend of £ Nil (2012: £Nil) being Nil p per share (2012: Nil p) was paid.

## Strategic report *(continued)*

### Employee consultation

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

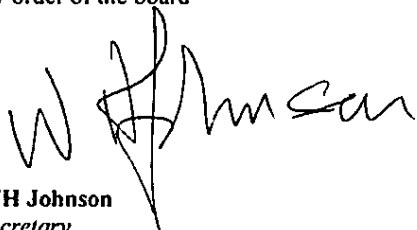
### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Political and charitable contributions

The Company made no political contributions during the year (2012 £Nil). Donations to UK charities amounted to £382 (2012 £1,000).

By order of the board

A handwritten signature in black ink, appearing to read 'W H Johnson', is written over a faint, larger signature that also appears to be 'W H Johnson'.

**WH Johnson**  
Secretary

11 June 2014

## Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2013

### Directors

The director who held office during the year and subsequently was as follows

S Storer (resigned 30 August 2013)

WH Johnson

R Heath

AP Ivarsson (resigned 30 August 2013)

JA Massenberg (appointed 20 March 2014)

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board

  
**WH Johnson**  
Secretary

Crompton Way  
Bolton  
BL1 8TY

11 June 2014

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

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 they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU 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 judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH  
United Kingdom

### **Independent auditor's report to the members of Benteler Distribution Limited**

We have audited the financial statements of Benteler Distribution Limited for the year ended 31 December 2013 set out on pages 7 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial reporting Standards (IFRSs) as adopted by the EU.

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 set out on page 4, 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 2013, and of its profit for the year then ended,
- have been properly prepared in accordance with the IFRSs as adopted by the EU, 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 Strategic report and 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 Benteler Distribution Limited** *(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



**Xavier Timmermans (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

11 June 2014



**Statement of comprehensive income**  
*for the year ended 31 December 2013*

	<i>Note</i>	<b>2013</b> £	<b>2012</b> £
<b>Revenue</b>	<i>1,2</i>	<b>31,422,815</b>	35 131 392
Cost of sales		<b>(23,309,839)</b>	(26,024,703)
<b>Gross profit</b>		<b>8,112,976</b>	9 106 689
Distribution expenses		<b>(1,512,665)</b>	(1,491,439)
Administrative expenses		<b>(3,054,934)</b>	(2,897 442)
Other operating expenses		<b>(2,540,508)</b>	(2,946,060)
<b>Total expenses</b>		<b>(7,108,107)</b>	(7,334 941)
<b>Result from operating activities</b>		<b>1,004,869</b>	1,771,748
Financial income		<b>353</b>	-
Financial expenses	<i>6</i>	<b>(28)</b>	(21,892)
<b>Profit before tax</b>		<b>1,005,194</b>	1,749,856
Taxation	<i>7</i>	<b>(202,627)</b>	(411,097)
<b>Profit for the financial year</b>		<b>802,567</b>	1,338,759
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>802,567</b>	1,338,759

All operations of the company relate to continuing activities

The notes on pages 11 to 26 form part of these financial statements

**Statement of changes in equity**  
*for the year ended 31 December 2013*

	Share capital £	Revaluation reserve £	Retained earnings £	Total Equity £
Balance at 1 January 2012	1,000,000	547,803	5,172,732	6,720,535
<b>Total comprehensive income for the year</b>				
Attributable to equity shareholders of the parent				
Profit for the year and total recognised income and expense	-	-	1,338,759	1,338,759
Transfer from revaluation reserve	-	(5,836)	5,836	-
<b>Balance at 31 December 2012</b>	<b>1,000,000</b>	<b>541,967</b>	<b>6,517,327</b>	<b>8,059,294</b>
Balance at 1 January 2013	1,000,000	541,967	6,517,327	8,059,294
<b>Total comprehensive income for the year</b>				
Attributable to equity shareholders of the parent				
Profit for the year and total recognised income and expense	-	-	802,567	802,567
Transfer from revaluation reserve	-	(5,836)	5,836	-
<b>Balance at 31 December 2013</b>	<b>1,000,000</b>	<b>536,131</b>	<b>7,325,730</b>	<b>8,861,861</b>

The notes on pages 11 to 26 form part of these financial statements

**Balance sheet**  
*at 31 December 2013*

	<i>Note</i>	<b>2013</b> £	<b>2012</b> £
<b>Non-current assets</b>			
Property, plant and equipment	8	3,253,356	3,425,865
Investment in subsidiaries	9	-	701
		<u>3,253,356</u>	<u>3,426,566</u>
<b>Current assets</b>			
Inventories	11	6,275,398	6,265,494
Trade and other receivables	12	6,938,007	6,569,625
Cash and cash equivalents	13	244,241	317,505
		<u>13,457,646</u>	<u>13,152,624</u>
<b>Total assets</b>		<u><b>16,711,002</b></u>	<u><b>16,579,190</b></u>
<b>Current liabilities</b>			
Trade and other payables	15	(7,570,517)	(8,068,197)
Tax payable		(38,489)	(199,760)
		<u>(7,609,006)</u>	<u>(8,267,957)</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	10	(240,135)	(251,939)
Other non-interest bearing loans and borrowings	14	-	-
		<u>(240,135)</u>	<u>(251,939)</u>
<b>Total liabilities</b>		<u><b>(7,849,141)</b></u>	<u><b>(8,519,896)</b></u>
<b>Net assets</b>		<u><b>8,861,861</b></u>	<u><b>8,059,294</b></u>
<b>Equity</b>			
Share capital	17	1,000,000	1,000,000
Revaluation reserves		536,131	541,967
Retained earnings		7,325,730	6,517,327
		<u>8,861,861</u>	<u>8,059,294</u>
<b>Total equity</b>		<u><b>8,861,861</b></u>	<u><b>8,059,294</b></u>

These financial statements were approved by the board of directors on 11 June 2014 and were signed on its behalf by

  
**WH Johnson**  
Director

Company registered number 456349

**Cash Flow Statement**  
*for the year ended 31 December 2013*

	<i>Note</i>	<b>2013</b> £	<b>2012</b> £
<b>Cash flows from operating activities</b>			
Profit for the year		<b>802,567</b>	1,338,759
<i>Adjustments for</i>			
Depreciation amortisation and impairment	8	<b>317,239</b>	278,168
Financial income	6	<b>(353)</b>	-
Financial expense	6	<b>28</b>	21,892
Taxation	7	<b>202,627</b>	411,097
Loss on disposal	3	<b>1,505</b>	8
		<hr/>	<hr/>
<b>Operating cash flows before changes in working capital and provisions</b>		<b>1,323,613</b>	2,049,924
(Increase)/decrease in trade and other receivables		<b>(368,382)</b>	2,104,697
(Increase)/decrease in inventories		<b>(9,904)</b>	417,534
Decrease in trade and other payables		<b>(497,680)</b>	(1,560,900)
		<hr/>	<hr/>
<b>Cash generated from operating activities</b>		<b>447,647</b>	3,011,255
Interest paid		<b>(28)</b>	(21,892)
Tax paid		<b>(375,702)</b>	(491,085)
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		<b>71,917</b>	2,498,278
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of plant		<b>4,966</b>	3,955
Acquisition of property, plant and equipment	8	<b>(151,201)</b>	(1,022,001)
Investments in subsidiaries written off	9	<b>701</b>	-
Interest received	6	<b>353</b>	-
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(145,181)</b>	(1,018,046)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		<b>-</b>	(1,500,000)
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(73,264)</b>	(19,768)
Cash and cash equivalents at 1 January		<b>317,505</b>	337,273
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	13	<b>244,241</b>	317,505
		<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Benteler Holdings Limited (the "Company") is a company incorporated and domiciled in the UK

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2013 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2013.

The Company's financial statements are presented in sterling and all values are to the nearest pound except when otherwise indicated.

#### *New standards and interpretations not applied*

The following adopted IFRSs were available for early application but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- Amendments to IAS 32 Financial Instruments "Presentation – Offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 36 Impairment of Assets – recoverable amount disclosures for non financial assets (effective for annual periods beginning on or after 1 January 2014)

#### *Going concern*

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the Strategic report on page 1 in these financial statements.

The directors, having assessed the responses of the directors of the Company's ultimate parent, Benteler International AG, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of Benteler International AG, the company's directors have a reasonable expectation that the Company will be able 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.

#### *Measurement convention*

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

#### *Foreign currency*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Investments*

Investments in subsidiaries are carried at cost less impairment

#### *Classification of financial instruments issued by the Company*

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows

Buildings	50 years
Plant and equipment, fixtures and fittings	5-15 years
Computer equipment	3-5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

#### *Trade and other receivables*

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows

## Notes (continued)

### 1 Accounting policies (continued)

#### *Impairment*

The carrying amounts of the Company's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

#### *Employee benefits*

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

#### *Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### *Revenue*

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, that is, normally in connection with delivery.

Revenue represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of Value Added Tax.

Revenue and pre-tax loss, all of which arises in the United Kingdom, is attributable to one activity, the processing and distribution of mechanical and hydraulic precision steel tubes.

#### *Expenses*

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### *Finance income and expenses*

Net financing costs comprise interest payable, interest receivable on funds invested, foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

## Notes (continued)

### 1 Accounting policies (continued)

#### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income 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 following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 asset can be utilised.

### 2 Revenue

Revenue analysed by geographical location

	2013 £	2012 £
UK	30,243,482	33,702,964
Rest of Europe	1,026,154	985,767
Rest of world	153,179	442,661
	<hr/>	<hr/>
Total revenues	31,422,815	35,131,392
	<hr/>	<hr/>

### 3 Expenses and auditors' remuneration

Included in profit are the following

	2013 £	2012 £
Staff costs (Note 4)	2,450,291	2,574,161
Depreciation of property, plant and equipment	317,239	278,168
Operating lease rentals		
Motor vehicles	319,274	308,192
Other	642,574	635,981
Profit on disposal of property, plant and equipment	(1,505)	(8)
	<hr/>	<hr/>

#### Auditors' remuneration

Audit of these financial statements	15,100	18,500
Other services relating to taxation	5,890	7,410
	<hr/>	<hr/>



## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2013	2012
Sales and distribution	57	62
Administration	18	18
	<u>75</u>	<u>80</u>

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	2,099,931	2,210,913
Social security costs	215,205	229,129
Contributions to defined contribution plans	135,155	134,119
	<u>2,450,291</u>	<u>2,574,161</u>

### 5 Directors' remuneration

The directors are remunerated by the holding company, Benteler Holdings Limited. A management charge of £356,092 (2012 £417,400) is paid by the company for these and other management services.

### 6 Finance income and expense

	2013 £	2012 £
Interest payable to Group undertakings	(28)	(21,309)
Other interest	-	(583)
	<u>(28)</u>	<u>(21,892)</u>
Total financial expense		
Interest received from Group undertakings	348	-
Other interest	5	-
	<u>353</u>	<u>-</u>
Total financial income		

## Notes (continued)

### 7 Taxation

#### Recognised in the income statement

	2013 £	2012 £
<i>Current tax expense</i>		
Current year	209,941	406,655
Adjustments for prior years	4,490	2,522
	<hr/>	<hr/>
Current tax expense	214,431	409,177
	<hr/>	<hr/>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(11,804)	4,300
Reduction in tax rate	-	(2,380)
Adjustments for prior years	-	-
	<hr/>	<hr/>
Deferred tax expenses (note 10)	(11,804)	1,920
	<hr/>	<hr/>
Tax expense in income statement	202,627	411,097
	<hr/>	<hr/>

#### Reconciliation of effective tax rate

	2013 £	2012 £
Profit before tax	1,005,194	1,749,856
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 23.25% (2012 24.5%)	233,673	428,667
Non-deductible expenses	4,451	3,669
Under/(over) provided in prior years	4,490	2,522
Fixed asset difference	7,177	-
Over provision in prior years deferred tax	(3,668)	(2,380)
Temporary differences not recognised in the computation	(7,178)	-
Adjust closing deferred tax to average rate of 23.25%	(38,980)	(16,400)
Adjust opening deferred tax to average rate of 23.25%	2,662	(4,981)
	<hr/>	<hr/>
Total tax in income statement	202,627	411,097
	<hr/>	<hr/>

#### Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

## Notes (continued)

### 8 Property, plant and equipment

	Land and buildings £	Plant and equipment £	Fixtures and Fittings £	Total £
<b>Cost</b>				
Balance at 1 January 2012	1,788,779	3,430,093	439,506	5 658 378
Additions	-	1,012,533	9,468	1,022,001
Disposals	-	(128,766)	(41,611)	(170,377)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	1,788,779	4,313,860	407 363	6,510,002
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2013	1,788,779	4,313,860	407,363	6,510,002
Additions	-	22,823	128,378	151,201
Disposals	-	(6,818)	(85,153)	(91,971)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2013	1,788,779	4,329,865	450,588	6 569 232
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment</b>				
Balance at 1 January 2012	388,960	2 296 444	286,979	2,972,383
Depreciation charge for the year	30,875	201,175	46,118	278,168
Disposals	-	(124,903)	(41,511)	(166,414)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	419,835	2,372,716	291,586	3,084,137
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2013	419,835	2,372,716	291,586	3,084,137
Depreciation charge for the year	30,875	241,186	45,178	317,239
Disposals	-	(6,268)	(79,232)	(85 500)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2013	450,710	2,607,634	257,532	3,315 876
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2011 and 1 January 2012	1,399,819	1,133 649	152,527	2,685,995
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	1,368,944	1,941,144	115,777	3,425 865
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	1,338,069	1,722,231	193,056	3,253,356
	<hr/>	<hr/>	<hr/>	<hr/>

Included above is freehold land amounting to £350,000 (2012 £350,000) on which no depreciation is provided

Freehold land and buildings were revalued by Matthews and Goodman, Chartered Surveyors, on an open market value basis for existing use on 31 December 1999

The directors are not aware of any material change in value and therefore the valuations set out above have not been updated

## Notes (continued)

### 8 Property, plant and equipment (continued)

The following information relates to assets carried at revalued amounts which have been retained under the transitional provisions set out in FRS 15 "Tangible fixed assets"

	2013 £	2012 £
<b>Land and buildings</b>		
At 1999 open market value	1,788,779	1,788,779
Aggregate depreciation thereon	(450,710)	(419,835)
Net book value	1,338,069	1,368,944
Historical cost of revalued assets	1,363,646	1,363,646
Aggregate depreciation based on historical cost	(603,188)	(563,530)
Historical cost net book value	760,458	800,116

#### Security

No assets are pledged as security

### 9 Investments in subsidiaries

	Subsidiary undertakings	
	2013 £	2012 £
<b>Cost and net book value</b>		
At beginning of the year	701	701
Amount written off	(701)	-
At end of year	-	701

The Company has the following investments in subsidiaries

	Country of incorporation	Class of shares held	Ownership	
			2013	2012
Lancashire Tube Stockholders Limited	England and Wales	Ordinary	100%	100%
Pipe & Tube Supplies Limited	England and Wales	Ordinary	100%	100%
Harbour Tubes Limited	England and Wales	Ordinary	100%	100%

These companies are dormant

## Notes (continued)

### 10 Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Property, plant and equipment	-	-	242,135	273,300	242,135	273,300
Other timing differences	(2,000)	(21,361)	-	-	(2,000)	(21,361)
Net tax (assets)/liabilities	<u>(2,000)</u>	<u>(21,361)</u>	<u>242,135</u>	<u>273,300</u>	<u>240,135</u>	<u>251,939</u>

#### Movement in deferred tax during the year

	1 January 2013 £	Recognised in income £	31 December 2013 £
Property, plant and equipment	273,300	(31,165)	242,135
Other timing differences	(21,361)	19,361	(2,000)
Net tax liabilities/(assets)	<u>251,939</u>	<u>(11,804)</u>	<u>240,135</u>

#### Movement in deferred tax during the prior year

	1 January 2012 £	Recognised in income £	31 December 2012 £
Property, plant and equipment	282,019	(8,719)	273,300
Other timing differences	(32,000)	10,639	(21,361)
Net tax liabilities/(assets)	<u>250,019</u>	<u>1,920</u>	<u>251,939</u>

Deferred tax is calculated on timing differences using a tax rate of 20% (2012 24%)

### 11 Inventories

	2013 £	2012 £
Raw materials and consumables	<u>6,275,398</u>	<u>6,265,494</u>

Inventories to the value of £23,107,739 were recognised as cost of sales in the year (2012 £25,503,274)

In 2013 the write down of inventories to net realisable value amounted to £310,492 (2012 £108,392) The increased/ (reversal) of write-downs amounted to a charge of £202,100 (2012 £447,688 credit)

## Notes (continued)

### 12 Trade and other receivables

	2013 £	2012 £
Trade receivables due from group undertakings	848,605	50,983
Other trade receivables	5,690,811	6,097,285
Prepayments and accrued income	398,591	421,357
	<u>6,938,007</u>	<u>6,569,625</u>

The company's exposure to credit and currency risks and impairment losses relating to trade and other receivables is disclosed in note 18

### 13 Cash and cash equivalents

	2013 £	2012 £
Cash and cash equivalents per balance sheet	<u>244,241</u>	<u>317,505</u>

### 14 Other non-interest-bearing loans and borrowings

	2013 £	2012 £
<i>Non-current liabilities</i>		
Parent company loan	<u>-</u>	<u>-</u>

The parent company loan was unsecured, interest free and had no fixed date for repayment

### 15 Trade and other payables

	2013 £	2012 £
Payables due to group undertakings	4,259,637	4,486,755
Other trade payables	2,629,633	2,669,569
Other taxation and social security	623,101	776,736
Accruals and deferred income	58,146	135,137
	<u>7,570,517</u>	<u>8,068,197</u>

### 16 Employee benefits

The Company participates in a number of defined contribution pension plans. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund which amounted to £135,155 (2012 £134,119). There were no pension contributions outstanding or prepaid at the balance sheet date (2012 £Nil).

## Notes (continued)

### 17 Share capital

	Ordinary shares	
	2013 £	2012 £
<i>Allotted, called up and fully paid</i>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

### 18 Financial instruments

#### Overview

The Company has exposure to currency, interest rate, credit and liquidity risk that arises in the normal course of the Company's business. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

#### Fair value of financial instruments

##### Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

##### Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

##### Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand.

## Notes (continued)

### 18 Financial instruments (continued)

#### Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date

The following table shows the carrying value of financial instruments on the balance sheet. The carrying value of financial instruments closely approximates their fair value

	2013 £	2012 £
<b>Financial assets</b>		
Receivables due from group undertakings	848,605	50,983
Other trade receivables	5,690,811	6,097,285
	<hr/>	<hr/>
Total financial assets	6,539,416	6,148,268
	<hr/>	<hr/>
<b>Financial liabilities</b>		
Payables due to group undertakings	4,259,637	4,486,755
Other trade payables	2,629,633	2,669,569
Other payables	623,101	776,736
Tax payable	38,489	199,760
	<hr/>	<hr/>
Total financial liabilities	7,550,860	8,132,820
	<hr/>	<hr/>

#### Foreign currency risk

The Company is exposed to foreign currency risk for transactions that are denominated in a currency other than the Great British Pound (GBP). The Company's exposure to foreign currency risk, based on notional amounts, is summarised as follows

	Foreign currency amount	GBP equivalent
<b>2013</b>		
<b>Assets</b>		
Trade receivables – Eur	247,380	206,018
	<hr/>	<hr/>
Total financial assets	-	206,018
		<hr/>
<b>Liabilities</b>		
Trade payables		
EUR	1,400,158	1,166,050
USD	-	-
	<hr/>	<hr/>
		1,166,050
		<hr/>



## Notes (continued)

### 18 Financial instruments (continued)

	Foreign currency amount	GBP equivalent
<b>2012</b>		
<b>Assets</b>		
Trade receivables – Eur	378,348	308,656
	<hr/>	<hr/>
<b>Total financial assets</b>		308 656
		<hr/>
<b>Liabilities</b>		
Trade payables		
EUR	1 762,201	1,437,604
USD	10,036	6,319
	<hr/>	<hr/>
		1,443,923
		<hr/>

#### Sensitivity analysis

A 10% strengthening of the pound sterling against the euro at year end would have increased the Company's equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit of loss	
	2013 £	2012 £
Trade receivables	(20,602)	(30 865)
Trade payables	116,605	144,392
	<hr/>	<hr/>
Net effect	96,003	113,527
	<hr/>	<hr/>

#### Sensitivity analysis (continued)

A 10% weakening of the pound sterling against the currencies above the year end would have had the equal but opposite effect on the reported profit and equity to the amounts shown above, on the basis that all other variables remain constant.

## Notes (continued)

### 18 Financial instruments (continued)

#### Credit risk

##### Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables. Management has a credit risk policy and exposure to credit risk is monitored on an ongoing basis.

##### Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £5,690,811 (2012: £6,097,285) being the total of the carrying amount of the financial asset shown in the table.

Trade receivable balances at year end are aged as follows (excluding balances due from group companies)

	2013 Gross £	Impairment £	2012 Gross £	Impairment £
Current	5,446,152	10,212	5,799,459	40,400
30-90 days	255,551	5,221	236,127	8,635
90-365 days	13,189	8,648	110,734	-
	<u>5,714,892</u>	<u>24,081</u>	<u>6,146,320</u>	<u>49,035</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2013 £	2012 £
Balance at 1 January	49,035	94,082
Impairment provision (released)	(24,954)	(45,047)
Balance at 31 December	<u>24,081</u>	<u>49,035</u>

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amounts considered irrecoverable are written off against the trade receivables directly.

#### Liquidity risk

##### Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing its liquidity is to ensure, as far as possible, that it has sufficient liquidity available to meet its liabilities when due, both under normal and adverse economic conditions, without incurring unacceptable losses or risking damage to its reputation.

The Company ensures that it has sufficient cash on demand to meet its expected operational expenses for a period of 60 days, including the servicing of any financial obligations. This excludes the potential impact of extreme circumstances which cannot be reasonably predicted, for example, natural disasters.

## Notes (continued)

### 18 Financial instruments (continued)

The Company's financial liabilities based on contractual cash flow is summarised as follows

	Contractual cash flow £	Carrying amount £
<b>2013</b>		
Payables to group undertakings	4,259,637	4,259,637
Other trade payables	2,629,633	2,629,633
Other payables	623,101	623,101
Tax payable	38,489	38,489
	<hr/>	<hr/>
	<b>7,550,860</b>	<b>7,550,860</b>
	<hr/>	<hr/>
<b>2012</b>		
Payables to group undertakings	4,486,755	4,486,755
Other trade payables	2,669,569	2,669,569
Other payables	776,736	776,736
Tax payable	199,760	199,760
	<hr/>	<hr/>
	<b>8,132,820</b>	<b>8,132,820</b>
	<hr/>	<hr/>

Financial liabilities noted above are payable within one year

### 19 Operating leases

Non-cancellable operating lease rentals are payable as follows

	2013 £	2012 £
Less than one year	8,036	-
Between one and five years	533,026	509,766
After five years	405,681	441,789
	<hr/>	<hr/>
	<b>946,743</b>	<b>951,555</b>
	<hr/>	<hr/>

During the year, £962,214 was recognised as an expense in the income statement in respect of operating leases (2012 £944,173)

The company leases various vehicles, equipment and buildings under these operating leases

## Notes (continued)

### 20 Related parties

#### Identity of related parties

The Company has a related party relationship with its subsidiaries, holding company and key management personnel

#### Transactions with key management personnel

The Company's key management personnel are the directors. Details of directors' remuneration are given in note 5. There were no other transactions with key management personnel in either the current or preceding year.

#### Other related party transactions

During the year the company had the following transactions with its related parties

	Sales to related party		Purchases from related party		Interest received from related party	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Other group undertakings	749,305	715,464	11,707,292	12,591,975	-	-
Holding company	-	-	-	-	348	-
	<u>749,305</u>	<u>715,464</u>	<u>11,707,292</u>	<u>12,591,975</u>	<u>348</u>	<u>-</u>
	Interest payable to related parties		Balance due from related party		Balance due to related party	
	2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Other group undertakings	28	214	65,450	50,983	4,259,637	3,639,456
Holding company	-	21,095	783,155	-	-	847,299
	<u>28</u>	<u>21,309</u>	<u>848,605</u>	<u>50,983</u>	<u>4,259,637</u>	<u>4,486,755</u>

### 21 Capital management

The company is financed through a combination of its ordinary share capital and shareholder loans.

### 22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Benteler Holdings Limited which is the immediate parent company incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Benteler International AG, incorporated and registered in Austria. The consolidated financial statements of these groups' financial statements of these groups are available to the public and may be obtained from Benteler International AG, Schillerstrasse 25 – 27, 5070 Salzburg, Austria.

### 23 Post balance sheet events

There were no significant post balance sheet events.