

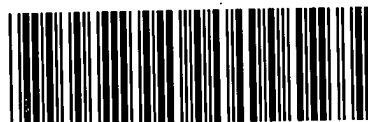
Kloeckner Metals UK Holdings Limited

**Directors' report and financial
statements**

Registered number 5310738

31 December 2017

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Strategic Report

Principal activities

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

Business review, results and key performance indicators

The trading results for the period and the Company's financial position at the end of the period are shown in the attached financial statements.

The business review and key performance indicators of the Group are disclosed in the financial statements of ASD Limited.


Principal risks and uncertainties

The principal risks and uncertainties of the company and its investment in subsidiary entities are detailed within the financial statements of ASD Limited.

Future developments

No changes in the nature of the company are anticipated.

By order of the board



C Milne
Director

Valley Farm Road
Stourton
Leeds
LS10 1SD

12 June 2018

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2017.

Directors

The directors who served during the year are as follows:

K Avaliani
GC Jones
C Milne

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

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Dividends and results for the year

The results for the year ended 31 December 2017 are shown in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (2016: £nil).

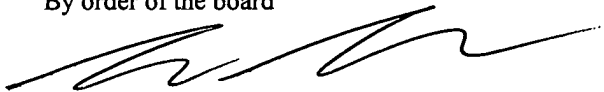
Disclosure of information to auditor

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 they ought to have taken as a director to make themselves 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



C Milne
Director

Valley Farm Road
Stourton
Leeds
LS10 1SD

12 June 2018

Statement of directors' responsibilities in respect of the Strategic Report, 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Sovereign Square
Sovereign Street.
Leeds
LS1 4DA
United Kingdom

Independent auditor's report to the members of Kloeckner Metals UK Holdings Limited

Opinion

We have audited the financial statements of Kloeckner Metals UK Holdings Limited ("the Company") for the year ended 31 December 2017, which comprise the Profit and Loss account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Kloeckner Metals UK Holdings Limited (*continued*)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Matthew Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
West Yorkshire
LS1 4DA

13 June 2018

Profit and Loss account
for year ended 31 December 2017

	<i>Note</i>	2017 £000	2016 £000
Administrative expenses		(27)	(295)
Impairment of investments in subsidiary undertakings	2	-	(10,000)
Operating loss		(27)	(10,295)
Income from shares in group undertakings		-	10,000
Interest receivable and similar income	5	18	-
Interest payable and similar charges	6	(1,124)	(976)
Loss on ordinary activities before taxation		(1,133)	(1,271)
Tax on loss on ordinary activities	7	-	-
Loss for the financial year		(1,133)	(1,271)

The results for the period relate solely to continuing activities.

The notes on pages 10 to 18 form part of the financial statements.

Statement of Other Comprehensive Income
for the year ended 31 December 2017

	2017 £000	2016 £000
Loss for the financial period	(1,133)	(1,271)
Other comprehensive income, net of tax	-	-
	<hr/>	<hr/>
Total comprehensive income for the financial period	(1,133)	(1,271)
	<hr/>	<hr/>

The notes on pages 10 to 18 form part of these financial statements.

Balance Sheet

at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investments	8	87,190	87,190
		<hr/>	<hr/>
		87,190	87,190
Current liabilities			
Creditors: amounts falling due within one year	9	(58,886)	(57,752)
		<hr/>	<hr/>
Net current liabilities		(58,886)	(57,752)
		<hr/>	<hr/>
Total assets less current liabilities		28,304	29,438
		<hr/>	<hr/>
Net assets		28,304	29,438
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	30,800	30,800
Profit and loss account		(2,496)	(1,362)
		<hr/>	<hr/>
Shareholders' funds		28,304	29,438
		<hr/>	<hr/>

The notes on pages 10 to 18 form part of the financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 12 June 2018
and signed on their behalf by:



C Milne
Director

Company registered number: 5310738

Statement of Changes in Equity

for the year ended 31 December 2017

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	30,800	(91)	30,709
Total comprehensive income for the period			
Profit or loss	-	(1,271)	(1,271)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(1,271)	(1,271)
Balance at 31 December 2016	30,800	(1,362)	29,438

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	30,800	(1,362)	29,438
Total comprehensive income for the period			
Profit or loss	-	(1,133)	(1,133)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(1,133)	(1,133)
Balance at 31 December 2017	30,800	(2,496)	28,304

Notes

(forming part of the financial statements)

1 Accounting policies

Kloeckner Metals UK 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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Klockner & Co SE includes the Company in its consolidated financial statements. The consolidated financial statements of Klockner & Co SE are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from The Secretary, Valley Farm Road, Stourton, Leeds, LS10 1SD.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Klöckner & Co SE include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- The disclosures required by IFRS 7 Financial Instrument Disclosures.

Notes (continued)

1 Accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

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 group facility has been secured until 31st May 2019. Group management have confirmed that it is their intention to continue to support the UK businesses for at least the next 12 months. The group undertakes forecasts and projections of trading, cash flows and working capital requirements on a regular basis.

The key factors considered by the directors were as follows:

- 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;
- the available finance facilities.

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.

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 cash flow statement.

Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

Notes (continued)

1 Accounting policies (continued)

Impairment excluding stocks, and deferred tax assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Expenses

Interest receivable and Interest payable Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

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 or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

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 the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Impairment of fixed asset investments	-	10,000

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	9	55

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Klockner & Co SE.

Notes (continued)

3 Staff numbers and costs

There were no persons employed by the Company during the year and therefore there was no remuneration.

4 Directors' remuneration

The directors received no remuneration from the company during the year.

5 Interest receivable and similar income

	2017 £000	2016 £000
Interest receivable	18	-
Total other interest receivable and similar income	18	-

6 Interest payable and similar charges

	2017 £000	2016 £000
Amounts payable on group loans	1,124	976
Total other interest payable and similar charges	1,124	976

Of the above amount £1,124,000 (2016: £976,000) was payable to group undertakings.

Notes (continued)

7 Taxation

Recognised in the profit and loss account

	2017 £000	2016 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2017 £000	2016 £000
Loss for the year	(1,133)	(1,271)
Total tax expense	-	-
	<hr/>	<hr/>
Loss excluding taxation	(1,133)	(1,271)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	(218)	(254)
Effects of:		
Expenses not deductible for tax	-	2,000
Income not deductible for tax	-	(2,000)
Group relief not paid for or charged	81	254
Deferred tax not recognised	137	-
Losses	-	-
	<hr/>	<hr/>
Total tax expense	-	-
	<hr/>	<hr/>

An unrecognised deferred tax asset in respect of corporation tax losses totals £344,773 (2016: £226,815).

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.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Notes (continued)

8 Investments in subsidiary companies

	Shares in group undertakings £000
Cost	
At beginning of year	119,790
Additions	-
	<hr/>
At end of year	119,790
	<hr/>
Provisions	
At beginning of year	32,600
Impairment losses	-
	<hr/>
At end of year	32,600
	<hr/>
At 31 December 2017	87,190
	<hr/>
At 31 December 2016	87,190
	<hr/>

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership	
			2017	2016
ASD Limited	UK	Ordinary	100%	100%
ASD Westok Limited	UK	Ordinary	100%	100%
Richardsons Westgarth Limited	UK	Ordinary	100%	100%
ASD Interpipe Limited	UK	Ordinary	100%	100%
ASD Multitubes Limited	UK	Ordinary	100%	100%

Notes (continued)

1 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to group undertakings	58,733	57,450
Trade creditors	28	35
Accruals and deferred income	125	267
	58,886	57,752

Amounts owed to group undertakings include £22m that is repayable in May 2019. Interest accrues on this loan at LIBOR plus floating rate margin. The average rate charged during the year on this loan was 2.9% (2016: 3.0%).

A total committed group facility of £50 million is available for the Klöckner UK sub-group to drawdown which expires in May 2019.

2 Capital and reserves

Share capital

	2017 No. of Shares 000's	2016 No. of Shares 000's
On issue at 1 January	30,800	30,800
Issued for cash	-	-
On issue at 31 December – fully paid	30,800	30,800
	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
30,800,000 ordinary shares of £1 each	30,800	30,800
Shares classified in shareholders' funds	30,800	30,800

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.

Notes (continued)

11 Related parties

Other related party transactions

	Administrative expenses incurred from	
	2017 £000	2016 £000
Parent	4	4
	<u>4</u>	<u>4</u>
	<u><u>4</u></u>	<u><u>4</u></u>

	Receivables outstanding		Creditors outstanding	
	2017 £000	2016 £000	2017 £000	2016 £000
Parent	-	-	22,012	18,008
Subsidiaries	-	-	36,721	39,442
	<u>-</u>	<u>-</u>	<u>58,733</u>	<u>57,450</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>58,733</u></u>	<u><u>57,450</u></u>

12 Ultimate parent company and parent company of larger group

The largest group in which the results of the Company are consolidated is that headed by Klöckner & Co SE, incorporated in Germany. No other group financial statements include the results of the Company. The consolidated financial statements of Klöckner & Co SE are available to the public and may be obtained from: The Secretary, Valley Farm Road, Stourton, Leeds, LS10 1SD.