

**Company Registration No: 04386308**

**Metal One UK Limited**

**Annual report and financial statements**

**for the year ended 31 March 2019**



**Metal One UK Limited**  
**Company registration No. 04386308**

**Annual report and financial statements for the year ended 31 March 2019**

**Table of contents**

	<b>Page</b>
<b>Table of contents</b>	<b>1</b>
<b>Officers and professional advisers</b>	<b>2</b>
<b>Strategic report</b>	<b>3</b>
<b>Directors' report</b>	<b>5</b>
<b>Directors' responsibilities statement</b>	<b>6</b>
<b>Independent auditor's report</b>	<b>7</b>
<b>Profit and loss account</b>	<b>10</b>
<b>Balance sheet</b>	<b>11</b>
<b>Statement of changes in equity</b>	<b>12</b>
<b>Notes to the financial statements</b>	<b>13</b>

**Metal One UK Limited**  
**Company registration No. 04386308**

**Officers and professional advisers**

**Directors**

R Saito  
Y Amakawa  
M Mitsui

**Secretary**

R Saito

**Registered Office**

Mid City Place  
71 High Holborn  
London  
WC1V 6BA

**Solicitors**

Hogan Lovells International LLP  
Atlantic House  
Holborn Viaduct  
London  
EC1A 2FG

**Bankers**

MUFG Bank Ltd.  
Ropemaker Place  
25 Ropemaker Street  
London  
EC2Y 9AN

**Auditor**

Deloitte LLP  
Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ

**Metal One UK Limited**  
**Company registration No. 04386308**

## **Strategic report**

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### **Principal activities and financial review**

The company's principal activities are the wholesale of steel products. With a view to increasing global steel demand, we are working towards expanding our business in various steel products, focusing on piping goods, titanium, stainless steel, and high-performance alloys.

As shown in the company's profit and loss account on page 11, the company's turnover decreased by 8% (2018: increased by 16%). This was due to the restructuring of the company at the end of FY2017, which resulted in the ceasing of three of the company's sales department.

The gross profit for the year increased by 5.5% to £3,603,977 (2018: £3,415,496) while the net operating profit increased by 417% to £1,977,485 (2018: £473,910). The significant increase in net profits is due to the sale of stock that was written off after the company's customer became insolvent in FY2016.

Foreign exchange gains of £52,554 (2018: loss of £159,334) have been realised for the year. All of the gains and losses relate to trading transactions and are due to movements in foreign exchange rates.

The borrowing interest costs of £21,492 (2018: £59,865) were significantly lower than the previous year, which is due to less trading transactions when financing is required.

The company uses gross profit margin as a key performance indicator. The basis of calculation is dividing the gross profit by turnover as shown on page 11 of these financial statements. The result this year is 5.54% (2018: 4.84%).

The Titanium, Stainless and High-Performance Alloys department represent 78% (2018:70%) of the total turnover and 62% (2018:66%) of gross profit. This business section has a significantly lower gross profit margin than the traditional energy business, however, this level of gross profit margin is expected to remain as the Titanium, Stainless and High-Performance Alloys department is becoming the main pillar of Metal One UK Limited.

### **Principal risks and uncertainties and financial risk management**

Due to the nature of the steel trade business, the company faces competitive pressures, which could result in losing sales to its key competitors. The company manages this risk by giving fast responses and services to customers, not only in supplying products but also in handling all customer requests, and by maintaining strong relationships with customers.

Owing to the trading nature of the company, the directors consider credit risk is relevant to this company. This risk is mitigated by credit insurance, periodic credit reviews on existing customers and suppliers as well as stringent business analysis and credit checks on new customers. Short-term bank loans have marginally decreased, and the directors consider the interest rate risk is low. The company manages this risk by integrating interest costs into pricing and by timely accounts receivable collection.

Foreign exchange risk represents a challenging issue for the company as majority of trading transactions are denominated in foreign currencies, particularly USD, EUR and JPY. The management is monitoring the variations in exchange rates very closely while mitigating the risk by using derivative instruments such as forward contracts and currency swaps.

### **Business developments and future prospects**

The company is currently in the process of strengthening its profitability after experiencing significant losses due to unforeseen circumstances during the past years.

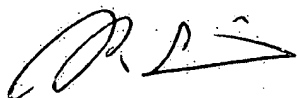
We are focusing on increasing our sales in the growing Titanium, Stainless and High-Performance Alloys department and we are continuing our efforts to seize business opportunities again within the energy sector (including renewable energy such as offshore wind farm), which has traditionally been the main focus of Metal One UK.

**Metal One UK Limited**  
**Company registration No. 04386308**

**Strategic report (continued)**

We are also reviewing our function, competitive advantage and key value drivers in today's steel market while considering our business possibilities within Europe and some of our other regions where we see growth potential in the future.

Approved by the Board of Directors  
and signed on behalf of the Board



Raitaro Saito  
Managing Director

26 June 2019

**Metal One UK Limited**  
**Company Registration No. 04386308**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

### **Information presented in other sections**

Information relating to the company's principal risks and uncertainties, financial risks and future developments has been included in the Strategic Report.

### **Going concern**

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

### **Dividends**

No dividends were declared and paid during the financial year ending 31 March 2019 (2018: Nil).

### **Directors**

The current directors are shown on page 2. The directors who served throughout the year and up to the date of this report except as noted were:

R Saito  
S Suda (Resigned 20 April 2018)  
K Iwamoto (Resigned 20 April 2018)  
Y Amakawa (Appointed 20 April 2018)  
N Takashi (Appointed 20 April 2018 and resigned 01 April 2019)  
M Mitsui (Appointed 01 April 2019)

### **Post balance sheet event**

There were no post balance sheet events to be reported.

### **Political contributions and charitable donations**

The Company made no political contributions or charitable donations during the year (2018: £nil).

### **Auditor**


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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

Deloitte LLP have expressed their willingness to continue in office as the auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

  
Raitaro Saito  
Managing Director  
26 June 2019

**Metal One UK Limited**  
**Company registration No. 04386308**

**Directors' responsibilities statement**

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), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

**Metal One UK Limited**  
Company registration No. 04386308

**Independent auditor's report to the members of Metal One UK Limited**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Metal One UK Ltd (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.



**Metal One UK Limited**  
Company registration No. 04386308

## **Independent auditor's report to the members of Metal One UK Limited (continued)**

### **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 respect of these matters.

### **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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Metal One UK Limited**  
Company registration No. 04386308

**Independent auditor's report to the members of Metal One UK Limited  
(continued)**

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**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.

*Deloitte LLP*

Kevin Thompson (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

26 June 2019

**Metal One UK Limited**  
**Company registration No. 04386308**

**Profit and loss account**  
**For the year ended 31 March 2019**

	Note	2019 £	2018 £
Turnover	4	65,004,531	70,516,528
Cost of sales		(61,400,555)	(67,101,032)
<b>Gross profit</b>		<u>3,603,976</u>	<u>3,415,496</u>
Administrative expenses		(2,391,272)	(3,442,536)
Foreign exchange (losses)/gains		52,554	(159,334)
Other operating income	5	711,032	647,531
Provision for doubtful receivables	14	1,195	12,753
<b>Operating profit</b>	6	<u>1,977,485</u>	<u>473,910</u>
Interest receivable and similar income	8	6,656	4,909
Interest payable and similar charges	9	(21,492)	(59,865)
<b>Profit before taxation</b>		<u>1,962,649</u>	<u>418,954</u>
Tax	10	1,181,716	-
<b>Profit for the financial year and total comprehensive income for the period attributable to the owners of the Company</b>		<u><u>3,144,365</u></u>	<u><u>418,954</u></u>

Turnover and operating profit are all derived from continuing operations.

**Metal One UK Limited**  
**Company registration No. 04386308**

**Balance sheet**  
**As at 31 March 2019**

	Note	2019 £	2018 £
<b>Non-current assets</b>			
Tangible assets	12	23,073	17,546
Deferred tax assets		1,183,769	-
		<u>1,206,842</u>	<u>17,546</u>
<b>Current assets</b>			
Stocks	13	62,147	323,513
Debtors	14		
- due within one year		15,129,434	20,141,872
- due after one year		2,362	1,374
Investments in short term time deposits		2,859,000	-
Cash at bank and in hand		183,891	239,610
		<u>18,236,834</u>	<u>20,706,369</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(15,576,324)</u>	<u>(20,000,928)</u>
<b>Net current assets</b>		<u>2,660,510</u>	<u>705,441</u>
<b>Total assets less current liabilities and net assets</b>		<u><u>3,867,352</u></u>	<u><u>722,987</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	10,000,000	10,000,000
Profit and loss account		6,132,648	(9,277,013)
<b>Equity shareholders' funds</b>		<u><u>3,867,352</u></u>	<u><u>722,987</u></u>

The financial statements of Metal One UK Limited (registered number 04386308) were approved by the board of directors and authorised for issue on 26 June 2019. They were signed on its behalf by:

  
Raitaro Saito  
Managing Director

**Metal One UK Limited**  
Company registration No. 04386308

**Statement of changes in equity**  
For the year ended 31 March 2019

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 1 April 2017</b>	8,000,000	(9,695,967)	(1,695,967)
Loss for the year and total comprehensive loss for the year	-	418,954	418,954
Issue of share capital	2,000,000	-	2,000,000
<b>Balance at 31 March 2018</b>	<u>10,000,000</u>	<u>(9,277,013)</u>	<u>722,987</u>
Profit for the year and total comprehensive income for the year	-	3,144,365	3,144,365
<b>Balance at 31 March 2019</b>	<u>10,000,000</u>	<u>(6,132,648)</u>	<u>3,867,352</u>

**Metal One UK Limited**  
**Company registration No. 04386308**

**Notes to the financial statements**

For the year ended 31 March 2019

**1. General information**

Metal One UK Limited (the company) is a private company limited by shares incorporated in England and Wales and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the company's operations and its principal activities are set out in the strategic report on pages 3 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC).

The financial statements are prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year.

**2. Significant accounting policies**

**Basis of accounting**

These financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, fair value, capital management, the presentation of a cash flow statement, standards not yet effective and related party transactions.

Where relevant, equivalent disclosures have been given in the group Financial Statements of Mitsubishi Corporation or Metal One Corporation. The group financial statements of Mitsubishi Corporation and Metal One Corporation are available to the public and can be obtained as set out in note 20.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

**Adoption of new and revised Standards**

**Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied a number of new IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. These include IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers which have not had any material impact on the disclosures or on the amounts reported in these financial statements.

**Going concern basis**

The cash and borrowing positions can be seen on the balance sheet on page 12 and note 15 on page 25. The company has a borrowing facility in place of £14m which is guaranteed by the parent company. This facility is reviewed on an annual basis and is expected to be renewed during the next period. The directors believe that the company is well placed to manage its business risk successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**2. Significant accounting policies (continued)**

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided against cost in equal annual instalments over the estimated useful life of the assets.

Plant and machinery	3 years
Furniture, fixtures and fittings	4 years

**Stocks**

Stocks consist of goods for resale stated at the lower of cost and net realisable value. Cost includes all the expenditure incurred in bringing stocks to their present location and condition.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes. Turnover is recognised when the company transfers control of a good or service to a customer. This varies for each transaction and customers.

**Foreign currencies**

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period.

**Leases**

Rental payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease.

**Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**Retirement benefit costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits 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.

## **Notes to the financial statements (continued)**

For the year ended 31 March 2019

### **2. Significant accounting policies (continued)**

#### **Taxation**

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### **Derivative financial instruments**

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes or apply hedge accounting.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.



## **Notes to the financial statements (continued)**

For the year ended 31 March 2019

### **3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgements in applying the company's accounting policies**

The following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

##### **Provision of doubtful receivables**

In accordance with IFRS9, a financial asset or a group of financial assets is impaired and impairment losses are recognised if there are expected credit losses set out in IFRS 9 Financial instruments which are indicators of impairment and that expected credit losses have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The directors of Metal One UK Limited have applied this policy when two of the company's suppliers to whom large amount of prepayment was made breached their contractual obligation and defaulted on the delivery of the ordered materials. The prepaid amounts were also not returned to the company. As the operation by the mills has completely stopped at 31 March 2017, the directors deem it highly probable that the prepayments made have become uncollectible, and as that, a provision for doubtful receivables has been made at the end of FY2016. There has been no change in the current year.

##### **Recognition of deferred tax asset**

Metal One UK Limited carries a significant amount of trading loss forward to be utilised for future periods. In FY2018 a deferred tax asset has been recognised for the full amount of the loss, as the company's income has steadied and is now highly certain that the company can produce profits to the extent of the loss carried forwards.

##### **Key sources of estimation uncertainty**

The directors of Metal One UK Limited have not identified any key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Metal One UK Limited**  
**Company registration No. 04386308**

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**4. Turnover**

Turnover comprises a single class of business, being the amount received or receivable from the sale of metal products excluding any value-added tax.

An analysis of the Company's turnover by geographical market is set out below:

	2019	2018
	£	£
From customers located in Europe	46,727,993	52,736,782
From customers located in Middle East	-	4,834,932
From customers located in Africa	1,685,886	2,103,205
From customers located in Asia	6,291,464	1,275,556
From customers located in North America	10,299,188	2,418,415
From customers located in South America	-	7,147,637
	<u>65,004,531</u>	<u>70,516,528</u>

**5. Other operating income**

Other operating income includes management recharges to other group companies for services provided.

**6. Operating profit**

Operating profit has been arrived at after (charging)/crediting:

	2019	2018
	£	£
Depreciation of tangible fixed assets – owned assets	(16,874)	(18,490)
Loss on disposal of tangible fixed assets	-	(532)
Foreign exchange gains /(losses)	52,554	(159,334)
Rentals under operating leases - other operating leases	(162,673)	(186,549)
Provision for doubtful receivables	1,195	12,753
	<u>1,195</u>	<u>12,753</u>

The analysis of auditor's remuneration is as follows:

Fees payable to the company's auditor for the audit of the company's annual financial statements

	2019	2018
	£	£
Total audit fee (Auditing the financial statements)	<u>25,200</u>	<u>26,000</u>
Other services pursuant to legislation - Tax services	<u>15,000</u>	<u>15,100</u>
Total non-audit fee	<u>15,000</u>	<u>15,100</u>

**Metal One UK Limited**  
**Company registration No. 04386308**

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**7. Staff costs**

	2019 £	2018 £
Directors' emoluments	<u>62,274</u>	<u>62,722</u>

The aggregate emoluments paid to the highest paid director during the period were: £62,274 in 2019 and £62,722 in 2018.

This does not include the emoluments of two of the directors who are remunerated directly from the ultimate parent in Japan. These directors are also directors of a number of Group companies and do not receive any remuneration for the services to this company.

No pension contributions were made on behalf of the directors.

	2019 £	2018 £
<b>Average number of persons employed (excluding directors)</b>		
Trading and administration	<u>13</u>	<u>20</u>
	£	£
<b>Employee costs (including directors' emoluments)</b>		
Wages and salaries	750,914	1,331,403
Social security costs	173,676	212,311
Other pension costs (see note 18)	43,919	93,279
	<u>968,509</u>	<u>1,636,993</u>

**8. Interest receivable and similar income**

	2019 £	2018 £
Bank interest	6,310	1,976
Interest income – overdue receivable	346	414
Other interest receivable and similar income	-	2,519
	<u>6,656</u>	<u>4,909</u>

**Metal One UK Limited**  
**Company registration No. 04386308**

**Notes to the financial statements (continued)**  
For the year ended 31 March 2019

**9. Interest payable and similar charges**

	2019 £	2018 £
Interest on bank loans	21,492	59,865

**10. Tax on profit on ordinary activities**

*(i) Analysis of tax credit on ordinary activities*

	2019 £	2018 £
<b>Current tax</b>		
United Kingdom corporation tax at 19% (2018: 19%)	(1,199)	-
Adjustment in respect of prior years	(854)	-
<b>Deferred tax (see note 11)</b>		
Deferred tax arising during the year	7,913	-
Deferred tax assets arising from previous periods	1,175,856	-
<b>Total tax on profit on ordinary activities</b>	<b>1,181,716</b>	<b>-</b>

*(ii) Factors affecting the current tax for the year*

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £	2018 £
Profit/(Loss) on ordinary activities before tax	1,962,649	418,954
Tax at 19% (2018: 19%) thereon:	(372,903)	(79,601)
Factors affecting the charge for the period:		
Expenses not deductible for tax purposes	(9,518)	(11,971)
Adjustment in respect of prior years	(854)	-
Change in unrecognised deferred tax assets	1,564,992	91,572
<b>Total tax on profit on ordinary activities</b>	<b>1,181,716</b>	<b>-</b>

Finance Act 2016 further reduced the rate to 17% with effect from 1 April 2020. These reductions to the tax rate had been substantively enacted at the balance sheet date and have therefore been reflected in these financial statements.

**Metal One UK Limited**  
**Company registration No. 04386308**

**Notes to the financial statements (continued)**  
For the year ended 31 March 2019

**11. Deferred tax assets**

The movements on deferred tax are as follows:

	2019 £	2018 £
At 1 April	-	-
Credited/(charged) to profit and loss account	1,183,769	-
At 31 March	<u>1,183,769</u>	<u>-</u>

Deferred taxation provided and unprovided in the financial statements are as follows:

	Amount provided		Amount unprovided	
	2019 £	2018 £	2019 £	2018 £
Capital allowances in arrears of depreciation	7,913	-	-	7,592
Losses carried forward	1,175,856	-	-	1,599,540
Asset	<u>1,183,769</u>	<u>-</u>	<u>-</u>	<u>1,607,132</u>

**12. Tangible fixed assets**

	Plant and machinery £	Furniture, fixtures and fittings £	Total £
<b>Cost</b>			
At 1 April 2018	166,622	46,412	213,034
Additions	22,401	-	22,401
At 31 March 2019	<u>189,023</u>	<u>46,412</u>	<u>235,435</u>
<b>Accumulated depreciation</b>			
At 1 April 2018	152,334	43,154	195,488
Additions	15,425	1,449	16,874
At 31 March 2019	<u>167,759</u>	<u>44,603</u>	<u>212,362</u>
<b>Net book value</b>			
At 31 March 2019	<u>21,264</u>	<u>1,809</u>	<u>23,073</u>
At 31 March 2018	<u>14,288</u>	<u>3,258</u>	<u>17,546</u>

**Metal One UK Limited**  
**Company registration No. 04386308**

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**13. Stocks**

	2019	2018
	£	£
Finished goods	62,147	323,513

**14. Debtors**

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors and contract assets (trade)	18,476,431	23,101,506
Less: allowance for doubtful receivables	(3,645,148)	(3,388,872)
Amounts owed by group undertakings	155,500	255,727
Prepayments	90,246	118,407
VAT	40,490	33,710
Other debtors	11,915	21,394
	<u>15,129,434</u>	<u>20,141,872</u>
	2019	2018
	£	£
Amounts falling due after more than one year:		
Other debtors	2,362	1,374
Deferred tax asset	1,183,769	-
	<u>1,186,131</u>	<u>1,374</u>

Below is the table showing the movement in the provision against doubtful receivables. Specific provisions are made against receivables where the prospect of collection is foreseen as unlikely. The provision also includes expected credit losses under IFRS 9.

*Movement in the allowance for doubtful receivables*

	2019	2018
	£	£
Balance at the beginning of the year	3,388,872	3,806,421
Provision reversed during the year	(1,195)	(12,753)
Reversal of prior year change due to foreign currency translation	404,796	-
Change due to foreign currency translation	(147,323)	(404,796)
	<u>3,645,148</u>	<u>3,388,872</u>

**Metal One UK Limited**  
**Company registration No. 04386308**

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**15. Creditors: amounts falling due within one year**

	2019 £	2018 £
Bank loans and overdrafts	733,655	753,483
Trade creditors	692,233	287,131
Amounts owed to group undertakings	13,816,687	18,452,626
Other creditors including taxation and social security	8,940	200,835
Accruals and contract liabilities	324,809	306,853
	<u>15,576,324</u>	<u>20,000,928</u>

The bank loans and overdrafts are guaranteed by the immediate parent company, Metal One Corporation.

**16. Called up share capital**

	2019 £	2018 £
<b>Authorised:</b>		
1,000,000,000 ordinary shares of £0.01 each	<u>10,000,000</u>	<u>10,000,000</u>
<b>Called up, allotted and fully paid:</b>		
1,000,000,000 ordinary shares of £0.01 each	<u>10,000,000</u>	<u>10,000,000</u>

**17. Derivative financial instruments**

	2019 £	2018 £
<b>Financial assets or liabilities carried at fair value through profit or loss (FVTPL)</b>		
Forward foreign currency contracts loss	-	(47,162)
	-	(47,162)
Forward foreign currency contracts principal	-	973,394

The company uses the derivatives to hedge its exposures to changes in foreign currency exchange rates. The fair values are based on market values of equivalent instruments at the balance sheet date. The company has not used hedge accounting on the derivatives, therefore the fair values movement is accounted within Foreign Exchange (loss)/gains in the Profit and loss account.

**Metal One UK Limited**  
Company registration No. 04386308

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**18. Retirement benefit schemes**

The company operates a defined contribution scheme. The cost for the accounting period was £43,919 (2018: £93,279). There were no outstanding contributions (2018: £nil) for the month of 31 March 2018 as at the balance sheet date.

**19. Operating lease commitments**

At 31 March 2019, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2019	2018
	£	£
Within one year	141,768	207,552
In the second to fifth years inclusive	560,071	825,209
After five years	349,419	719,433
	<u>1,051,257</u>	<u>1,752,194</u>

**20. Controlling party**

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party is Mitsubishi Corporation, a company incorporated in Japan. This is the largest group in which the company is consolidated. The immediate parent company is Metal One Corporation, a company incorporated in Japan. This is the smallest group in which the company is consolidated.

Copies of the group consolidated financial statements of the ultimate parent company can be obtained from Mitsubishi Corporation, Department AA-F, 6-3 Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-8086, Japan.

Copies of the group consolidated financial statements of the immediate parent company can be obtained from Metal One Corporation, JP Tower, 7-2, Marunouchi 2-Chome, Chiyoda-ku, Tokyo 100-7032, Japan.



**Metal One UK Limited**  
**Company registration No. 04386308**

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**21. Related party transactions**

The company has taken advantage of the exemption from related party disclosures available in FRS101 paragraph 8.k, as the transactions are entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Related party transactions which do not satisfy disclosure exemption criteria above are as follows:

	Sales to related party		Amounts owed to Metal One UK Ltd	
	2019	2018	2019	2018
	£	£	£	£
Metal One America Inc. (Metal One Corporation owns 80% of Metal One Holdings America, which owns 100% of Metal One America Inc.)	1,048	88,114	-	-

	Purchases from related party		Amounts owed by Metal One UK Ltd	
	2019	2018	2019	2018
	£	£	£	£
Sojitz Corporation (Sojitz Corporation owns 40% of Metal One Corporation, which owns 100% of Metal One UK Limited)	-	51,537	-	24,953
MC Tubular Products Inc. (Metal One Corporation owns 80% of Metal One Holdings America, which owns 100% of MC Tubular Products Inc.)	-	848,317	-	-

Sales to related parties were made at the company's usual list prices. Purchases were made at market price to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.