



BARRETT
STEEL LIMITED



**CHAIRMAN'S STATEMENT
AND STRATEGIC REPORT**

YEAR ENDED 30 SEPTEMBER 2022

WWW.BARRETTSTEEL.COM



Principal activities

The principal activity of the group is steel stockholding.

Business review and results

Similar to the previous financial year, the Group experienced significant steel price increases and volatility in demand in the financial year ended 30 September 2022. The main causes of this being the Russia Ukraine conflict, supply disruption, energy prices and inflation.

Group turnover for the year increased by 40% to £617.3m with gross margin decreasing from 37.0% to 31.1%.

Operating profit before restructuring costs and foreign currency movements, increased from £52.9m to £62.5m as the Group benefitted from its significant stock levels and scale.

Profit before tax increased from £51.0m to £60.2m after net interest costs of £1.4m (2021: £1.1m), foreign currency gains of £0.3m (2021: £0.01m losses) and restructuring costs of £1.2m (2021: £0.8m). Restructuring costs primarily relate to set up costs of new trading depots and redundancies.

Stocks rose from £92.2m to £117.1m due to increased input prices. The Group continues to insure against certain trade debtors and makes appropriate trade debtor provisions where required.

Net cash at year end was £1.3m (2021: £9.2m net debt) which was achieved through increased operating cash flow and strong cash collection. Overall gearing as a result is minus 1% (2021: 11%).

The Group continues to operate within its fully committed UK bank facilities which expire in January 2025.

Group turnover for the year increased by 40% to £617.3m. Net cash at year end was £1.3m (2021: £9.2m net debt)





Development of the Group

Barrett Central Distribution - Groveport - State of the Art 200,000sqft Distribution Facility for 2022

As part of the new Groveport contract signed last year, the Group has a new 200,000 square foot warehouse which is the first of its kind in the UK using low embodied carbon steel. The use of this greener steel has saved approximately 1,400 tonnes of CO2. This facility can store up to 20,000 tonnes of material, which together with the investments in cranes will give the Group even greater capacity to service the market.

The Group has continued to invest in its core operations and structure. In April 2021, the Group set up a General Steels depot in Newbridge on the outskirts of Edinburgh. This leasehold site was acquired during the financial year for £6.2m, highlighting the Group's commitment to servicing customers in Scotland.

The Group also took the opportunity to acquire an existing leasehold site in Scunthorpe for £6.7m.

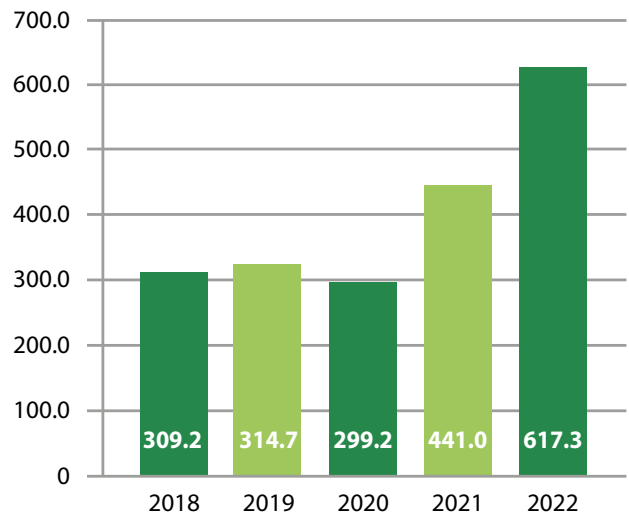
Other group capital expenditure in the financial year totalled £11.4m. This includes a new profile laser at Rotherham, two new tube lasers at Dudley including a Jumbo laser, various cranes, saws, material handling equipment and vehicles across the Group. The investment in vehicles helps the Group to reduce its emissions, as well as meeting the required standards of the Low Emission Zones that are starting to be implemented.

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

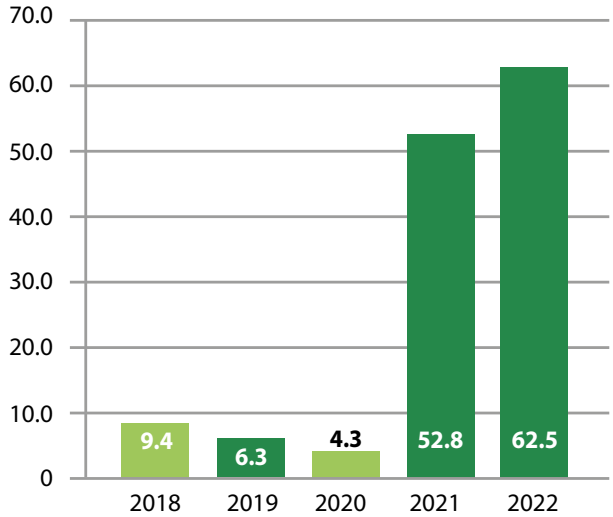
The Group is committed to reducing its carbon footprint. Following the publication of a Net Zero Roadmap, the Group is assessing its current emission levels, developing monitoring mechanisms and carbon reduction strategies.

Turnover and operating profit

Turnover from Continuing Operations



Operating profit before Restructuring Costs, Disposal of Operation and Foreign Currency Gains & Losses



Extracts from the Statutory Accounts

Consolidated profit and loss account for the year ended 30 September 2022

	2022			2021		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£000	£000	£000	£000	£000	£000
Turnover	617,312	-	617,312	440,985	-	440,985
Gross profit	192,214	-	192,214	163,343	-	163,343
Operating profit before restructuring costs, disposal of operation and foreign currency gains & losses	62,475	-	62,475	52,788	82	52,870
Restructuring costs	(1,199)	-	(1,199)	(834)	-	(834)
Disposal of operation	-	-	-	-	69	69
Foreign currency gains / (losses)	331	-	331	(130)	119	(11)
Operating profit	61,607	-	61,607	51,824	270	52,094
Interest payable and similar charges	(1,378)	-	(1,378)	(1,072)	-	(1,072)
Profit before taxation	60,229	-	60,229	50,752	270	51,022
Tax on profit	(11,585)	-	(11,585)	(9,912)	-	(9,912)
Profit for the financial year	48,644	-	48,644	40,840	270	41,110

Consolidated balance sheet as at 30 September 2022

	2022	2021
	£000	£000
Fixed assets		
Intangible assets	3,496	2,730
Negative goodwill	(1,170)	(1,711)
Tangible assets	62,982	44,785
Investment property	1,663	1,485
	66,971	47,289
Current assets		
Stocks	117,148	92,175
Debtors	144,172	113,463
Cash at bank and in hand	22,232	11,963
	283,552	217,601
Creditors: amounts falling due within one year	(210,057)	(162,646)
Net current assets	73,495	54,955
Total assets less current liabilities	140,466	102,244
Creditors: amounts falling due after more than one year	(18,108)	(17,794)
Provisions for liabilities and charges	(4,087)	(1,710)
Net assets	118,271	82,740

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

Principal risks and uncertainties

The Group has traded well so far in the current financial year, but there continues to be high levels of uncertainty in the market with the UK economy at risk of a deep recession. This, together with significant cost inflation, the cost of living crisis and uncertainty in the supply of energy, results in next year's trading conditions and results being inherently difficult to predict.

Brexit continues to have an impact on the Group, mainly in the form of quotas and tariffs including the trade between Great Britain and Northern Ireland. The Group's knowledgeable and skilled staff enable the Group to continue to trade through this.

Future steel prices and demand levels are inherently difficult to forecast. Construction forecasts are generally negative. Steel mill production costs have increased significantly at a time of reduced demand, and producers are also cognisant of the investment needed to transition to less carbon intensive production methods.

The Group's strategy in the above circumstances remains unchanged as it continues to focus on its purchasing strategy, stock levels and maintaining a robust balance sheet. The Group is confident of withstanding a downturn and will look to take opportunities as they arise.

Employees, training and accreditation

The Group has had several external audits during the year and as a result have maintained our 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) (Recertification Nov 2021) is in place at certain group depots. The Group has also achieved Factory Production Control requirements under "1090" for UKCA & UKNI respectively, and the Group was the first UK steel stockholder to sign up to SteelZero, an initiative run by the Climate Group to accelerate the steel industry's transition to net zero carbon emissions.



The Group has continued with its management and leadership development courses during the year. Several Group staff are also shortly to begin a sales development programme.

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

By order of the board.

J S Barrett, Chairman - 9 December 2022

Barrett Steel Services - Bradford - Transport Fleet Modernisation



Barrett Steel Tubes - Dudley - LT7 & LT8 Fiber Lasers





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 depots 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.



Member of



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OVER 150 YEARS OF INNOVATION. ONE FAMILY

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Front Cover - Barrett Steel Services - Bradford - Automatic Steel Preservation and Cut/Drill Line Installation

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