Principal risks and uncertainties

There continues to be a high level of COVID cases as we head into the winter period. This, together with Brexit, has created significant supply chain interruption across many sectors, and consequently the impact of this on next year's trading conditions are difficult to predict.

The Group continued to trade through the Brexit transition and has strong skills within the Group to navigate the various new processes required. This is especially true of trade between Great Britain and Northern Ireland, and the potential for further changes to the Northern Ireland Protocol which the Group is monitoring closely.

Future steel prices and demand levels are inherently difficult to forecast. Construction forecasts are generally positive. Steel mill production costs are being impacted as raw material prices remain high, energy and production costs have significantly increased, global supply chains remain disrupted, and skills shortages exist. There are also Chinese government intervention measures being put in place, and EU and UK quotas and tariffs continue across various products. In light of the above, the Group continues to focus on its purchasing strategy, stock levels and maintaining a robust balance sheet. The Group aims to be able to withstand any downturn and to take opportunities as they arise.

Employees, training and accreditation

The Group has had several external audits during the year and as a result has maintained its existing certifications of ISO 9001:2015 Quality Management Systems, ISO 14001 Environmental Management and National Highways Sector Scheme 3B (NHSS3B). BES6001 (Responsible Sourcing of Construction Products) has also been achieved at certain group depots.

The Group also selected employees to complete bespoke management and leadership development courses during the year, with a second cohort of staff to join this programme in the next financial year.

There have been several COVID 19 inspections across our network, with positive feedback received over the policies in place. The Group has retained measures across all sites and continues to review government guidelines.

I would like to thank all of our employees for their commitment to the Group over the past financial year.

J S Barrett, Chairman
26 November 2021

www.barrettsteel.com

BARRETT STEEL LIMITED

BARRETT GENERAL STEELS

BARRETT TUBES DIVISION

BARRETT ENGINEERING STEEL

Barrett Steel Limited is the UK's largest independent steel stockholder. With over 40 companies operating from 30 locations across the UK, Barrett Steel prides itself on always being your local steel stockholder, consistently offering an industry leading but personally tailored service. For over 150 years Barrett Steel has put customer service as well as investment at its forefront.

Cover image: Barrett Steel Scotland - Newbridge

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OVER 150 YEARS OF INNOVATION. ONE FAMILY

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* Some images used in this publication may predate Covid19 procedures and practices.

BARRETT STEEL LIMITED

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT

YEAR ENDED 30 SEPTEMBER 2021

www.barrettsteel.com

Business review and results

The Group experienced unprecedented steel price increases and demand in the financial year ended 30 September 2021, despite the continuing disruptive impacts of COVID and Brexit.

Continuing Group turnover for the year increased by 47% to £441.0m. Non-UK turnover decreased to £22.8m from £27.9m. Gross margin from continuing operations increased to 37.0% from 29.4%.

Operating profit for the continuing Group, before restructuring costs and foreign currency movements, increased from £4.3m to £52.8m as the Group benefitted from its significant stock levels and scale.

Profit before tax for continuing operations increased from £0.3m to £50.8m after net interest costs of £1.1m (2020: £1.8m), foreign currency losses of £0.1m (2020: £0.1m) and restructuring costs of £0.8m (2020: £2.0m). Restructuring costs primarily relate to set up costs of new trading depots and redundancies (2020: redundancy costs, offset partially by profit realised on the disposal of the York depot as part of the Tubes Division restructure).

In the prior year, the Group disposed of its oil and gas business based in Houston, with the land and buildings being sold in the current year. The results for Houston are disclosed separately within discontinued operations.

Stocks rose from £57.0m to £92.2m due to higher volumes being held and increased input prices. In the prior year stock was held at a lower level to preserve cash. The Group continues to insure against trade debtors and makes appropriate trade debtor provisions where required.

Net Debt at year end was £9.2m (2020: £22.8m) which was achieved through increased operating cash flow and strong cash collection. Overall gearing as a result is 11% (2020: 46%).

The Group continues to operate within its fully committed UK bank facilities which were renewed for a 5-year period in January 2020.

"Operating profit for the continuing Group, before restructuring costs and foreign currency movements, increased from £4.3m to £52.8m as the Group benefitted from its significant stock levels and scale."

Development of the Group

In April 2021, the Group set up a General Steels depot in Newbridge on the outskirts of Edinburgh. During the financial year the Group has invested £0.9m at this location including crane upgrades, new saws and vehicles, with further spend committed in the next financial year. This depot is focussed on servicing customers on the central belt of Scotland and will work together with the Montrose depot and other Group processing centres, to deliver a strong stock range and high level of service.

In March 2020, the Group acquired certain British Steel Distribution depots from Jingye Steel (UK) Limited. The Scunthorpe, Newcastle and Wolverhampton trade was merged into the existing depot network, with Dartford remaining as a separate depot. Dartford continues to grow and is to invest further in its processing capabilities during the next financial year.

Group capital expenditure in the year totals £6.1m. This includes a new shotblast, saw and drill line at the Bradford depot as well as new HGVs, cranes and saws across the Group. The Group has successfully transferred a Plasma laser from the Shoreham depot to the Rotherham depot, our Profiling Centre. A further Plasma laser is to be transferred at the end of 2021, followed by investment in new lasers at Rotherham.

The Group has continued its investment in the development phase of a new ERP system.

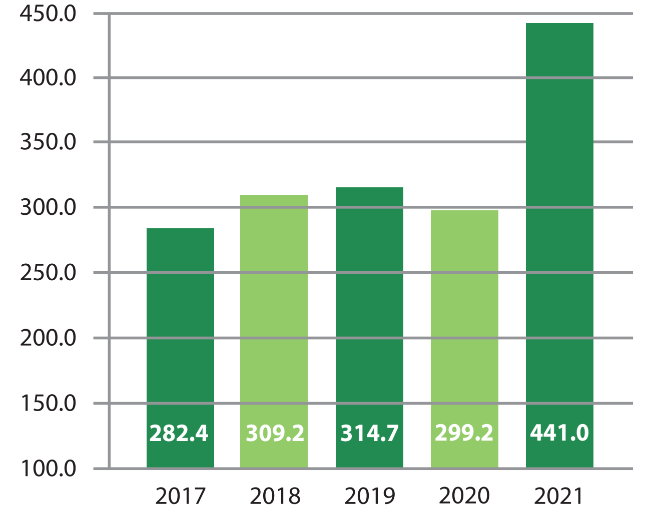
The Tubes division has committed to further significant investment in processing kit including replacement of the Jumbo laser which will enhance the Group's tube laser processing capabilities.

The Group has extended its handling and distribution agreement with Groveport at Scunthorpe, which will enhance the Group's service offering to customers.

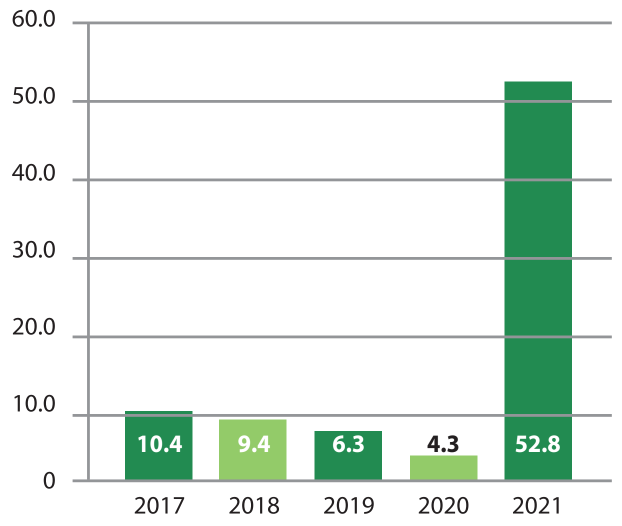
The Group is committed to reducing its carbon footprint and is currently assessing its current emission levels and developing its Net Zero Roadmap and monitoring mechanisms.

Turnover and operating profit

Turnover from Continuing Operations



Operating Profit before Restructuring Costs, Discontinued Operations and Foreign Currency Losses & Gains



Extracts from the Statutory Accounts

Consolidated profit and loss account

for the year ended 30 September 2021

	2021			2020		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
	£000	£000	£000	£000	£000	£000
Turnover	**440,985**	-	**440,985**	299,240	7,283	306,523
Gross profit	**163,343**	-	**163,343**	87,991	3,031	91,022
Operating profit before restructuring costs, loss on disposal of operation and foreign currency (losses) / gains	**52,788**	**82**	**52,870**	4,313	303	4,616
Restructuring costs	**(834)**	-	**(834)**	(2,003)	(23)	(2,026)
Disposal of operation	-	**69**	**69**	-	(4,754)	(4,754)
Foreign currency (losses) / gains	**(130)**	**119**	**(11)**	(146)	(53)	(199)
Operating profit / (loss)	**51,824**	**270**	**52,094**	2,164	(4,527)	(2,363)
Interest payable and similar charges	**(1,072)**	-	**(1,072)**	(1,833)	-	(1,833)
Profit / (loss) before taxation	**50,752**	**270**	**51,022**	331	(4,527)	(4,196)
Tax on profit / (loss)	**(9,912)**	-	**(9,912)**	(256)	(1,071)	(1,327)
Profit / (loss) for the financial year	**40,840**	**270**	**41,110**	75	(5,598)	(5,523)

Consolidated balance sheet

as at 30 September 2021

	2021	2020
	£000	**£000**
Fixed assets		
Intangible assets	**2,730**	1,516
Negative goodwill	**(1,711)**	(2,252)
Tangible assets	**44,785**	46,150
Investment property	**1,485**	-
	47,289	45,414
Current assets		
Stocks	**92,175**	57,046
Debtors	**113,463**	65,192
Cash at bank and in hand	**11,963**	7,184
	217,601	129,422
Creditors: amounts falling due within one year	**(162,646)**	(106,115)
Net current assets	**54,955**	23,307
Total assets less current liabilities	**102,244**	68,721
Creditors: amounts falling due after more than one year	**(17,794)**	(18,164)
Provisions for liabilities and charges	**(1,710)**	(924)
Net assets	**82,740**	49,633

A full set of statutory accounts which incorporates an unqualified auditors report has been filed with the registrar of companies