

Spartan UK Limited
Annual report and financial statements
for the year ended 31 December 2016

Registered number 04140355



Spartan UK Limited

Annual report and financial statements

for the year ended 31 December 2016

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Strategic report for the year ended 31 December 2016

Business review and future developments

The results for the year are set out in the statement of comprehensive income on page 7. Revenue increased by 28.0% on 2015 to £137.9 million. The volume of Spartan plate sales increased to record levels and there was also an increase in the trading of other Group products within existing markets. Steel prices of all products increased significantly throughout the year. A profit of £9.5 million was recorded for the year with a loss of £6.1 million in 2015.

The balance sheet at 31 December 2016 shows that the financial position of the company has increased with net assets of £28.8 million (2015: £19.3 million).

The directors are satisfied with the growth and development of the business, which has performed very well in improved market conditions.

In 2017 Spartan are expecting a continued recovery in demand across the markets. It is anticipated that customers will favour Spartan supply during this year as the short lead times minimise their risks during this uncertain recovery. It is forecast that Spartan will recover in volumes slightly faster than the competitors in our markets.

Principal risks and uncertainties

The directors have carefully considered the principal risks and uncertainties facing the business. These include:

Market risks

- Selling prices and volumes – The key to success is to leverage the company's position through the premium which its service offering demands. Spartan UK Limited has a well dispersed customer base with no single customer accounting for a significant portion of the business. Equally the business is well spread geographically and across sectors. This spread of business minimises the risks arising from the loss of business in any one area. In 2016 this positioning has been vital to maintaining the level of business achieved.
- Raw material prices – The company is exposed to fluctuations in the price of raw materials. The management manage this risk through monitoring prices and adjusting purchases of raw materials accordingly. Strict control and limiting of raw material stocks also mitigate the risks.
- Currency rates – The company faces transactional exchange rate risk from its foreign currency dealings and translational exchange rate risk from its monetary assets and liabilities. Whilst it seeks to minimise its transactional exchange rate risk by both buying and selling in the same currency, the directors recognise that its monetary assets and liabilities are exposed to adverse rate movements.
- Interest rates – The company is also exposed to interest rate risk on loan interest, however the directors do not consider the risk to be significant.

Liquidity risk

The company's cash position has increased at the end of the year. The directors do not consider that the company is exposed to significant liquidity risk.

Spartan UK Limited

Strategic report for the year ended 31 December 2016 - continued

Credit risk

The directors do not consider the company is exposed to significant bad debt risk due to its well dispersed customer base. Customer credit levels and outstanding debts are monitored to identify any potential credit risks. The extensive use of credit insurance mitigates this credit risk further.


Key performance indicators (KPIs)

The company relies on different key performance indicators at an operational level. Such KPIs are used by the management team to monitor performance on a regular basis and are monitored at group level.

The main KPI used is the price per ton which was on average £350 during 2016 (2015: £337).

On behalf of the Board

S Tyron
Director

A handwritten signature in black ink, appearing to be 'S Tyron', written over a horizontal line.

3 May 2017

Spartan UK Limited

Directors' report for the year ended 31 December 2016

The directors present their report and audited financial statements of the company for the year ended 31 December 2016.

Registered office

The company's registered office and principal place of business is Ropery Road, Teams, Gateshead, Tyne and Wear, NE8 2RD.

Principal activities

The principal activity of the company is that of a steel rolling mill producing hot rolled steel plates. The company is classified as a re-roller, converting and adding value to purchased steel slabs. The company's principal customers are end-users, service centres and stockists in the UK, mainland Europe and Scandinavia. The cornerstones of the business model are short lead times, delivery accuracy and quality. For this service Spartan UK Limited charges a premium.

Proposed dividend

The directors do not recommend the payment of a dividend (2015: £nil).

Qualifying third-party indemnity provisions

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006.

Directors

The directors who held office during the year and up to the date of signing this report were as follows:

B Spotorno (deceased December 2016)

A Pogozhev

A Kutepov (resigned 29 February 2016)

I Dankova (appointed 29 February 2016)

S Tyron (appointed 1 February 2017)

Financial risk management

Information in relation to the company's financial risk management is set out in note 2.

Future developments

The future developments are disclosed in the Strategic report on page 1.

Spartan UK Limited

Directors' report for the year ended 31 December 2016 – continued

Statement of directors' responsibilities

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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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

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 auditors are 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 auditors are aware of that information.

On behalf of the Board

S Tyron
Director



3 May 2017

Spartan UK Limited

Independent auditors' report to the members of Spartan UK Limited

Report on the financial statements

Our opinion

In our opinion, Spartan UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Spartan UK Limited

Independent auditors' report to the members of Spartan UK Limited - continued

Responsibilities for the financial statements and the audit

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

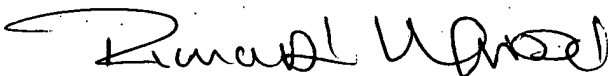
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Richard Lingwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
15 May 2017

Spartan UK Limited

Statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £	2015 £
Revenue		137,874,273	107,696,381
Cost of sales	3	(118,541,362)	(102,390,056)
Gross profit		19,332,911	5,306,325
Distribution costs	3	(5,339,338)	(5,173,736)
Administrative expenses	3	(4,257,479)	(5,454,243)
Operating profit/(loss)		9,736,094	(5,321,654)
Finance income	7	10	10,266
Finance costs	8	(581,880)	(749,597)
Profit/(loss) before income tax		9,154,224	(6,060,985)
Income tax credit/(charge)	9	303,004	(21,722)
Profit/(loss) for the year		9,457,228	(6,082,707)
Total comprehensive income/(expense) for the year		9,457,228	(6,082,707)

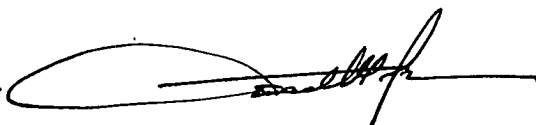
Spartan UK Limited

Balance sheet as at 31 December 2016

	Note	2016 £	2015 £
Assets			
Non current assets			
Property, plant and equipment	10	8,501,336	9,928,384
Intangible assets	11	-	2,670
Investments	12	7	7
Deferred tax asset	17	303,004	-
		8,804,347	9,931,061
Current assets			
Inventories	13	14,665,215	14,707,416
Trade and other receivables	14	47,809,073	27,729,123
Cash and cash equivalents	15	2,043,131	1,047,290
		64,517,419	43,483,829
Total assets		73,321,766	53,414,890
Liabilities			
Current liabilities			
Trade and other payables	16	44,540,075	34,090,427
Total liabilities		44,540,075	34,090,427
Equity			
Ordinary shares	18	2,500,000	2,500,000
Retained earnings		26,281,691	16,824,463
Total equity		28,781,691	19,324,463
Total equity and liabilities		73,321,766	53,414,890

These financial statements on pages 7 to 28 were approved by the Board of directors on 3 May 2017 and were signed on its behalf by:

S Tyron
Director



Registered number: 04140355

Spartan UK Limited

Statement of cash flows for the year ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Cash generated from/(used) in operations	21	1,727,030	(329,904)
Interest paid		(581,880)	(749,597)
Net cash generated from/(used) in operating activities		1,145,150	(1,079,501)
Cash flows from investing activities			
Purchases of property, plant and equipment		(149,319)	(579,122)
Proceeds from sale of property, plant and equipment		-	8,000
Purchases of intangible assets		-	(309)
Interest received		10	10,266
Net cash used in investing activities		(149,309)	(561,165)
Net increase/(decrease) in cash and cash equivalents		995,841	(1,640,666)
Cash and cash equivalents at beginning of year		1,047,290	2,687,956
Cash and cash equivalents at end of year	15	2,043,131	1,047,290

Spartan UK Limited

Statement of changes in equity for the year ended 31 December 2016

	Ordinary shares	Retained earnings	Total equity
	£	£	£
At 1 January 2015	2,500,000	22,907,170	25,407,170
Loss for the year and total comprehensive expense	-	(6,082,707)	(6,082,707)
At 31 December 2015	2,500,000	16,824,463	19,324,463
Profit for the year and total comprehensive income	-	9,457,228	9,457,228
At 31 December 2016	2,500,000	26,281,691	28,781,691

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Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies

Spartan UK Limited is a private limited company, limited by shares, which is incorporated and domiciled in England. The principal accounting policies adopted 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.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis and under the historical cost convention. A summary of the more important accounting policies is set out below together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue comprises the fair value of the consideration received or receivable from the sale of carbon steel plates, and is stated net of value added tax and other discounts.

Foreign currencies

Items included in the financial statements are recorded in sterling, which is considered to be the functional and presentational currency. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of comprehensive income.

Intangible assets and amortisation

Intangible assets (software licences) are held at cost less accumulated amortisation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. They are amortised to £nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of 3 years.

Amortisation is charged to the statement of comprehensive income within administrative expenses.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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Notes to the financial statements for the year ended 31 December 2016 - continued

1 Accounting policies (continued)

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows. The residual values and useful lives of the assets are reassessed annually by management and adjusted if appropriate.

Freehold buildings	5 years
Plant and machinery	8 – 28 years
Fixtures, fittings and equipment	3 years

No depreciation is provided on freehold land or assets in the course of construction.

Depreciation is charged to the statement of comprehensive income within administrative expenses.

Leases

Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials are held at purchase cost plus any costs incurred in bringing the inventories to their present location and condition. For finished goods cost is taken as weighted average production cost, which includes an appropriate proportion of attributable overheads.

Net realisable value is taken as selling price, less any attributable costs.

Provision is made where necessary for obsolete, slow moving and defective inventories.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of trade receivables is established when there is evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, and short term deposits with a maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Spartan UK Limited

Notes to the financial statements for the year ended 31 December 2016 - continued

1 Accounting policies (continued)

Current taxation

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

Deferred taxation

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using average tax rates (and laws) that have been enacted or substantively enacted by the accounting reference date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Post-retirement benefits

The company operates a defined contribution pension scheme to which employees can contribute. The assets of the scheme are held separately from those of the company in an independently administered fund.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

There are no estimates and assumptions in the financial statements which are expected to have a critical effect on the next financial year.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the company

Amendment to IAS 19, 'Employee benefits', regarding defined benefit plans

Annual improvements 2012

Annual improvements 2014

Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation

Amendment to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plant

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortization

Amendments to IAS 27, 'Separate financial statements' on the equity method

Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception

Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative

Notes to the financial statements for the year ended 31 December 2016 - continued

1 Accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative

Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses

Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions

IFRS 9, 'Financial Instruments'

IFRS 15, 'Revenue from contracts with customers'

IFRS 16, 'Leases'

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'

Amendments to IAS 40, 'Investment property' relating to transfers of investment property

Annual improvements 2014-2016

IFRIC 22, 'Foreign currency transactions and advance consideration'

Amendments to IAS 40, 'Investment property' relating to transfers of investment property

Annual improvements 2014-2016

IFRIC 22, 'Foreign currency transactions and advance consideration'

2 Financial risk management

The company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The company's overall risk management programme seeks to minimise potential adverse effects on the company's financial performance.

Credit risk

Credit risk arises from holding cash and cash equivalents and also from sales to the company's customers. For cash and cash equivalents, the risk is minimised by holding funds with high credit quality financial institutions.

The company minimises its risk on sales to customers through the use of a credit insurance policy where it aims to cover a significant amount of its current exposure at any particular time. This combined with robust credit management procedures ensures risks here are well managed.

Spartan UK Limited

Notes to the financial statements for the year ended 31 December 2016 – continued

2 Financial risk management (continued)

The table below shows the ageing analysis of trade receivables at the year end:

	Current £	0-3 months past due £	3-6 months past due £	Over 6 months past due £	Total £
Aged debtors					
At 31 December 2016	26,361,772	11,352,037	27,355	-	37,741,164
At 31 December 2015	13,853,300	7,647,780	145,081	-	21,646,161

All receivables are current and are repayable on terms consistent within the industry in the various countries in which it trades.

Credit risk (continued)

The carrying amounts of the company's trade receivables are denominated in the following currencies:

	2016 £	2015 £
Pounds	20,294,722	11,794,459
Euro	17,446,442	9,851,702
	37,741,164	21,646,161

Trade receivables were impaired during the year as follows:

	2016 £	2015 £
Provision for doubtful debt		
Opening balance at 1 January 2016	-	2,303
Recovered	-	-
Written off	3,244	(2,303)
Closing balance at 31 December 2016	3,244	-

Liquidity risk

Liquidity risk arises due to purchases from the company's suppliers. Liquidity risk is managed through regular cash flow forecasting to ensure the company has sufficient available funds for its operations and growth.

Liquidity risk is also minimised through intercompany indebtedness with Metinvest.

Spartan UK Limited

Notes to the financial statements for the year ended 31 December 2016 – continued

2 Financial risk management (continued)

The table below analyses the company's financial liabilities into relevant maturity groupings at the accounting reference date, based on contractual maturities.

	Less than 1 year £	Between 2–5 years £
At 31 December 2016		
Trade and other payables	44,343,246	-
At 31 December 2015		
Trade and other payables	33,939,148	-

Market risk

Currency risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US Dollar. Foreign exchange risk arises from commercial transactions and from retranslation of recognised assets and liabilities.

Being part of the Metinvest Group, the overall currency risk is managed at group level.

The company imports its raw materials through the group predominantly in sterling and also imports to a lesser extent in Euros from other external suppliers. Export sales are made in Euros which provides a natural hedge for its liabilities. The company buys and sells foreign currency at spot rates which is consistent with group policy. The currency risks are known and understood by both Spartan management and the shareholders.

Sensitivities have been performed based on the movement in currency rates during the year.

At 31 December 2016, if the Euro had weakened/strengthened by 5% (2015: 5%) against the pound with all other variables held constant, post-tax profit for the year would have been £65,957 (2015: £521,867) higher/lower, mainly as a result of foreign exchange gain/loss on translation of euro-denominated intercompany trade payables.

At 31 December 2016, if the US dollar had weakened/strengthened by 5% (2015: 5%) against the pound with all other variables held constant, post tax profit for the year would have been £4 (2015: £2) higher/lower, mainly as a result of foreign exchange gain/losses on translation of dollar-denominated bank balance.

Steel prices

Steel prices increased throughout 2016 and continued into 2017. Management consider that there is no impact on the year end stock values as a result of price changes.

Spartan UK Limited

Notes to the financial statements for the year ended 31 December 2016 – continued

2 Financial risk management (continued)

Summary of stock at year end:

	2016			2015		
	Tons	Value	£/ton	Tons	Value	£/ton
Slab stock	17,052	5,007,554	294	38,296	7,590,296	198
Spare parts		2,778,316			2,140,740	
Plate stock	9,347	3,417,242	366	10,332	2,980,893	289
Traded stock	8,981	3,462,103	385	7,674	1,995,487	260

The weighted average purchase price for slabs in 2016 was £356/ton (2015: £179/ton). The average net selling price in January 2017 was £424/ton (2015: £292/ton) which would give a plate stock impairment of £nil (2015: £nil). Average selling prices increased to £448/ton in February 2017.

Capital risk management

The company's total equity consists of share capital and retained earnings.

The company has no borrowing and no external covenant restrictions. However, it has extended credit on raw material purchases from within the Group.

The company monitors its capital risk through various ratios.

	2016	2015
	£	£
Total equity	28,781,691	19,324,463
Total assets	73,321,766	53,414,890
Group payable balance	41,686,319	31,342,503
Interest payable	581,880	749,597
EBITDA	11,315,131	(3,101,483)
Total equity/total assets	39.3%	36.2%
Group payable balance/EBITDA (times)	3.7	(10.1)
EBITDA/interest cost (times)	19.4	(4.1)

Spartan UK Limited

Notes to the financial statements for the year ended 31 December 2016 - continued

3 Expenses by nature

	2016	2015
	£	£
Changes in inventories of finished goods and goods for resale	58,540,674	39,482,632
Raw materials and consumables used	49,528,478	51,984,805
Employee benefit expense (note 5)	5,077,821	4,780,858
Depreciation	1,576,367	2,216,536
Amortisation	2,670	3,635
Foreign exchange gains	(873,177)	(234,815)
Operating leases	155,599	163,262
Other expenses	14,129,747	14,621,122
Total cost of sales, distribution costs and administrative expenses	128,138,179	113,018,035

4 Auditor's remuneration

	2016	2015
	£	£
Fees payable in respect of statutory audit	28,650	28,650

5 Employee benefit expense

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

	Number of employees	
	2016	2015
Management and administration	41	39
Production	75	76
	116	115

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Notes to the financial statements for the year ended 31 December 2016 - continued

5 Employee benefit expense (continued)

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Wages and salaries	4,550,602	4,301,930
Social security costs	473,735	438,725
Other pension costs	53,484	40,203
	5,077,821	4,780,858

6 Remuneration of directors

	2016	2015
	£	£
Aggregate emoluments	-	-

Total emoluments for the highest paid director were £nil (2015 £nil). Emoluments were borne by another group company.

Retirement benefits are accruing to none (2015: none) of the directors under money purchase schemes.

7 Finance income

	2016	2015
	£	£
Bank interest receivable	10	2,139
Late payment interest	-	8,127
	10	10,266

8 Finance costs

	2016	2015
	£	£
Other interest payable	581,880	749,597

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Notes to the financial statements for the year ended 31 December 2016 - continued

9 Income tax (credit)/charge

	2016 £	2015 £
Current tax:		
Adjustment in respect of prior years	-	21,722
Total current tax	-	21,722
Deferred tax:		
Origination and reversal of timing differences	(314,808)	-
Changes in tax rate	11,805	-
Adjustment in respect of prior years	(1)	-
Total deferred tax (note 17)	(303,004)	-
Income tax (credit)/charge	(303,004)	21,722

The tax on the company's profit/(loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

	2016 £	2015 £
Profit/(loss) before income tax	9,154,224	(6,060,985)
Profit/(loss) before income tax multiplied by the standard rate of corporation tax in the UK, 20.00% (2015: 20.25%)	1,830,845	(1,227,142)
Effects of:		
Expenses not deductible for tax purposes	11,343	12,259
Changes in tax rate	11,805	-
Rolled over gains	-	169
Adjustments in respect of prior years	(1)	21,722
(Tax losses utilised)/Amounts not recognised	(2,156,996)	1,214,714
Total tax (credit)/charge	(303,004)	21,722

Finance Act 2013 included provisions to reduce the rate of corporation tax to 23% with effect from 1st April 2013 with further reductions to 21% from 1st April 2014 and to 20% from 1st April 2015. These provisions were substantively enacted for the purposes of IAS 12 on 2nd July 2013 and accordingly the company's profit for this accounting period has been taxed at a rate of 20%. Finance No2 Act 2015, which was substantively enacted for the purposes of IAS 12 on 26th October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1st April 2017 and to 18% with effect from 1st April 2020. Finance Act 2016 which was substantively enacted on 6th September 2016 included provisions to further reduce the rate of corporation tax coming into effect from 1st April 2020 to 17%.

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Notes to the financial statements for the year ended 31 December 2016 - continued

10 Property, plant and equipment

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Assets in course of construction £	Total £
Cost					
At 1 January 2015	1,282,157	26,468,565	118,442	855,296	28,724,460
Transfers	-	256,863	-	(256,863)	-
Additions	-	493,289	-	85,833	579,122
Disposals	-	(1,796)	-	-	(1,796)
At 31 December 2015	1,282,157	27,216,921	118,442	684,266	29,301,786
Additions	-	149,319	-	-	149,319
At 31 December 2016	1,282,157	27,366,240	118,442	684,266	29,451,105
Accumulated depreciation					
At 1 January 2015	875,808	16,164,412	118,442	-	17,158,662
Charge for the year	1,489	2,215,047	-	-	2,216,536
Disposals	-	(1,796)	-	-	(1,796)
At 31 December 2015	877,297	18,377,663	118,442	-	19,373,402
Charge for the year	1,489	1,574,878	-	-	1,576,367
At 31 December 2016	878,786	19,952,541	118,442	-	20,949,769
Net book amount					
At 31 December 2016	403,371	7,413,699	-	684,266	8,501,336
At 31 December 2015	404,860	8,839,258	-	684,266	9,928,384
At 1 January 2015	406,349	10,304,153	-	855,296	11,565,798

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Notes to the financial statements for the year ended 31 December 2016 - continued

11 Intangible assets

	Software licences £
Cost	
At 1 January 2015	66,036
Additions	309
At 31 December 2015	66,345
Additions	-
At 31 December 2016	66,345
Accumulated amortisation	
At 1 January 2015	60,040
Charge for the year	3,635
At 31 December 2015	63,675
Charge for the year	2,670
At 31 December 2016	66,345
Net book amount	
At 31 December 2016	-
At 31 December 2015	2,670
At 1 January 2015	5,996

Amortisation is included within Administrative expenses in the Statement of comprehensive income.

12 Investments

	Shares in group undertakings £
Cost and net book value	
At 1 January 2015, 31 December 2015 and 31 December 2016	7

The investment represents 0.05% of the voting rights in Trametal Europe SpA.

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Notes to the financial statements for the year ended 31 December 2016 - continued

13 Inventories

	2016	2015
	£	£
Raw materials and consumables	7,785,870	9,731,036
Finished goods and goods for resale	6,879,345	4,976,380
	14,665,215	14,707,416

14 Trade and other receivables

	2016	2015
	£	£
Trade receivables	37,741,164	21,646,161
Amounts owed by group undertakings	8,646,253	4,503,745
Other receivables	1,081,522	1,469,803
Prepayments and accrued income	340,134	109,414
	47,809,073	27,729,123

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

15 Cash and cash equivalents

	2016	2015
	£	£
Cash at bank and in hand	2,043,131	1,047,290

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Notes to the financial statements for the year ended 31 December 2016 - continued

16 Trade and other payables

	2016	2015
	£	£
Trade payables	1,889,870	1,878,120
Amounts owed to group undertakings	41,686,319	31,342,503
Social security and other taxes	196,829	151,279
Accruals and deferred income	767,057	718,525
	44,540,075	34,090,427

Amounts owed to group undertakings are unsecured, interest bearing and repayable on demand.

17 Deferred income tax asset

	Deferred taxation
	£
At 1 January 2015	-
Credit to the statement of comprehensive income for the year	-
At 31 December 2015	-
Credit to the statement of comprehensive income for the year	(303,004)
At 31 December 2016	(303,004)

The elements of deferred taxation are as follows:

	2016	2015
	£	£
Accelerated capital allowances and other timing differences	(303,004)	-

At the balance sheet date the company has unused tax losses of £6,026,480 (2015 £16,093,585) available for offset against future profits. A deferred tax asset has been recognised in respect of £6,026,480 (£2015 5,312,767) of these losses. The deferred tax asset has been recognised following the company's return to profitability in the current year as there are forecast future profit streams available to set the losses against. At the previous balance sheet date no deferred tax aspect has been recognised in respect of losses of £10,780,818 owing to the unpredictability of future profit streams at that date.

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Notes to the financial statements for the year ended 31 December 2016 - continued

18 Ordinary shares

	Number of shares	Ordinary shares £
Authorised, called up and issued £1 ordinary shares		
At 1 January 2015, 31 December 2015 and 31 December 2016	2,500,000	2,500,000

19 Financial instruments by category

Loans and receivables

	2016 £	2015 £
Cash and cash equivalents	2,043,131	1,047,290
Trade and other receivables	47,468,939	27,619,709

Financial liabilities at amortised cost

	2016 £	2015 £
Trade and other payables	44,343,246	33,939,148

The carrying value of financial instruments is not considered to be significantly different from fair value.

20 Commitments

- (a) Capital commitments for the purchase of property, plant and equipment, at the end of the financial year for which no provision has been made, are as follows:

	2016 £	2015 £
Contracted	145,358	145,358

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Notes to the financial statements for the year ended 31 December 2016 – continued

20 Commitments (continued)

(b) The future aggregate minimum lease payments under non-cancellable operating leases, are as follows:

	2016	2015
	£	£
No later than one year	166,623	163,783
Between one and two years	148,732	129,663
Between two to five years	170,897	237,321
	486,252	530,767

21 Cash generated from/(used in) operations

	2016	2015
	£	£
Operating profit/(loss)	9,736,094	(5,321,654)
Adjustments for:		
Amortisation	2,670	3,635
Depreciation	1,576,367	2,216,536
Profit on disposal of property, plant and equipment	-	(8,000)
Changes in working capital:		
Decrease in inventories	42,201	6,154,415
(Increase)/decrease in trade and other receivables	(20,079,950)	1,344,987
Increase/(decrease) in trade and other payables	10,449,648	(4,719,823)
Cash generated from/(used in) operations	1,727,030	(329,904)

22 Related party transactions

The company is a subsidiary undertaking of Metinvest Trameal SpA, which is the immediate parent company incorporated in Italy. The principal activity of the company is that of a steel rolling mill producing hot rolled steel plates.

Notes to the financial statements for the year ended 31 December 2016 - continued

22 Related party transactions (continued)

The following transactions were carried out with companies wholly owned within the Metinvest BV group:

	2016	2015
	£	£
Purchases of raw materials -		
Metinvest International SA	47,109,011	47,582,476
Goods purchased for resale -		
Metinvest International SA	15,361,429	6,995,032
Metinvest Trametal SpA	16,566,056	12,249,087
Ferriera Valsider SpA	28,209,971	17,743,745
Promet Steel JSC	-	-
Recharges -		
Trametal Deutschland GMBH	104,480	123,931
Trametal Europe SPRL	116,113	114,588
Metinvest Trametal SpA	1,533,286	3,410,784
Ferriera Valsider SpA	689,976	928,626
Metinvest International SA	832,188	881,286

These transactions resulted in the following balances outstanding at the year end:

	2016	2015
	£	£
Assets:		
Metinvest Trametal SpA	8,290,440	4,032,196
Ferriera Valsider SpA	325,443	339,092
Metinvest International SA	30,370	132,457
Liabilities:		
Metinvest International SA	23,681,736	31,136,007
Metinvest Trametal SpA	1,560,785	188,111
Trametal Deutschland GMBH	86,992	10,076
Trametal Europe SPRL	104,257	8,309
Ferriera Valsider SpA	16,252,549	-

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Notes to the financial statements for the year ended 31 December 2016 - continued

23 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Metinvest Trametal SpA.

The ultimate parent undertaking is Metinvest BV, a company incorporated in the Netherlands.

Metinvest BV is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. The consolidated financial statements of Metinvest BV is available from Alexanderstraat 23, 2514 JM, The Hague.

The financial statements can be obtained from Alexanderstraat 23, 2514 J M, The Hague.

Metinvest BV is 71.24% owned by J SC Systems Capital Management (SCM). The ultimate controlling party is considered to be Rinat Akhmetov by virtue of his controlling interest in SCM.

24 Capital management

The capital structure of the company consists of equity capital in the form of ordinary shares and retained earnings. The capital structure is managed at Group level in such a way that it ensures the going concern of the company and the maximisation of returns to stakeholders.

Key management compensation

No employees of the company other than the directors are considered to be key management. Directors' emoluments are disclosed in note 6.