

**Klöckner UK France Holding Limited**

**Directors' report and financial  
statements**

**Registered number 5310738**

**31 December 2009**



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## Directors' report

The directors present their directors' report and the financial statements for the year ended 31 December 2009

### Principal activity

The company is a holding company. The principal activity of its subsidiary companies is metals distribution.

### Business review

The loss for the financial year was £4,012,000 (2008 profit £14,266,000)

During the year the company has performed an impairment review of its investments. Two investments were considered to be impaired requiring a write down of £2.1m in total.

### Dividends

No dividend was paid during the year (2008 £5,000,000)

### Directors and their interests

The directors are not required to resign by rotation.

Details of the directors during the year and at the date of this report are set out below.

K Avaliani (Appointed 31 May 2010)

MJ Joyce (Resigned 31 May 2010)

K Devonport

None of the directors in office at the year end has any interest in the shares of the company or its subsidiary undertakings.

### 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/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

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

By order of the board



K Devonport  
Company Secretary

Valley Farm Road  
Stourton  
Leeds  
LS10 1SD  
28 September 2010

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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**

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

**Independent auditors' report to the members of Klöckner UK France Holding Limited**

We have audited the financial statements of Klockner UK France Holding Limited for the year ended 31 December 2009 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 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 (APB'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 APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

**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 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

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

## **Independent auditors' report to the members of Klöckner UK France Holding 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

**AJ Stone (Senior Statutory Auditor)**

For and on behalf of

**KPMG LLP**  
**Statutory Auditor**

Chartered Accountants  
1 The Embankment  
Leeds  
West Yorkshire  
LS1 4DW

**29** September 2010

**Profit and loss account**  
*for the year ended 31 December 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
Administrative expenses		<b>(283)</b>	<b>(7,138)</b>
Impairment of subsidiary undertakings	<b>6</b>	<b>(2,084)</b>	<b>-</b>
<b>Operating loss</b>	<b>2</b>	<b>(2,367)</b>	<b>(7,138)</b>
Income from shares in group undertakings		<b>-</b>	<b>29,524</b>
Other interest receivable and similar income	<b>3</b>	<b>912</b>	<b>13</b>
Interest payable and similar charges	<b>3</b>	<b>(2,557)</b>	<b>(8,133)</b>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(4,012)</b>	<b>14,266</b>
Tax on profit on ordinary activities	<b>5</b>	<b>-</b>	<b>-</b>
<b>(Loss)/profit for the financial year</b>	<b>11</b>	<b>(4,012)</b>	<b>14,266</b>

The results for the year relate solely to continuing activities

There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis

The company has no recognised gains or losses other than those reflected in the above profit and loss account

**Balance sheet**  
*at 31 December 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
<b>Fixed assets</b>			
Investments	6	99,706	103,014
<b>Debtors</b>	7	1	16,387
<b>Creditors</b> amounts falling due within one year	8	(10,735)	(1,858)
<b>Net current (liabilities)/assets</b>		<b>(10,734)</b>	<b>14 529</b>
<b>Creditors</b> amounts falling due after more than one year	9	(57,756)	(82,315)
<b>Net assets</b>		<b>31,216</b>	<b>35,228</b>
<b>Capital and reserves</b>			
Called up share capital	10	1,800	1,800
Profit and loss account	11	29,416	33,428
<b>Shareholders' funds</b>	12	<b>31,216</b>	<b>35,228</b>

These financial statements were approved by the Board of Directors on 28 September 2010 and are signed on its behalf by



**K Devonport**  
 Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings, and in accordance with applicable accounting standards

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Klockner & Co SE, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Klockner & Co SE, within which this Company is included, can be obtained from the address given in note 13

In determining whether the company's annual financial statements can be prepared on a going concern basis, the directors considered all factors likely to materially affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities. The key factors considered by the directors were as follows

- the impact of the challenging economic environment on the group's revenues and profits. The key assumption is that the group's trading conditions experienced in the first eight months of 2010 continue for the next 12 months. The group undertakes forecasts and projections of trading, cash flows and working capital requirements on a regular basis
- the impact of the competitive environment within which the group operates,
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected, and
- the parent company has issued a committed facility available for drawdown at the discretion of the UK sub-group totalling £75 million which expires in May 2011

The group's forecast and projections, taking account of possible changes in trading performance, show that the group should be able to operate within the level of its current facilities for the foreseeable future and accordingly, they continue to adopt the going concern basis of preparing the Directors' report and financial statements

#### *Group accounts*

The Company is exempt by virtue of s400 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

#### *Investments*

Investments in subsidiary undertakings are stated at cost less any provisions for diminution in value

#### *Impairments excluding inventories and deferred tax assets*

The carrying amounts of the Company's investment assets are reviewed at each balance sheet date to determine when there is any indication of impairment, a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. 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 Profit and Loss Account

## Notes (continued)

### 1 Accounting policies (continued)

#### *Calculation of recoverable amount*

The recoverable amount of investment assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Taxation*

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

#### *Foreign currencies*

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 profit and loss account.

### 2 Notes to the profit and loss account

	2009 £000	2008 £000
<i>Loss before tax is stated after charging</i>		
Impairment losses on investments	2,084	-
Loss on disposal of subsidiary undertaking	-	6,931
Auditors' remuneration - audit of these financial statements	22	8
- other services	26	20
	<hr/>	<hr/>

## Notes (continued)

### 3 Interest

	2009 £000	2008 £000
<b>Interest receivable and similar income</b>		
Exchange gains	776	-
Bank interest	-	13
Other – adjustment to finance costs of deferred consideration	136	-
	<u>912</u>	<u>13</u>
<b>Interest payable and similar charges</b>		
Amounts payable on group loans	2,513	5,457
Exchange losses	-	2,616
Amortisation of arrangement fees	44	39
Other	-	21
	<u>2,557</u>	<u>8,133</u>

Arrangement fees incurred in raising the Company's finance are charged to the profit and loss account over the period of the related finance. Unamortised finance costs as at 31 December 2009 were £240,000 (2008 £305,000)

### 4 Information regarding directors and employees

The directors received no remuneration from the company during the year. The company had no employees in the year.

Emoluments paid by other group companies to directors of the group are disclosed below

	2010 £000	2009 £000
<i>Directors remuneration</i>		
Emoluments	1,605	1,262
Benefits in kind	109	94
	<u>1,714</u>	<u>1,356</u>
Pension contributions under a money purchase scheme	89	89
	<u>1,803</u>	<u>1,445</u>
	No	No
<i>Number of directors for whom pension benefits are accruing under a money purchase scheme</i>	3	3
<i>final salary scheme</i>	6	5

	2010 £000	2009 £000
<i>Highest paid director</i>		
Remuneration	388	308

## Notes (continued)

### 5 Taxation

	2009 £000	2008 £000
Current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	-
	<hr/>	<hr/>

#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is different to the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(4,012)	14,266
	<hr/>	<hr/>
Current tax at 28% (2008 28.5%)	(1,123)	4,066
<i>Effects of</i>		
Expenses not deductible for tax	14	1,983
Group relief not paid for or charged	484	2,365
Tax losses carried forward	42	-
Impairment of subsidiary undertakings	583	-
Non-taxable income	-	(8,414)
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

An unrecognised deferred tax asset in respect of corporation tax losses totals £42,000 (2008 £nil)

The directors have elected not to recognise the deferred tax asset as they do not believe with sufficient certainty, that they will be absorbed by forecast taxable profits in the foreseeable future

## Notes (continued)

### 6 Investments in subsidiary companies

	2009 £000
<i>Cost</i>	
At 31 December 2008	103,014
Adjustment to deferred consideration	(1,224)
	<hr/>
At 31 December 2009	101,790 <hr/>
<i>Provisions</i>	
At 31 December 2008	-
Impairment of subsidiary undertakings	2,084
	<hr/>
At 31 December 2009	2,084 <hr/>
<i>Net book value</i>	
At 31 December 2009	99,706 <hr/>
At 31 December 2008	103,014 <hr/>

The company has the following principal subsidiaries

	Country of registration	% owned
ASD Limited	England and Wales	100%
Armstrong Steel Limited	England and Wales	100%
Klockner Metal Services Limited	England and Wales	100%
ASD Westok Limited	England and Wales	100%
ASD Interpipe Limited	England and Wales	100%
ASD Multitubes Limited	England and Wales	100%

The issued share capital comprises solely of ordinary shares

Deferred consideration no longer payable has resulted in an adjustment to the cost of investment in ASD Westok Limited

At 31 December 2009, the Company's investments were tested for impairment

When performing the impairment review the relevant retraction and growth rates included therein vary between 2% and 45% reflecting the current volatility of the UK market and the group's trading conditions experienced in the first eight months of 2010

The recoverable amount of the investments are determined from value in use calculations, the key assumptions are those regarding discount and growth rates. Growth rates incorporate estimated metal prices, volume and direct cost changes. Management used post-tax discount factors of 9.41% over the forecast period.

**Notes (continued)**

**7 Debtors**

	2009 £000	2008 £000
Amounts due from group undertakings	-	16,368
Other debtors	1	19
	<u>1</u>	<u>16,387</u>

**8 Creditors: amounts falling due within one year**

	2009 £000	2008 £000
Accruals and deferred income	136	120
Amounts owed to group undertakings	10,599	238
Other creditors	-	1,500
	<u>10,735</u>	<u>1,858</u>

Amounts owed to group undertakings includes an inter-company loan totalling £10,417,000 which was scheduled for repayment in 2015. Prior to the year end the directors took the decision to repay the loan early in May 2010.

Subsequent to the year end this repayment occurred utilising alternative group funding on the facility committed to the Klockner UK sub-group (see note 9).

**9 Creditors: amounts falling due after more than one year**

	2009 £000	2008 £000
Amounts owed to group undertakings	56,142	80,125
Other creditors	1,614	2,190
	<u>57,756</u>	<u>82,315</u>

Amounts owed to group undertakings include £34m that is repayable in May 2011 and interest accrues on this loan at LIBOR plus floating rate margin. The average rate charged during the year on this loan was 2.62%.

A total committed group facility of £75 million is available for the Klockner UK sub-group to drawdown.

**Notes** (continued)

**10 Called up share capital**

	2009 £	2008 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,800,000	1,800,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each at beginning of year	1,800,000	1
Issued during the year	-	1,799,999
At end of year	1,800,000	1,800,000

**11 Reserves**

	Profit and loss account £000
At beginning of year	33,428
Loss for the financial year	(4,012)
At end of year	29,416

No dividend was paid during the year (2008 £5,000,000)

**12 Reconciliation of movements in shareholders' funds**

	2009 £000	2008 £000
Opening shareholders' funds	35,228	25,962
(Loss)/profit for the financial year	(4,012)	14,266
Dividends paid	-	(5,000)
Closing shareholders' funds	31,216	35,228

**13 Ultimate parent company**

Klockner & Co SE, a company incorporated in Germany, is the parent company of the smallest and largest group of which the company is a member and for which group accounts are drawn up. Copies of the accounts of Klockner & Co SE may be obtained from

The Secretary  
 Valley Farm Road  
 Stourton  
 Leeds  
 LS10 1SD