Company Registration No. SC 30987

# Barclay & Mathieson Limited

## Report and Financial Statements

## for the year ended 31 December 2013

# Barclay & Mathieson Limited

## Report and financial statements 2013

## Contents

# Barclay & Mathieson Limited

## Report and financial statements 2013

## Officers and professional advisers

## Directors

Julian Verden
Nicholas Watson
Alastair Macphie

**Secretary**

Amanda Louise Phillips

**Registered office**

Shieldhall Works
180 Hardgate Road
Glasgow
G51 4TB

**Principal bankers**

Bank of Scotland
110 St Vincent Street
Glasgow
G2 5ER

**Independent Auditor**

Ernst & Young LLP
G1, 5 George Square
Glasgow
G2 1DY

# Barclay & Mathieson Limited
# Registered No. SC 30987

## Strategic Report

The directors submit their annual Strategic report of the Company for the year ended 31 December 2013.

### Business review and principal activities

The Company's principal activity is as steel stockholders, operating from 14 locations throughout the UK. There have been no significant changes in the Company's principal activity in the year to 31 December 2013. The directors are not aware at the date of this report, of any likely changes in the Company's activity in the coming year.

As shown in the profit and loss account on page 8, sales by the Company fell 4% but gross profit increased by 17% compared with the 12 months to 31 December 2012 and the company returned to profit.

In general steel prices and demand remained fairly flat throughout the course of the year and the general economic conditions continue to remain relatively difficult.

The directors have not paid a dividend for the year (2012: £nil). The profit after taxation for the financial period of £380,152 (2012: loss £255,672 profit) has been transferred to reserves.

The balance sheet on page 9 of the financial statements shows that the Company's financial position at the yearend in net asset terms has decreased from the previous year from £17,658,467 to £16,867,334. The principal reason for this was a downward revaluation of property in excess of the retained profit for the year.

### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The principal risk and uncertainty at the current time relates to the level of general economic activity in UK and world terms. This is a risk common to most companies at the current time. The Company has a very wide customer base in terms of activity and size. It also has a range of suppliers and so has no concerns regarding continuity of supply. Given these factors, the directors consider that the company is well placed to withstand and prosper in the current conditions when compared to competitors.

Other key business risks affecting the Company are considered to relate to competition from national suppliers, employee retention and product availability and price.

### Future outlook

As at the date of this report economic conditions remain similar to 2013, however, further supply led price increases are expected in the coming months which will impact positively on overall performance. The Directors are confident that the Company will continue to be profitable in 2014, and is well placed to take advantage of an upturn in demand.

### Credit and Liquidity Risk

The Company's principal financial assets are trade debtors. The Company has no significant concentration of credit risk with a single counterparty as exposure is spread over a number of counterparties.

The Company's principal financial liabilities are its bank loan and trade creditors.

## Barclay & Mathieson Limited
## Registered No. SC 30987

# Strategic Report

**Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs, beyond the primary financial measures including turnover and profitability, is not necessary for an understanding of the development, performance or position of the business.

Approved by the Board of Directors and signed by order of the Board

N Watson

25 April 2014

# Barclay & Mathieson Limited
# Registered No. SC 30987

## Directors' report

The directors submit their annual report and the audited financial statements of the Company for the year ended 31 December 2013.

**Directors**

The directors of the Company, who served in the year and to the date of this report were:

Robert Kyle (resigned 22 May 2013)
Ralph Oppenheimer (resigned 17 September 2013)
Julian Verden
Nicholas Watson
Alastair Macphie

**Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Going Concern**

Following the Group's default on its loan facilities in May 2013, there are material uncertainties that cast doubt on the Company's ability to continue as a going concern. The Group completed its refinancing on 19 March 2014, however some uncertainties remain. These uncertainties are summarised below and more detail is provided in note 1 to the financial statements.

- Realisation of non-core assets, including sale of the Group's Indian operations, at a value sufficient to repay the Term Debt;
- Failing to meet the amortisation profile of the Term Debt from the sale or wind down of non-core businesses or reducing working capital causing a breach in covenants; and
- Future trading may not be in line with the latest forecasts due to factors such as an inability to re-establish certain counter-party relationships affected by the credit downgrade of the Group during 2013, liquidity constraints as a result of the new financing structure, a failure to complete downsizing quickly enough to improve EBITDA, or deterioration in the overall steel trading environment.

After considering the material uncertainties set out in note 1, the directors continue to adopt the going concern basis in preparing the financial statements.

**Independent auditor**

In accordance with Section 485, a resolution to reappoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed by order of the Board

Nick Watson

N Watson
25 April 2014

# Barclay & Mathieson Limited

## Directors' responsibilities statement

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAY & MATHIESON LIMITED

We have audited the financial statements of Barclay & Mathieson Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of matter – going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the company's ability to continue as a going concern. The conditions described in Note 1 indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

In our opinion 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARCLAY & MATHIESON 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.

Ernst & Young LLP

James Nisbet (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Glasgow, United Kingdom

28 April 2014

## Barclay & Mathieson Limited

## Profit and loss account
## Year ended 31 December 2013

| | Note | 2013<br>£ | 2012<br>£ |
|---|---|---|---|
| **Turnover** | 2 | 59,756,172 | 62,233,112 |
| Cost of sales | | (49,829,542) | (53,756,787) |
| **Gross profit** | | 9,926,630 | 8,476,325 |
| Other operating expenses | 3 | (8,355,338) | (8,741,457) |
| **Operating profit/(loss)** | | 1,571,292 | (265,132) |
| Net interest payable and similar charges | 7 | (874,447) | (542,538) |
| Other finance income | 19 | - | 691,000 |
| **Profit/(loss) on ordinary activities before taxation** | 4 | 696,845 | (116,670) |
| Tax charge on profit/(loss) on ordinary activities | 8 | (316,693) | (139,002) |
| **Profit/(loss) on ordinary activities after taxation** | 17 | 380,152 | (255,672) |

The results above are derived solely from continuing operations.

The accompanying notes form an integral part of this profit and loss account.

## Barclay & Mathieson Limited

## Balance sheet
## As at 31 December 2013

| | Note | 2013 £ | 2012 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible fixed assets | 9 | 14,387,339 | 17,129,227 |
| Investments | 10 | 53,251 | 53,251 |
| | | 14,440,590 | 17,182,478 |
| **Current assets** | | | |
| Stocks | 11 | 11,289,705 | 12,179,000 |
| Debtors | 12 | 13,453,339 | 13,775,756 |
| Cash at bank and in hand | | 2,016,009 | 2,272,496 |
| | | 26,759,053 | 28,227,252 |
| **Creditors:** amounts falling due within one year | 13 | (24,332,309) | (27,063,463) |
| **Net current assets** | | 2,426,744 | 1,163,789 |
| **Total assets less current liabilities** | | 16,867,334 | 18,346,267 |
| **Net assets excluding pension deficit** | | 16,867,334 | 18,346,267 |
| **Pension deficit** | 19 | - | (687,800) |
| **Net assets including pension deficit** | | 16,867,334 | 17,658,467 |
| **Capital and reserves** | | | |
| Called up share capital | 15 | 8,600 | 8,600 |
| Capital redemption reserve | 16 | 21,400 | 21,400 |
| Revaluation reserve | 16 | 3,840,029 | 5,708,164 |
| Profit and loss account | 17 | 12,997,305 | 11,920,303 |
| **Shareholders' funds** | 18 | 16,867,334 | 17,658,467 |

The financial statements were approved by the Board of Directors on 25 April 2014 and were signed on its behalf by:

N Watson
Director

## Barclay & Mathieson Limited

## Statement of total recognised gains and losses
## Year ended 31 December 2013

| | Note | 2013<br>£ | 2012<br>£ |
|---|---|---|---|
| Profit/(Loss) on ordinary activities after taxation | | 380,152 | (255,672) |
| Loss on revaluation of properties | | (1,868,135) | - |
| Actuarial gain/(loss) relating to the pension scheme | 19 | 905,000 | (289,000) |
| UK deferred tax attributable to the actuarial (loss)/gain | 19 | (208,150) | 69,361 |
| **Total recognised (loss) in the year** | | (791,133) | (475,311) |

## Barclay & Mathieson Limited

## Note of historical cost profits and losses
## Year ended 31 December 2013

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Reported profit/(loss) on ordinary activities before taxation | 696,845 | (116,670) |
| Difference between historical cost depreciation charge and actual depreciation charge of the year | 56,999 | 84,914 |
| Historical profit/(loss) on ordinary activities before taxation | 753,844 | (31,756) |
| Historical profit/(loss) on ordinary activities after taxation | 437,151 | (170,758) |

# Notes to the financial statements
# At 31 December 2013

## 1. Accounting policies

### Basis of preparation

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain tangible fixed assets, in accordance with applicable accounting standards. They have all been consistently applied throughout the current and preceding year. The principal accounting policies are summarised below.

### Going concern basis

In May 2013, the Stemcor Holdings Limited Group (the "Group") defaulted on the repayment of its one-year European Revolving Credit Facility ("RCF"). The European RCF default in turn led to a cross-default on the Group's Asian RCF and the three-year European RCF. The European RCFs were owed by Stemcor Trade Finance Limited (a UK entity), and the Asian RCF was owed by Stemcor S.E.A. Pvt Limited (a Singapore entity). The Group entered into negotiations with a steering committee of the Group's senior lenders (the "Co Comm") and agreed to a series of Global Standstill Agreements.

Following an in-depth independent business review (IBR) of the Group's business plans by Co Comm and its advisors, a solvent Group-wide Refinancing Plan (the "Refinancing Plan") was agreed in principle in August 2013, was sanctioned by the UK courts under two Schemes of Arrangement in February 2014 and was completed in March 2014. The principal aspects of the Refinancing Plan are:

- a $1.15 billion syndicated committed trade finance facility ("SCTFF") to finance the Group's global trading business until 31 December 2015; and
- a $1.30 billion Term Loan to refinance the one-year and three-year European RCFs and Asian RCF debt until 31 December 2015 (the "Term Debt").

Under the SCTFF and Term Debt, the Group has covenanted to make minimum Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA"), retain minimum Net Current Assets and retain minimum free cash balances on a specified part of the business defined with the lenders as 'core' as well as covenanting to provide information to the Lenders through to December 2015. Future trading will need to be in line with forecasts to ensure that a breach does not result due to a failure to meet the financial targets, which are assessed on a quarterly basis.

The Term Debt is to be repaid via an amortisation schedule, plus mandatory prepayments from, selling the Group's Indian assets, selling or winding up other non-core businesses, reducing working capital and the refinance of any unpaid balance outstanding at maturity.

The Term Debt also has financial covenants around the disposal of certain assets based on the Group's business plan and the subsequent IBR performed by the Co Comm's advisors. Any failure to achieve these quarterly targets will cause a breach in the new Term Debt and cross default on the SCTFF.

The Group is running a sales process to sell its Indian assets, including Brahmani River Pellets Limited and Aryan Mining Limited. Proceeds from the sale of these assets will be used to pay down part of the Term Debt and forms a key part of the amortisation plan. An Investment Bank has been mandated to support the Group with the sale, including the production of an Information Memorandum, managing the bidders, co-ordinating the data room and due diligence and liaising with the Group. The process is on-going.

The Group's financing of its Indian assets was restructured in December 2013, as part of an agreement with creditors to create a stable platform for the sales process. The Group is also actively pursuing refinancing opportunities for the Indian assets to protect their position in case of a delay to the sales process. We expect the disposal of Indian assets will lead to an accounting profit as these assets are recorded in the Group balance sheet at historical cost.

# Notes to the financial statements (continued)
# At 31 December 2013

**1. Accounting policies (continued)**

**Going concern basis (continued)**

The Group has incurred further losses in 2013 due to (i) lower trading levels due to restricted access to finance and (ii) exceptional restructuring and finance costs. As a consequence of these losses, and without any revaluation of the Indian Assets, the Group presents both a net liability position and a net current liability position as at 31 December 2013. The refinancing on 19 March 2014, resulted in $950m of the term debt becoming repayable in a period greater than 12 months (31 December 2015), improving the Group's current position to net current assets.

Following the successful refinancing, management expects the Group to return to profitability.

Barclay & Mathieson Limited is a guarantor for Stemcor Trade Finance under the terms of the new Term Debt and is a designated borrower and guarantor under the terms of the new SCTFF and therefore relies on the Group for future financial support. As a result of the successful refinancing mentioned above, the SCTFF is available to Barclay & Mathieson Limited providing sufficient funding to continue trading.

The directors are aware of the following uncertainties facing the business:

- Realisation of non-core assets, including sale of the Group's Indian operations, at a value sufficient to repay the Term Debt;
- Failing to meet the amortisation profile of the Term Debt from the sale or wind down of non-core businesses or reducing working capital causing a breach in covenants; and
- Future trading may not be in line with the latest forecasts due to factors such as an inability to re-establish certain counter-party relationships affected by the credit downgrade of the Group during 2013, liquidity constraints as a result of the new financing structure, a failure to complete downsizing quickly enough to improve EBITDA, or deterioration in the overall steel trading environment.

The uncertainties may lead to an inability of the Group to generate sufficient cash flow and achieve sufficient EBITDA to comply with its financial covenants.

The directors recognise that these uncertainties represent material uncertainties which may cast significant doubt upon the Group's ability to continue as a going concern and therefore the Group may be unable to continue to realise assets and discharge liabilities in the normal course of business.

The Directors believe the new financing agreements will allow the Group to finance prospective trades, and rebuild its business in a controlled manner and trade profitably. The Directors have reviewed current trading, cash flow projections and the facility agreements as part of their assessment of the Group's ability to continue as a going concern.

After making reasonable enquiries and carefully considering the matters described above, the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. The financial statements do not include adjustments that would result if the Group were unable to continue as a going concern, which would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise

**Basis of Consolidation**

The company is not required to prepare and deliver group financial statements since it is itself a subsidiary undertaking and its parent undertaking Stemcor Holdings Limited is incorporated in the UK and prepares group financial statements. Therefore these financial statements present information about the company as an individual undertaking and not as a group.

# Notes to the financial statements (continued)
# At 31 December 2013

1. **Accounting policies (continued)**

**Turnover**

Turnover represents the invoiced amount of goods sold and services provided net of value added tax.

Revenue arising from the sales of steel is recognised when the risks and rewards of ownership have substantially passed to the customer.

**Pensions**

The Company operates a defined benefit pension scheme. The funds are valued on a regular basis by a professionally qualified independent actuary, the rate of contribution payable being determined by the actuary. In accordance with FRS 17 the service cost of pension provision relating to the year, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the Company's long-term expected return on assets (based on the market value of the scheme assets at the start of the period) are included in the profit and loss account under 'net return on pension scheme'.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences which arise from experience of assumption changes. Further information on pension arrangements is set out in note 19 to the financial statements.

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

**Foreign currencies**

Transactions in foreign currencies are recorded in sterling using the rate of exchange ruling at the date of the transactions or if hedged at the forward contract rate.

Monetary assets and liabilities denominated in currencies other than sterling are translated at the effective rate of exchange ruling at 31 December, and gains or losses on translation are included in the profit and loss account.

**Tangible fixed assets**

Fixed assets are stated at cost less provision for depreciation and any impairment. Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, with the exception of land, over their expected useful lives:

| | |
|---|---|
| Buildings | 2.5% |
| Vehicles, plant and machinery | 10 - 25% |
| Fixtures and fittings | 10 - 25% |

**Revaluation of properties**

Individual freehold and leasehold properties are revalued in accordance with FRS 15 with the surplus or deficit on book value transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus.

On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

# Notes to the financial statements (continued)
# At 31 December 2013

1. **Accounting policies (continued)**

**Investments in subsidiaries**

Investments in subsidiaries are stated at cost, less any provisions for impairment in value.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes transport inwards.

**Deferred taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Leased assets**

The cost of operating leases is charged to profit and loss account on a straight line basis over the life of lease term.

**Cash Flow Statement**

No cash flow statement has been prepared in accordance with the exemption conferred by Financial Reporting Standard No 1 Cash flow statements (Revised 1996), as the company is part of a group.

A cash flow statement is incorporated in the consolidated financial statements of Stemcor Holdings Limited, the ultimate parent company.

2. **Segmental analysis**

The Company operates in only one principal class of business. Full segmental information has not been disclosed as permitted by Statement of Standard Accounting Practices No. 25 Segmental Reporting.

3. **Other operating expenses**

| | 2013 £ | 2012 £ |
|---|---|---|
| Administrative expenses | 3,492,007 | 3,602,005 |
| Distribution expenses | 4,863,331 | 5,139,452 |
| | 8,355,338 | 8,741,457 |

# Notes to the financial statements (continued)
# At 31 December 2013

## 4. Profit on ordinary activities before taxation

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation of tangible fixed assets | 730,790 | 915,613 |
| Auditor remuneration – audit services | 28,500 | 30,000 |
| Operating lease rentals – land and buildings | 320,185 | 270,050 |
| Gain on sale of tangible fixed assets | (41,524) | (20,797) |
| Rental income | 210,901 | 137,006 |

## 5. Staff Costs

The average monthly number of persons (including executive directors) employed by the Company during the year was:

| | 2013<br>No | 2012<br>No |
|---|---|---|
| Sales and administration | 114 | 108 |
| Transport and warehousing | 98 | 100 |
| | 212 | 208 |

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Wages and salaries | 5,216,771 | 5,459,134 |
| Social security costs | 481,488 | 491,093 |
| Other pensions costs | 225,572 | 232,769 |
| | 5,923,831 | 6,182,996 |

# Notes to the financial statements (continued)
# At 31 December 2013

## 6. Directors' emoluments

Directors' emoluments, excluding pension contributions, amounted to £303,289 (2012 - £400,974).

Company contributions paid to money purchase schemes in the year were £35,627 (2012 - £32,532). Retirement benefits are accruing to two directors (2012 – 3) under a defined contribution (money purchase) pension scheme and to no directors (2012 – 1) under a defined benefit scheme.

Total emoluments attributable to the highest paid director were £155,400 (2012 - £155,061). Company contributions paid to a money purchase pension scheme in respect of the highest paid director were £14,832 (2012 - £14,832). No benefits are accruing to him under a defined benefits scheme.

One other director does not perform any qualifying services to the company, therefore their emoluments are £nil (2012: £nil).

## 7. Net interest payable and similar charges

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Interest on bank loans and overdrafts | 575,653 | 314,126 |
| Interest on intercompany loan | 307,582 | 234,030 |
| Less: | | |
| Bank interest | (8,788) | (5,618 |
| | 874,447 | 542,538 |

# Notes to the financial statements (continued)
# At 31 December 2013

## 8. Tax on profit/(loss) on ordinary activities

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| *Current tax* | | |
| UK corporation tax for the year | 250,969 | (67,354) |
| Adjustment in respect of prior year | 56,674 | 18,536 |
| Total current tax on profits/(loss) on ordinary activities | 307,643 | (48,818) |
| Deferred tax | 9,050 | 187,820 |
| **Tax charge on profit/(loss) on ordinary activities** | 316,693 | 139,002 |

The standard rate of tax for the year based on the UK standard rate of corporation is 23.25% (2012: 24.5%). The government has announced that it intends to reduce the rate of UK corporation tax to 20% by 1 April 2015. The rate of corporation tax reduced from 26% to 24% effective from 1 April 2012 and to 23% effective from 1 April 2013. A reduction to 21% effective from 1 April 2014 and a reduction to 20% effective from 1 April 2015 were included in the Finance Act 2013 which was enacted on 17 July 2013. The unrecognised deferred tax balances as at 31 December 2013 have been restated at a rate of 20% as this is the rate at which deferred tax is expected to reverse.

The charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

| | 2013 | 2012 |
|---|---|---|
| | £ | £ |
| Profit/(loss) on ordinary activities before taxation | 696,845 | (116,670) |
| Tax at 23.25.% (2012: 24.5% ) | 161,993 | (28,581) |
| Effects of: | | |
| Movement on pension deficit (FRS 17) | - | (162,000) |
| Expenses not deductible for tax purposes | 12,822 | 11,000 |
| Depreciation in excess of capital allowances | 4,090 | 28,542 |
| Short term timing differences | (136) | 875 |
| Permanent difference in respect of building depreciation for year in excess of capital allowances | 72,200 | 82,810 |
| Adjustment in respect of prior years | 56,674 | 18,536 |
| **Current tax charge/(credit) for the year** | 307,643 | (48,818) |

# Notes to the financial statements (continued)
# At 31 December 2013

## 8. Tax on profit on ordinary activities (continued)

The company has not recognised a deferred tax asset of £170,830 in the current year that relates to an excess of capital allowances over depreciation.

Deferred tax at 20% of £510,000 (2012 - £1,050,000) (unindexed) has not been recognised on revalued land and buildings as it is the company's intention to retain the property for the foreseeable future.

The estimated gain being rolled over on the above revalued properties is £247,928 (2012 - £247,928) and therefore deferred tax (at 20%) of £49,586 (2012 - £57,023) has not been recognised in the financial statements.

## 9. Tangible fixed assets

| | Land and buildings £ | Vehicles, plant and machinery £ | Fixtures & fittings £ | Total £ |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| As at 1 January 2013 | 18,835,039 | 4,753,447 | 856,533 | 24,445,019 |
| Additions | 46,209 | 82,271 | 3,261 | 131,741 |
| Disposals | | (630,410) | (78,583) | (708,993) |
| Revaluation | (5,400,039) | - | - | (1,311,475) |
| At 31 December 2013 | 13,481,209 | 4,205,308 | 784,211 | 22,556,292 |
| **Depreciation** | | | | |
| At 1 January 2013 | 3,404,615 | 3,143,290 | 767,887 | 7,315,792 |
| Charge for the year | 310,585 | 389,577 | 30,629 | 730,790 |
| Disposals | - | (355,707) | (78,353) | (434,290) |
| Revaluation | (3,531,904) | | | 556,661 |
| At 31 December 2013 | 183,296 | 3,177,160 | 719,933 | 8,168,953 |
| **Net book amount** | | | | |
| At 31 December 2013 | 13,297,913 | 1,028,148 | 61,278 | 14,387,339 |
| At 31 December 2012 | 15,430,424 | 1,610,157 | 88,646 | 17,129,227 |

The most recent professional valuation of freehold land and buildings was in June 2013. The valuation was done on an Existing Use Value basis by Knight Frank LLP, Chartered Surveyors .

The directors have reviewed the carrying value of the properties. There is no intention of disposing of any of the properties in the foreseeable future and so the Existing Use Value remains the most appropriate basis of valuation. Based on this and market data the directors do not believe that there has been any material change in the Existing Use Value of the properties as the basis from which it conducts its day to day operations. Consequently the directors have concluded that no informal interim valuation is required and they remain of the opinion that the value of the properties as recorded at June 2013, together with the cost of additions thereafter, remains appropriate.

# Notes to the financial statements (continued)
# At 31 December 2013

## 10. Fixed asset investments

| | 2013 £ | 2012 £ |
|---|---|---|
| Subsidiary undertakings | 53,251 | 53,251 |

| | Investment in subsidiary undertaking £ |
|---|---|
| **Cost** | |
| At 1 January 2013 and 31 December 2013 | 1,812,756 |
| **Provisions for impairment** | |
| At 1 January 2013 and 31 December 2013 | (68,000) |
| Less amount owed to subsidiary undertaking | (1,691,505) |
| Net book amount as at 31 December 2012 and 31 December 2013 | 53,251 |

The Company's subsidiary undertakings, which are wholly owned within the United Kingdom, are:

| | Country of registration | Class of shares held | Nature of business | Profit for the year £ | Net assets/ (liabilities) £ |
|---|---|---|---|---|---|
| B & M Steel Limited | England and Wales | Ordinary | Dormant | - | (1,300,564) |
| Tatham Miller Limited | England and Wales | Ordinary | Dormant | - | 1,691,505 |
| Tatham Steels Limited | England and Wales | Ordinary | Dormant | - | 210,000 |
| Liverpool Steel Services Limited | England and Wales | Ordinary | Dormant | - | 1,000 |
| Clydeside Steel Fabrications Limited | Scotland | Ordinary | Steel fabrication | 647 | 99,450 |

# Notes to the financial statements (continued)
# At 31 December 2013

## 11. Stocks

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Finished goods and goods for resale | 11,289,705 | 12,179,000 |

In the opinion of the directors, the replacement cost of stock is not materially different from purchase price or production cost.

## 12. Debtors

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Amounts due from group undertakings | 196,076 | 9,000 |
| Amounts due from parent company | 58,145 | 50,044 |
| Trade debtors | 12,327,390 | 12,441,139 |
| Other debtors, prepayments and accrued income | 871,728 | 601,355 |
| Corporation tax debtor | - | 674,218 |
| | 13,453,339 | 13,775,756 |

## 13. Creditors

**Amounts falling due within one year**

| | 2013<br>£ | 2012<br>£ |
|---|---|---|
| Amounts due to group undertakings | 2,015,834 | 11,314,914 |
| Bank overdrafts | 9,090,846 | 1,461,590 |
| Bank loan (note 14) | 8,021,250 | 8,521,250 |
| Trade creditors | 2,400,606 | 3,124,060 |
| Other taxation and social security | 535,755 | 218,669 |
| Other creditors and accruals | 2,062,049 | 2,422,980 |
| Corporation tax creditor | 205,969 | - |
| | 24,332,309 | 27,063,463 |

# Notes to the financial statements (continued)
# At 31 December 2013

## 14. Analysis of maturity of debt

| | Note | 2013 £ | 2012 £ |
|---|---|---|---|
| **Due in less than one year** | | | |
| Bank loans | 13 | 8,021,250 | 8,521,250 |

The company has a loan with Butterfield Bank of £8,021,250 (2012: £8,521,250). The loan was taken out on 1 September 2008. The loan is secured by a charge over twelve of the company's properties dated 23 December 2013. Repayments commenced on February 2010 and will continue until 31 December 2014. From the 23 December 2013 a new rate of 3.65% plus the Bank of England base rate applies.

The loan is secured over twelve of the company's properties.

## 15. Called up share capital

| | 2013 £ | 2012 £ |
|---|---|---|
| **Authorised, allotted, and fully paid** | | |
| 8,600 ordinary shares of £1 each | 8,600 | 8,600 |

## 16. Other reserves

| | Capital redemption reserve £ | Revaluation reserve £ |
|---|---|---|
| At 1 January 2012 and 31 December 2012 | 21,400 | 5,708,164 |
| Revaluation loss | - | (1,868,135) |
| At 31 December 2013 | 21,400 | 3,840,029 |

## 17. Profit and loss account

| | 2013 £ | 2012 £ |
|---|---|---|
| At 1 January 2013 | 11,920,303 | 12,395,614 |
| Actuarial gain on pension deficit | 905,000 | (289,000) |
| Movement on deferred tax relating to pension deficit | (208,150) | 69,361 |
| Profit/(loss) for the financial year | 380,152 | (255,672) |
| At 31 December 2013 | 12,997,305 | 11,920,303 |

# Notes to the financial statements (continued)
# At 31 December 2013

## 18. Reconciliation of movements in shareholders' funds

| | 2013 £ | 2012 £ |
|---|---|---|
| **Total recognised loss for the year** | (791,133) | (475,311) |
| Opening shareholders' funds | 17,658,467 | 18,133,778 |
| Closing shareholders' funds | 16,867,334 | 17,658,467 |

# Notes to the financial statements (continued)
# At 31 December 2013

## 19. Pension scheme

The Company operates one pension scheme, the Barclay & Mathieson Limited Retirement and Death Benefits Scheme, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested by professional investment managers. An actuarial valuation of the pension scheme was carried out at 1 September 2010 by a qualified independent actuary. The scheme was closed to new members in May 2005 and closed to future accrual for current members on 1 May 2012.

Following the triennial valuation in September 2010, the scheme actuary proposed decreased employer contribution rates.

In deciding upon the foregoing contribution levels of the Company it considered the cost accrual of future benefits on the assumptions underlying the FRS 17 calculations. By setting the contributions at the levels chosen, the Company anticipated that the agreed contributions would be in excess of the cost of the accruing FRS 17 based liability.

The major assumptions used for the actuarial valuation were:

| | 2013 | 2012 |
|---|---|---|
| Rate of increase in salaries | N/A | N/A |
| Rate of increase in pensions in payment accrued | 3.30% | 2.90% |
| Rate of revaluation of deferred pensions in excess | 2.40% | 2.15% |
| Discount rate – non pensioners | 4.50% | 4.35% |
| Discount rate – pensioners | 4.50% | 4.35% |
| Inflation assumption | 3.40% | 2.90% |

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the company's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for the future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

| | 2013<br>Years | 2012<br>Years |
|---|---|---|
| **Retiring today** | | |
| Male | 21.6 | 21.8 |
| Female | 23.9 | 24.1 |
| **Retiring in 20 years** | | |
| Male | 23.8 | 23.9 |
| Female | 26.2 | 26.5 |

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

# Barclay & Mathieson Limited

## Notes to the financial statements (continued)
## At 31 December 2013

### 19. Pension scheme (continued)

| | % | 2013<br>£'000 | % | 2012<br>£'000 |
|---|---|---|---|---|
| Equities | 6.60 | 9,969 | 6.00 | 8,514 |
| Bonds | 3.60 | 4,790 | 3.00 | 4,599 |
| Other | 3.60 | 904 | 3.00 | 1,073 |
| Total fair value of assets | | 15,663 | | |
| | | (15,369) | | 14,186 |
| Present value of scheme liabilities | | | | |
| Surplus not recognised | | (294) | | (15,091) |
| **Deficit in the scheme** | | - | | (905) |
| Related deferred tax asset | | - | | 217 |
| Net pension deficit | | - | | (688) |

Movements in present value of defined benefit obligations were as follows:

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| **Scheme liabilities at start period** | 15,091 | 13,994 |
| Current service cost | - | 79 |
| Interest cost | 646 | 636 |
| Contributions by scheme participants | - | 48 |
| Actuarial losses | 114 | 1,380 |
| Benefits paid | (482) | (402) |
| Gains on curtailments | - | (644) |
| **Scheme liabilities at end of period** | 15,369 | 15,091 |

# Notes to the financial statements (continued)
# At 31 December 2013

**19. Pension scheme (continued)**

Movements in the fair value of the scheme assets were as follows:

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| **Fair value of scheme assets at start of period** | 14,186 | 12,703 |
| Expected return on scheme assets | 646 | 683 |
| Actuarial gains (losses) | 1313 | 1,091 |
| Contributions by the company | - | 63 |
| Contributions by scheme participants | - | 48 |
| Benefits paid | (482) | (402) |
| **Fair value of scheme assets at end of period** | 15,663 | 14,186 |

The amounts recognised in the profit and loss account and the statement of total recognised gains and losses for the year are charged as follows:

Recognised in profit and loss account:

| | 2013<br>£'000 | 2012<br>£'000 |
|---|---|---|
| Current service cost | - | 79 |
| | | |
| Expected return on pension scheme assets | 646 | 683 |
| Interest on pension scheme liabilities | (646) | (636) |
| Gains on curtailments | - | 644 |
| **Other finance income** | - | 691 |

-

## Barclay & Mathieson Limited

## Notes to the financial statements (continued)
## At 31 December 2013

**19. Pension scheme (continued)**

Recognised in statement of total recognised gains and losses:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Actual return less expected return on pension scheme assets | 1,313 | 1,091 |
| Experience gains and losses arising on the scheme abilities | (11) | (80) |
| Changes in the assumptions underlying the present value of the scheme liabilities | (103) | (1,300) - |
| Surplus not recognised | (294) | - |
| Amount of surplus not recognisable | 905 | (289) |

**History of experience gains and lossess**

| | Year ended 31 Dec 2013 £'000 | Year ended 31 Dec 2012 £'000 | Year ended 31 Dec 2011 £'000 | Period to 31 Dec 2010 £'000 | Year ended 31 Dec 2009 £'000 |
|---|---|---|---|---|---|
| Fair value of scheme assets | 15,663 | 14,186 | 12,703 | 14,001 | 12,218 |
| Present value of scheme liabilities | 15,369 | 15,091 | 13,994 | 13,990 | 13,396 |
| Surplus not recognised | (294) | - | - | - | - |
| (Deficit)/Surplus in the scheme | - | (905) | (1,291) | 11 | (1,178) |
| Difference between the expected and actual return on the scheme | 1,313 | 1,091 | (1,192) | 1,161 | 1,512 |
| Experience gains/(losses) on scheme liabilities | (11) | (80) | 175 | (61) | (64) |

The Company also operates a defined contribution scheme for which the pension cost charge for the year amounted to £225,272 (31 December 2012: £153,769).

**20. Related party transactions**

The Company has elected to take advantage of the exemption from disclosure of transactions with group companies and investees of the group qualifying as related parties, available to 100% (or more) owned subsidiaries under FRS 8.

# Barclay & Mathieson Limited

# Notes to the financial statements (continued)
# At 31 December 2013

### 21. Operating lease commitments

At 31 December 2013 the Company was committed to making the following payments during the next year in respect of operating leases:

| | 2013 Land and Buildings £ | Other £ | 2012 Land and Buildings | Other £ |
|---|---|---|---|---|
| Operating leases which expire: | | | | |
| Within one year | 320,185 | - | 226,050 | - |
| Within two to five years | - | 184,498 | 44,000 | 64,096 |
| | 320,185 | 184,498 | 270,050 | 64,096 |

### 22. Ultimate parent company

The Company is a subsidiary undertaking of Stemcor Holdings Limited, a Company registered in England and Wales. The largest and smallest group in which the results of the Company are consolidated is that headed by Stemcor Holdings Limited. A copy of the group financial statements can be contained from Citypoint, One Ropemaker Street, London, EC2Y 9ST.