

Company Registration No. 06436498 (England and Wales)

EUROPEAN STEEL SHEETS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

MICHAEL KAY
— & —
COMPANY

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EUROPEAN STEEL SHEETS LIMITED

COMPANY INFORMATION

Directors	S L Broadhurst D W Broadhurst
Secretary	S L Broadhurst
Company number	06436498
Registered office	Jean Broadhurst Works Doris Road Bordesley Green Birmingham West Midlands B9 4SJ
Auditor	Michael Kay & Company Limited 2 Water Court Water Street Birmingham West Midlands B3 1HP

EUROPEAN STEEL SHEETS LIMITED

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EUROPEAN STEEL SHEETS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Fair review of the business

We aim to present a balanced and comprehensive review of the development and performance of our business during the period and its position at the period end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

There has been no change in the principal activities of the company during the period.

Principal risks and uncertainties

As for many businesses of our size, the business environment in which we operate continues to be challenging. The market is highly competitive and margins continue to be under pressure. We are of course subject to world economic patterns and the level of activity within our economy.

With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside our control.

Development and performance

We consider that our key performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross margin and return on capital employed.

Turnover has increased by 28% compared to the previous period. Gross margin has decreased to 19.42% (2016 22.6%).

Overall there has been an operating profit of £1,965,572 (2016 £1,765,075) and a profit before tax of £1,978,699 (2016 £1,804,690). After taxation, £1,519,757 (2016 £1,497,841) has been added to reserves.

Return on capital employed has increased to 5.8% (2016 5.5%). Return on capital employed is calculated as profit before exceptional items, interest and tax divided by capital employed, which constitutes total assets less current liabilities.

Key performance indicators

We consider that the financial position of the company at the period end is satisfactory, with adequate cash resources and an increase in total net assets compared with the previous period.

On behalf of the board



D W Broadhurst

Director

7 September 2018

EUROPEAN STEEL SHEETS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Principal activities

The principal activity of the company continued to be that of steel stockholders.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S L Broadhurst
D W Broadhurst

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Auditor

Michael Kay & Company Limited were appointed auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 judgements 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;
- 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.

EUROPEAN STEEL SHEETS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



D W Broadhurst

Director

7 September 2018

EUROPEAN STEEL SHEETS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EUROPEAN STEEL SHEETS LIMITED

Opinion

We have audited the financial statements of European Steel Sheets Limited (the 'company') for the year ended 31 December 2017 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

EUROPEAN STEEL SHEETS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF EUROPEAN STEEL SHEETS LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Marcus Daly (Senior Statutory Auditor)
for and on behalf of Michael Kay & Company Limited

7 September 2018

Chartered Accountants
Statutory Auditor

2 Water Court
Water Street
Birmingham
West Midlands
B3 1HP

EUROPEAN STEEL SHEETS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	18,216,995	14,194,855
Cost of sales		(14,679,914)	(10,986,443)
Gross profit		3,537,081	3,208,412
Distribution costs		(227,680)	(181,759)
Administrative expenses		(2,008,473)	(1,934,430)
Other operating income		664,644	672,852
Operating profit	4	1,965,572	1,765,075
Other interest receivable and similar income	7	13,948	30,123
Other interest payable and similar expenses	8	(821)	(46)
Amounts written off investments	9	-	9,538
Profit before taxation		1,978,699	1,804,690
Tax on profit	10	(458,942)	(306,849)
Profit for the financial year		1,519,757	1,497,841
Retained earnings brought forward		28,488,809	26,990,968
Retained earnings carried forward		30,008,566	28,488,809

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

EUROPEAN STEEL SHEETS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	11	3,165,922		3,095,084	
Investment properties	12	13,489,166		13,225,000	
		<u>16,655,088</u>		<u>16,320,084</u>	
Current assets					
Stocks		6,631,807		4,176,983	
Debtors	14	5,404,745		5,676,699	
Investments	15	206,847		206,847	
Cash at bank and in hand		7,195,878		8,924,537	
		<u>19,439,277</u>		<u>18,985,066</u>	
Creditors: amounts falling due within one year	16	<u>(2,173,117)</u>		<u>(2,992,696)</u>	
Net current assets		<u>17,266,160</u>		<u>15,992,370</u>	
Total assets less current liabilities		<u>33,921,248</u>		<u>32,312,454</u>	
Provisions for liabilities	17	<u>(1,827,550)</u>		<u>(1,738,513)</u>	
Net assets		<u><u>32,093,698</u></u>		<u><u>30,573,941</u></u>	
Capital and reserves					
Called up share capital	20		68		68
Revaluation reserve	21		2,085,030		2,085,030
Capital redemption reserve	22		34		34
Profit and loss reserves	23		30,008,566		28,488,809
Total equity			<u><u>32,093,698</u></u>		<u><u>30,573,941</u></u>

The financial statements were approved by the board of directors and authorised for issue on 7 September 2018 and are signed on its behalf by:


D W Broadhurst
Director

Company Registration No. 06436498

EUROPEAN STEEL SHEETS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	29		(683,418)		1,735,269
Interest paid			(821)		(46)
Income taxes (paid)/refunded			(656,918)		214,316
Net cash (outflow)/inflow from operating activities			(1,341,157)		1,949,539
Investing activities					
Purchase of tangible fixed assets		(154,317)		-	
Proceeds on disposal of tangible fixed assets		2,000		5,435	
Purchase of investment property		(264,166)		-	
Proceeds from other investments and loans		16,182		28,385	
Interest received		2,451		18,679	
Dividends received		11,497		11,444	
Net cash (used in)/generated from investing activities			(386,353)		63,943
Net cash used in financing activities			-		-
Net (decrease)/increase in cash and cash equivalents			(1,727,510)		2,013,482
Cash and cash equivalents at beginning of year			8,923,388		6,909,906
Cash and cash equivalents at end of year			7,195,878		8,923,388
Relating to:					
Cash at bank and in hand			7,195,878		8,924,537
Bank overdrafts included in creditors payable within one year			-		(1,149)

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

European Steel Sheets Limited is a private company limited by shares incorporated in England and Wales. The registered office is Jean Broadhurst Works, Doris Road, Bordesley Green, Birmingham, West Midlands, B9 4SJ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income is recognised on a straight line basis over the course of the lease.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	1% on valuation
Plant and machinery	10% on reducing balance
Fixtures, fittings & equipment	20% on cost
Motor vehicles	25% on reducing balance

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Asset valuation

Asset impairment reviews and calculations require the exercise of judgement by the directors which may include references to market conditions, general economic conditions and recent trends in the business.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
Turnover analysed by class of business		
Steel Sales	18,216,995	14,194,855
	<u>18,216,995</u>	<u>14,194,855</u>
	2017 £	2016 £
Other significant revenue		
Interest income	2,451	18,679
Dividends received	11,497	11,444
Rental income arising from investment properties	664,644	672,852
	<u>678,592</u>	<u>692,975</u>
	2017 £	2016 £
Turnover analysed by geographical market		
United Kingdom	18,198,759	14,097,553
EEC	18,236	97,302
	<u>18,216,995</u>	<u>14,194,855</u>

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	9,000	9,000
Depreciation of owned tangible fixed assets	81,443	60,590
Loss on disposal of tangible fixed assets	36	2,046
Cost of stocks recognised as an expense	14,679,914	10,986,443
Operating lease charges	19,349	19,679
	<u>14,788,742</u>	<u>11,077,758</u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Employees

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

	2017 Number	2016 Number
Directors	2	2
Cost of Sales	4	4
Sales	3	3
Admin	5	5
	<u>14</u>	<u>14</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	496,019	459,564
Social security costs	59,872	57,789
Pension costs	2,999	1,471
	<u>558,890</u>	<u>518,824</u>

6 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	<u>63,210</u>	<u>65,042</u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

7	Interest receivable and similar income	2017	2016
		£	£
	Interest income		
	Interest on bank deposits	2,451	14,548
	Other interest income	-	4,131
	Total interest revenue	2,451	18,679
	Other income from investments		
	Dividends received	11,497	11,444
	Total income	13,948	30,123
	Disclosed on the profit and loss account as follows:		
	Other interest receivable and similar income	13,948	30,123
	Investment income includes the following:		
	Interest on financial assets not measured at fair value through profit or loss	2,451	14,548
	Dividends from financial assets measured at fair value through profit or loss	11,497	11,444
8	Interest payable and similar expenses	2017	2016
		£	£
	Other finance costs:		
	Other interest	821	46
	Disclosed on the profit and loss account as follows:		
	Other interest payable and similar expenses	821	46
9	Amounts written off investments	2017	2016
	fixed asset investments	£	£
	Gain on disposal of current asset investments	-	9,538
10	Taxation	2017	2016
		£	£
	Current tax		
	UK corporation tax on profits for the current period	369,905	376,918
	Adjustments in respect of prior periods	-	2,351
	Total current tax	369,905	379,269

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Taxation

(Continued)

Deferred tax

Origination and reversal of timing differences	89,037	(2,420)
Other adjustments	-	(70,000)
	<u>89,037</u>	<u>(72,420)</u>
Total deferred tax	89,037	(72,420)
	<u>458,942</u>	<u>306,849</u>
Total tax charge	458,942	306,849

From 1st April 2017 the standard corporation tax rate was reduced from 20% to 19%, resulting in an effective corporation tax rate for the year of 19.25%.

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	<u>1,978,699</u>	<u>1,804,690</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	380,900	360,938
Tax effect of expenses that are not deductible in determining taxable profit	5,508	10,299
Adjustments in respect of prior years	-	2,351
Permanent capital allowances in excess of depreciation	(20,025)	-
Depreciation on assets not qualifying for tax allowances	5,735	7,970
Dividend income	(2,213)	(2,289)
Deferred tax provision on revaluation of properties	-	(70,000)
Deferred tax on accelerated capital allowances	89,037	(2,420)
	<u>458,942</u>	<u>306,849</u>
Taxation charge for the year	458,942	306,849

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

11 Tangible fixed assets

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2017	2,980,000	2,996,925	544,294	471,170	6,992,389
Additions	-	7,012	-	147,305	154,317
Disposals	-	-	-	(26,690)	(26,690)
At 31 December 2017	2,980,000	3,003,937	544,294	591,785	7,120,016
Depreciation and impairment					
At 1 January 2017	59,600	2,885,446	544,210	408,049	3,897,305
Depreciation charged in the year	29,800	11,848	-	39,795	81,443
Eliminated in respect of disposals	-	-	-	(24,654)	(24,654)
At 31 December 2017	89,400	2,897,294	544,210	423,190	3,954,094
Carrying amount					
At 31 December 2017	2,890,600	106,643	84	168,595	3,165,922
At 31 December 2016	2,920,400	111,480	84	63,120	3,095,084

The land and buildings were independently valued at 31 December 2014 by Stephens McBride, Chartered Surveyors on the basis of open market value for existing use value. The valuations comprise owner occupied land & buildings £2,980,000 and investment properties £13,225,000.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2017 £	2016 £
Cost	894,970	894,970
Accumulated depreciation	(408,837)	(400,837)
Carrying value	486,133	494,133

12 Investment property

	2017 £
Fair value	
At 1 January 2017	13,225,000
Additions through external acquisition	264,166
At 31 December 2017	13,489,166

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Investment property

(Continued)

Investment property comprises a large portfolio of mostly freehold commercial land and property with a combined value of £13,489,166. The fair value of the investment property has been arrived at on the basis of a valuation carried out at 31 December 2014 by Stephens McBride Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties. In the opinion of the directors there has been no material change in the valuation of the properties at 31 December 2017.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2017 £	2016 £
Cost	4,928,051	4,663,885
Accumulated depreciation	-	-
Carrying amount	<u>4,928,051</u>	<u>4,663,885</u>
	2017 £	2016 £
Freehold	13,014,166	12,750,000
Long leasehold	475,000	475,000
	<u>13,489,166</u>	<u>13,225,000</u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,334,338	5,606,742
Equity instruments measured at cost less impairment	206,847	206,847
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at amortised cost	1,828,270	2,140,695
	<u> </u>	<u> </u>

14 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	5,095,442	5,335,971
Corporation tax recoverable	5,513	5,513
Other debtors	238,896	270,771
Prepayments and accrued income	64,894	64,444
	<u> </u>	<u> </u>
	5,404,745	5,676,699
	<u> </u>	<u> </u>

15 Current asset investments

	2017 £	2016 £
Listed investments	206,847	206,847
	<u> </u>	<u> </u>
Market value if different from carrying amount	244,367	220,072
Potential tax liability if sold at market value	(7,223)	(2,645)
	<u> </u>	<u> </u>

16 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts		-	1,149
Trade creditors		1,739,295	2,043,820
Corporation tax		89,905	376,918
Other taxation and social security		138,022	358,495
Other creditors		88,975	95,726
Accruals and deferred income		116,920	116,588
		<u> </u>	<u> </u>
		2,173,117	2,992,696
		<u> </u>	<u> </u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

17 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	18	1,827,550	1,738,513

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
ACAs	103,550	14,513
Revaluations	1,724,000	1,724,000
	<u>1,827,550</u>	<u>1,738,513</u>
Movements in the year:		2017 £
Liability at 1 January 2017		1,738,513
Charge to profit or loss		89,037
Liability at 31 December 2017		<u>1,827,550</u>

The ACA deferred tax liability set out above is expected to reverse by £4,000 in the following period as a result of motor vehicle asset depreciation being applied earlier than the corresponding capital allowances relief.

19 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	2,999	1,471

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

20 Share capital

	2017 £	2016 £
Ordinary share capital Issued and fully paid 68 Ordinary of £1 each	68	68
	<u>68</u>	<u>68</u>

21 Revaluation reserve

	2017 £	2016 £
At beginning and end of year	2,085,030	2,085,030
	<u>2,085,030</u>	<u>2,085,030</u>

22 Capital redemption reserve

	2017 £	2016 £
At beginning and end of year	34	34
	<u>34</u>	<u>34</u>

23 Profit and loss reserves

	2017 £	2016 £
At the beginning of the year	28,488,809	26,990,968
Profit for the year	1,519,757	1,497,841
At the end of the year	<u>30,008,566</u>	<u>28,488,809</u>

24 Financial commitments, guarantees and contingent liabilities

Following the completion of the purchase of own shares in March 2013 the company may be liable for certain professional fees. The quantum and liability of such fees is under negotiation but no provision has been made in the accounts.

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

25 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain of its items of plant and equipment. Leases are typically negotiated for a term ranging from 1 to 3 years at fixed rentals.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	3,821	6,082
Between two and five years	955	-
	<u>4,776</u>	<u>6,082</u>

Lessor

The operating leases represent leases of property assets to third parties. The leases are usually re-negotiated annually in accordance with prevailing market conditions.

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2017 £	2016 £
Within one year	<u>640,000</u>	<u>670,000</u>

26 Remuneration Trust

The company made a contribution in the accounting period to a Remuneration Trust in the amount of £900,000 (2016 £900,000). The terms of the trust are set out in a trust deed executed by the company and the original trustees.

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £	2016 £
Aggregate compensation	<u>63,210</u>	<u>65,042</u>

The following amounts were outstanding at the reporting end date:

	2017 £	2016 £
Amounts owed to related parties		
Other related parties	<u>230,000</u>	<u>630,000</u>

EUROPEAN STEEL SHEETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

28 Directors' transactions

Advances or credits have been granted by the company to its directors as follows:

The advances were unsecured.

Description	% Rate	Opening balance £	Amounts advanced £	Amounts repaid £	Closing balance £
Advances to directors	-	99,538	171,818	(188,000)	83,356
		<u>99,538</u>	<u>171,818</u>	<u>(188,000)</u>	<u>83,356</u>

The above loans have been repaid since 31 December 2017.

29 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	1,519,757	1,497,841
Adjustments for:		
Taxation charged	458,942	306,849
Finance costs	821	46
Investment income	(13,948)	(30,123)
Loss on disposal of tangible fixed assets	36	2,046
Depreciation and impairment of tangible fixed assets	81,443	60,590
Gain on sale of investments	-	(9,538)
Movements in working capital:		
(Increase)/decrease in stocks	(2,454,824)	1,677,986
Decrease/(increase) in debtors	255,772	(2,164,256)
(Decrease)/increase in creditors	(531,417)	393,828
Cash (absorbed by)/generated from operations	<u>(683,418)</u>	<u>1,735,269</u>