

Principal risks and uncertainties

COVID 19 continues to dominate the headlines and is likely to continue to do so until a vaccine is available. The impact of this on next year's trading conditions are difficult to predict. We are hopeful that government stimulus measures will continue to support businesses and employment, and investments and infrastructure projects continue to progress.

The Brexit transition period ends at 31 December 2020 and the details of the deal with the EU and the Northern Ireland border issue remain unclear. This could impact on demand, prices, exchange rates and customs procedures. However, we continue to monitor the situation and have implemented measures to give us confidence that we are well positioned to manage these changes. We hold strong supplier and customer relationships to enable us to work through this.

EU safeguarding measures have been in place on certain steel imports through the course of the year and this has changed buying behaviours in the industry. New UK and EU quotas are being implemented from 1 January 2021 which will create further changes, and has the potential for steel price movements for certain products. Steel mills have recently experienced higher raw material costs which when demand levels are strong, as they are lately, generally pushes prices higher.

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

We have 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).

COVID 19 brought about several challenges for our staff as we traded our way through this period. I would therefore like to thank all employees for their commitment to the Group over the past financial year.

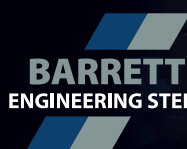
JS Barrett, Chairman
27 November 2020

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



Chairman's Statement and Strategic report

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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.

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

**YEAR ENDED
30 SEPTEMBER 2020**

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Business review and results

The financial year ended 30 September 2020 saw a general election in the UK, the UK leaving the EU and a Brexit transition period, the acquisition of British Steel by Jingye Group, a global pandemic, and oil prices plummet. These events led to volatility in demand levels, significant steel price movements, and generally increased business uncertainty.

Despite this, the Group has continued to increase its market share, assisted by the acquisition of the Shoreham site in August 2019 and the acquisition of several British Steel Distribution depots in March 2020.

Group turnover for the year decreased by 7% to £306.5m. Non-UK turnover decreased to £27.9m from £37.7m. Gross margin increased to 29.7% from 27.8%. COVID 19 had a significant impact on demand in the third quarter of the financial year with volumes and turnover reducing. As a result of this, the Group put in place several mitigation measures, including furloughing staff, reducing headcount, and managing the Group's cash position.

The Group disposed of its Houston business in September 2020 which completes the Group's strategy of exiting oil and gas focussed businesses. The disposal will allow the Group to focus resources on the core steel stockholding business. The results for Houston and the loss on disposal are disclosed separately within discontinued operations and the comparatives have been restated.

Operating profit for the continuing Group, before restructuring costs and foreign currency movements, decreased from £6.3m to £4.3m as a result of the impact of COVID 19 and inflationary cost increases. Profit before tax for continuing operations reduced from £2.8m to £0.3m after net interest costs of £1.8m (2019: £1.6m), foreign currency losses of £0.1m (2019: £0.1m) and restructuring costs of £2.0m (2019: £1.7m). Restructuring costs primarily relate to redundancy costs, offset partially by profit realised on the disposal of the York depot as part of the Tubes Division restructure (2019 restructuring costs reflect the Tubes Division restructure, redundancy costs, and initial one-off costs incurred on the Shoreham site acquisition).

Stocks decreased from £79.3m to £57.0m through the Group's focus on reducing Net Debt levels and the disposal of the Houston business. The Group continues to insure against the debtors ledger.

Net Debt at year end was £22.8m (2019: £39.1m) which was achieved through reducing stocks and strong cash collection. Overall gearing as a result is 46% (2019: 69%).

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

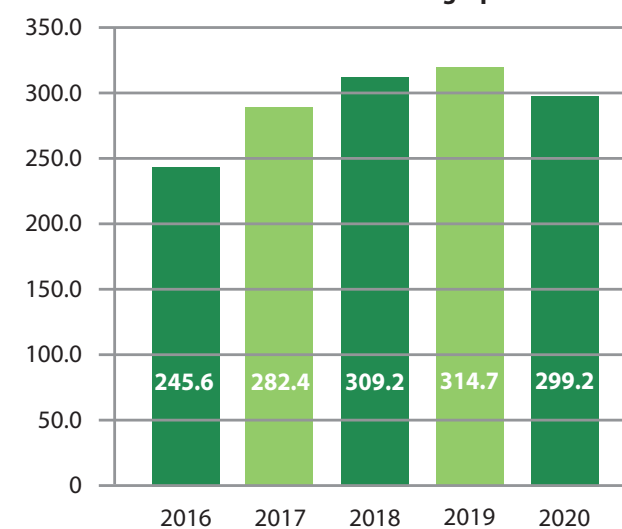
Development of the Group

In March 2020, the Group acquired certain British Steel Distribution depots from Jingye Steel (UK) Limited. The Scunthorpe, Newcastle and Wolverhampton trade has been merged into the existing depot network, with Barrett Steel Dartford remaining as a separate depot, creating a strong link with the Shoreham facility for sales into the South of England. This acquisition and geographical expansion follow the Group's strategy for its continuing businesses.

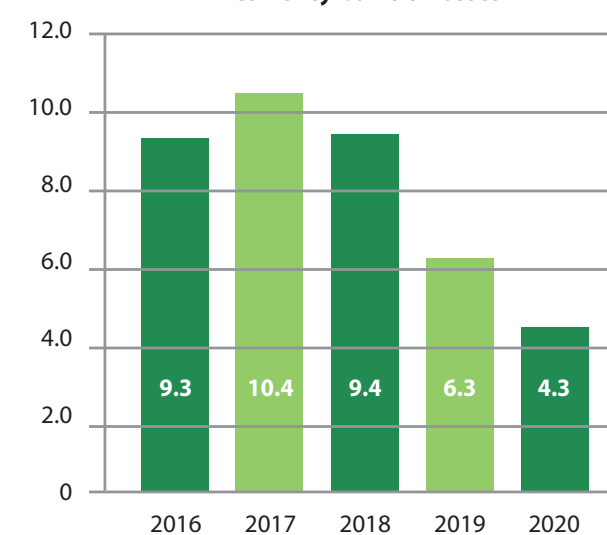
Group capital expenditure in the year totals £6.9m. This includes a new Bystronic Laser for the profiling centre at Rotherham, investment in angle lines at both Bradford and Shoreham depots and new sideloaders, HGVs and saws across the Group. The Group has continued its investment in a new ERP system, successfully completing the design phase and moving into the development phase during the year. The Group has also committed to a new shotblast, saw and drill line at the Bradford depot which is currently being installed.

Turnover and operating profit

Turnover from Continuing Operations



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



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Extracts from the statutory accounts

Consolidated profit and loss account for the year ended 30 September 2020

	2020			2019		
	Continuing £000	Discontinued £000	Total £000	Continuing (as restated) £000	Discontinued (as restated) £000	Total £000
Turnover	299,240	7,283	306,523	314,695	13,686	328,381
Gross profit	87,991	3,031	91,022	86,365	4,761	91,126
Operating profit before restructuring costs, loss on disposal of operation and foreign currency (losses) / gains	4,313	303	4,616	6,317	994	7,311
Restructuring costs	(2,003)	(23)	(2,026)	(1,744)	80	(1,664)
Loss on disposal of operation	-	(4,754)	(4,754)	-	-	-
Foreign currency (losses) / gains	(146)	(53)	(199)	(119)	240	121
Operating profit / (loss)	2,164	(4,527)	(2,363)	4,454	1,314	5,768
Interest payable and similar charges	(1,833)	-	(1,833)	(1,606)	-	(1,606)
Profit / (loss) before taxation	331	(4,527)	(4,196)	2,848	1,314	4,162
Tax on profit / (loss)	(256)	(1,071)	(1,327)	(633)	(7)	(640)
Profit / (loss) for the financial year	75	(5,598)	(5,523)	2,215	1,307	3,522

Consolidated balance sheet as at 30 September 2020

	2020 £000	2019 £000
Fixed assets		
Intangible assets	1,516	233
Negative goodwill	(2,252)	(2,794)
Tangible assets	46,150	48,940
	45,414	46,379
Current assets		
Stocks	57,046	79,319
Debtors	65,192	79,019
Cash at bank and in hand	7,184	14,683
	129,422	173,021
Creditors: amounts falling due within one year	(106,115)	(144,967)
Net current assets	23,307	28,054
Total assets less current liabilities	68,721	74,433
Creditors: amounts falling due after more than one year	(18,164)	(16,726)
Provisions for liabilities and charges	(924)	(787)
Net assets	49,633	56,920

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

