

Principal risks and uncertainties

It remains unclear as to how and when Brexit will be achieved, and it is uncertain how this will impact on demand, prices and exchange rates in 2020.

EU safeguarding measures are also in place on certain steel imports and this may cause steel price fluctuations during 2020.

The situation surrounding British Steel remains uncertain with several outcomes possible which may have an impact on pricing and steel availability in 2020 and beyond.

There have been some notable business failings in the industry, caused by a mixture of credit, funding and competition.

In response to the above, we continue to focus on maintaining appropriate stock levels and a robust balance sheet, to be in a position to take opportunities as they arise.

The Oil and Gas sector saw some stability in oil prices during the financial year which correlates with the improvement in performance in our Houston based business.



Employees, training and accreditation

We maintained our existing certifications of ISO 9001:2015 Quality Management Systems, ISO 14001 Environmental Management and National Highways Sector Scheme 3B (NHSS3B) certification. We also successfully added the Shoreham site to our ISO 9001:2015 Quality Management Systems registration.

We continue to roll out a variety of operational and sales training across the Group. During the year we continued an executive coaching scheme for all members of the Group Management Board and held leadership skills courses for all of our senior managers across the Group.

The Group has maintained strong relationships with its key suppliers, and against the current uncertain market conditions, is confident that this support will continue.

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

J S Barrett, Chairman
28 November 2019

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BARRETT
STEEL LIMITED

Chairman's Statement and Strategic report



BARRETT
GENERAL STEELS

BARRETT
ENGINEERING STEEL

BARRETT
TUBES DIVISION

BARRETT
INTERNATIONAL

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.

**OVER 150 YEARS OF INNOVATION
ONE FAMILY**

Registered Office: Barrett House, Cutler Heights Lane,
Dudley Hill, Bradford, BD4 9HU
Company Reg No. 2755663

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**YEAR ENDED
30 SEPTEMBER 2019**

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Business review and results

During the financial year ended 30 September 2019, the steel sector experienced continued uncertainty, both as a result of the economic and political situation in the UK and due to disruption within key supply chains. Despite this, and major internal restructuring carried out within the Tubes Division, the Group managed to increase turnover and market share in key product areas.

Group turnover for the year increased by 3% to £328.4m. Non-UK turnover increased to £37.7m from £31.6m. Gross margin remained at 28%.

Operating profit before restructuring costs and foreign currency movements decreased from £9.1m to £7.3m as a result of the Tubes Division performance during its restructure and general inflationary cost increases. Profit before tax reduced from £5.4m to £4.2m after net interest costs of £1.6m (2018: £1.5m), foreign currency gains of £0.1m (2018: £0.1m) and restructuring costs of £1.7m (2018: £2.4m). Restructuring costs relate

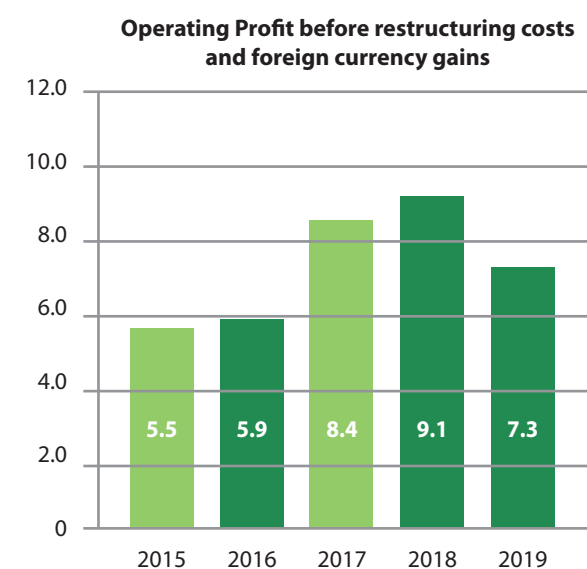
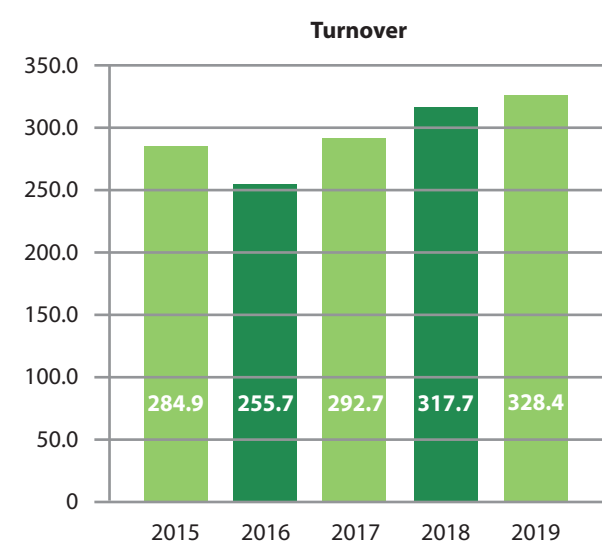
to the Tubes Division restructure, redundancy costs, and initial one-off costs incurred on the Shoreham site acquisition (2018 restructuring costs included the wind down of our Nickel Alloy business, the decision to cease the in-house redevelopment of our ERP system and redundancy costs).

Stocks increased from £67.5m to £79.3m through increased volumes, geographical expansion and opportunistic stock purchasing ahead of Brexit. The Group continues to follow the strategy of managing risk by insuring against the debtors ledger.

Net Debt at year end was £39.1m (2018: £39.4m). Overall gearing is 69% (2018: 73%).

The Group continues to operate within its fully committed UK bank facilities, and on 22 November 2019 had confirmation from HSBC that these facilities have been credit approved for a further 5 years on the same terms.

Turnover and operating profit



Development of the Group

Towards the end of the financial year, the Group acquired the business and assets relating to the Shoreham site of John Parker & Son Limited (in administration), which have subsequently been integrated into our nationwide depot network. The acquisition resulted in negative goodwill of £2.8m being recognised. This is a strategic geographical addition to the Group, adding an exclusive and dedicated bulk receipts port facility. This leased facility offers greater flexibility as well as speed of supply to service UK customers. The assets acquired contain extensive processing equipment including shot blast prime and paint facilities as well as 6 Saw-Drill lines. The move has also seen us welcome over 50 new employees to the Group.

As a result of the Shoreham site acquisition and ongoing capital expenditure, the Group has acquired £14.0m of additional processing kit

within its core businesses during the year, largely to drive productivity and operational improvements. Throughout the Group we have invested in fleet and sideloader renewal, new saws, crane upgrades, and the acquisition of a two new Adige LT7 Lasers in our Tubes division to enhance the level of processing kit on site at Dudley. We have continued to make substantial progress in moving our fleet to be Euro VI compliant as we await implementation of Low Emission Zones across major cities. We have also invested in our IT infrastructure to ensure continuity and security of our systems as we transition to a new ERP system.

The Tubes Division restructure involved the closure of our York depot and the consolidation of operations into the Dudley site. This restructure, together with additional lasers has increased the capacity of the Tubes Division in order to better serve our customer base.

Extracts from the statutory accounts

Consolidated profit and loss account and other comprehensive income for the year ended 30 September 2019

	2019 £000	2018 £000
Turnover	328,381	317,655
Operating profit before restructuring costs and foreign currency gains	7,311	9,100
Restructuring costs	(1,664)	(2,363)
Foreign currency gains	121	115
Operating profit	5,768	6,852
Interest payable and similar charges	(1,606)	(1,451)
Profit before taxation	4,162	5,401
Tax on profit	(640)	(1,443)
Profit for the financial year	3,522	3,958

Consolidated balance sheet as at 30 September 2019

	2019 £000	2018 £000
Fixed assets		
Intangible assets	233	350
Negative goodwill	(2,794)	-
Tangible assets	48,940	41,629
	46,379	41,979
Current assets		
Stocks	79,319	67,450
Debtors	79,019	75,441
Cash at bank and in hand	14,683	9,662
	173,021	152,553
Creditors: amounts falling due within one year	(144,967)	(124,013)
Net current assets	28,054	28,540
Total assets less current liabilities	74,433	70,519
Creditors: amounts falling due after more than one year	(16,726)	(16,139)
Provisions for liabilities and charges	(787)	(61)
Net assets	56,920	54,319

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

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