

Registered Number 02997333

Danieli UK Holding Limited

Annual Report

For the year ended 30 June 2017



Danieli UK Holding Limited

Annual Report

for the year ended 30 June 2017

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Danieli UK Holding Limited

Directors and Advisers

Directors

A P Betts – Chairman

G Ximeris – Commercial

Company Secretary

P J Jordan

Registered office

4 Ignite

Magna Way

Rotherham

S60 1FD

Independent auditors

Hart Shaw LLP

Europa Link

Sheffield Business Park

Sheffield

S9 1XU

Solicitors

Ward Hadaway

Sandgate House

102 Quayside

Newcastle upon Tyne

NE1 3DX

Bankers

Barclays Bank plc

Sheffield Branch

2 Arena Square

Sheffield

S9 2LF

Danieli UK Holding Limited

Directors' Report for the year ended 30 June 2017

The directors present their report and the audited financial statements of the Company for the year ended 30 June 2017.

Principal activities

Danieli UK Holding Limited ("the Company") provides the sales, marketing, engineering and supply of continuous casting products, scrap metal processing equipment and other allied products and technologies to a wide variety of customers within the metals and scrap processing industries.

Matters required to be disclosed under Sch 7 of the Companies Act 2006 have been excluded from the Director's report. They are set out in the Strategic report which follows this report, in accordance with s414c(11) of the Companies Act 2006.

Results and dividends

The trading results of the Company are set out in the Profit and Loss Account and Retained Earnings Reconciliation on page 11.

The directors have not recommended a dividend in respect of the year ended 30/06/2017 (2016: £nil).

Directors

The following directors have held office since July 2016:

A P Betts
G Ximeris

Directors' interests in contracts

None of the directors has any interest, direct or indirect, in any significant contract or arrangement in relation to the business of the Company.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Danieli UK Holding Limited

Directors' Report for the year ended 30 June 2017 (continued)

The directors are responsible for preparing the Directors' 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). 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;
- 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.

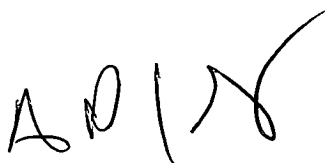
Auditors

The auditors, Hart Shaw LLP, were appointed auditors to the company and in accordance with section 487(2) of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board



A P Betts
Director

Dated: 25 August 2017

Danieli UK Holding Limited

Strategic Report for the year ended 30 June 2017

Review of business

During the year we have experienced a general improvement in market fundamentals with ferrous scrap prices stabilizing in the range of US\$280/ton over the course of the last six months following a sustained price rise from US\$220/ton as of June 2016. This trend has been mirrored by price movements in coke prices all of which makes the Company optimistic with regards near term modest growth in global production and rising capacity utilization of the plant and equipment we supply to customers across the steel production and metal recycling sectors.

Competition remains high however rising machine utilization has led to increased product demand in the metals recycling segments which has allowed the business to increase its order book substantially over the course of the year even if sales revenues are flat.

Domestic revenues decreased considerably in the year following the completion of several key projects in the previous year. Underlying recurring business in the domestic market has remained consistent with prior year's levels. Further projects were completed overseas to add to the installed base and further widen the geographic reach of the market we serve.

The growing influence of Chinese metals recycling companies will be a significant factor in shaping the outlook in the medium term

Structural changes in the business implemented during 2016 has enabled the business to benefit significantly in 2017 with higher levels of operating income been secured compared to the previous year and indeed our business plan.

Development of a new range of long life wear parts for the metals recycling sector is advancing well with some of the new range of products now coming to the market which has been well received. The ASR recovery plant development is complete and we anticipate field trials of the technology to commence in the coming months.

Throughout the year both new business accumulation and sales have been consistent resulting in the company being consistently profitable throughout the period. Having successfully consolidated its business operation in the metals recycling sector with regards to metal shredder plant technology the company plans to launch new service operations to broaden its offering to include providing service to its domestic customers operating hydraulic shears and balers in the metals recycling sector.

Danieli UK Holding Limited

Strategic Report for the year ended 30 June 2017 (continued)

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the company are considered to relate to competition from international metallurgical equipment contractors, the volatility of input costs and the current market conditions the business operates within.

Key performance indicators ("KPIs")

The Company directors recognise that the management of the gross margin on its long term contracts continues to be essential to understanding, developing and enhancing the position of the business. Gross margins on such contracts are monitored on a continuous basis and reviewed by the directors. In addition working capital requirements are managed as required. The following table includes some of those key indicators;

	2017	2016	Measure
Gross Margin	29.4%	22.2%	Gross Profit / Turnover
Profit Margin	11.7%	(3.9%)	PBT / Turnover
Sales Per Employee (£k)	235.1	227.4	Turnover / Average No. of Employees

The business has arrested the previous year's decline in annual profitability through rigorous and careful management of costs during a period where the gross margin was under serve pressure.

Research and development activities

Danieli UK continues to be fully committed to the Danieli Group's mission 'INNOVATION'; to invest in research and development to fortify our global leadership position in the design and supply of continuous casting products, shredding machines and other allied products and technologies.

Investments have continued for the upgrading of the Company's engineering platform such that it can improve its efficiency and effectiveness in this key area.

Charitable Activities

Danieli UK continues to support a variety of local charitable organisations.

Danieli UK Holding Limited

Strategic Report for the year ended 30 June 2017 (continued)

Environmental matters

Consistent with policy of The Danieli Group the company has defined reference targets in order to maintain high levels of environmental protection standards. These being but not limited to;

- Promoting a culture of health and environmental protection in all workers and their families;
- Constantly informing and training staff on general and specific risks, on rules of behaviour and company procedures;
- Making available adequate economic, technical and human resources to achieve environmental protection goals;
- Promoting awareness of the importance of compliance with environmental rules by example and through systematic oversight;
- Improving waste management by providing specific labelled containers and dedicated areas bearing appropriate signs and through more accurate separation of waste for disposal;

Future trends and developments

The outlook for 2018 is expected to remain competitive with continued price pressure however we foresee the increased demand generated in mid-2017 to be forward well into 2018. Considering also the reshaping of the UK steel industry over recent times we anticipate the new entrants to the markets as well as the established mill operates to commence a period of investment in renewing assets which the Company is well placed to benefit from.

The business has commenced 2018 on a firm financial footing with trading volumes in the first weeks of the 2018 year being consistent with the same period of 2017. The margins being achieved on new business remain acceptable with some slight improvement in gross margin been seen on our range of higher value added products whereas anticipate some regression in margins associated with the lower value added range of products.

As such the outlook for the year ahead remains cautiously optimistic.

By Order of the Board



A P Betts
Director

Dated: 25 August 2017

Danieli UK Holding Limited

Independent Auditor's Report to the members of Danieli UK Holding Limited

Opinion

We have audited the financial statements of Danieli UK Holding Limited (the 'company') for the year ended 30 June 2017 set out on pages 7 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Danieli UK Holding Limited

Independent Auditor's Report to the members of Danieli UK Holding Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report and the Directors' Report.

Danieli UK Holding Limited

Independent Auditor's Report to the members of Danieli UK Holding Limited (continued)

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2-34, 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

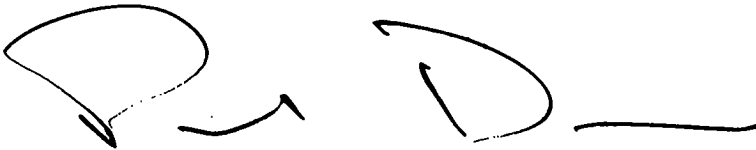
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Danieli UK Holding Limited

Independent Auditor's Report to the members of Danieli UK Holding Limited (continued)

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.

A handwritten signature in black ink, appearing to be 'P Dawson', with a long horizontal line extending to the right.

Paul Dawson (Senior Statutory Auditor)

for and on behalf of Hart Shaw LLP 8th September 2017

Chartered Accountants
Statutory Auditor
Europa Link
Sheffield Business Park
Sheffield
S9 1XU

Danieli UK Holding Limited

Profit and Loss Account and Retained Earnings Reconciliation for the year ended 30 June 2017

	Note	2017 £	2016 £
Turnover	5	12,928,873	13,641,211
Cost of sales		(9,130,447)	(10,610,472)
Gross profit		3,798,426	3,030,739
Selling and distribution costs		(1,832,061)	(2,143,339)
Administrative expenses		(61,014)	(646,870)
Restructuring costs		(79,018)	(726,364)
Bad Debt		(285,882)	(43,837)
Operating Profit / (Loss)	6	1,540,451	(529,671)
Net interest receivable	10	(21,332)	(4,628)
Dividend income	11	-	-
Profit / (Loss) before taxation		1,519,119	(534,299)
Taxation	12	(281,808)	(109,971)
Profit / (Loss) for the financial year		1,237,311	(644,270)
Total comprehensive income for the year		1,237,311	(644,270)
Retained earnings as at 1 July 2016		7,306,809	7,951,079
Dividends		-	-
Retained earnings as at 30 June 2017		8,544,120	7,306,809

The operating profit is derived from continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

There are no recognised gains or losses other than the gains and (losses) attributable to the shareholders of the company of £1,237,311 in the year ended 30 June 2017 (2016: (£644,270)).

The notes on pages 13 to 36 form part of these financial statements.

Danieli UK Holding Limited

Statement of Financial Position as at 30 June 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	13	-	-
Investments in subsidiaries	14	3,441,243	3,441,243
Property, Plant and Equipment	15	175,210	169,354
		3,616,453	3,610,597
Current assets			
Inventories	16	831,008	609,131
Receivables			
Amounts falling due within one year	17	7,452,535	5,662,013
Amounts falling due after one year		-	-
Cash at bank and in hand		7,336,875	8,988,501
		15,620,418	15,259,645
Payables: amounts falling due within one year	18	(7,573,631)	(6,068,955)
Net current assets		8,046,787	9,190,690
Payables: amounts falling due after one year	19	(2,975,833)	(5,114,992)
Provisions for Liabilities	20	(143,287)	(379,486)
Net assets		8,544,120	7,306,809
Capital and reserves			
Called up share capital	23	12,488,999	12,488,999
Profit and loss account		(3,944,879)	(5,182,190)
Total Equity		8,544,120	7,306,809

The financial statements on pages 11 to 36 were approved and authorised for issue by the board of directors on 25 August 2017 and were signed on its behalf by:


A P Betts
Director
Danieli UK Holding Limited

Registered Number 02997333

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

1 Statutory Information

Danieli UK Holding Limited is a company domiciled in England and Wales, registration number 02997333. The registered office is 4 Ignite, Magna Way, Rotherham, S60 1FD.

2 Compliance with Accounting Standards

The accounts have been prepared in accordance with FRS 102. There were no material departures from that standard.

3 Summary of Significant Accounting Policies

Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

The financial statements have been prepared under the historical cost convention. The presentation currency is £ sterling.

Goodwill and intangibles

Positive goodwill is capitalised and classified as an asset on the balance sheet and amortised on a straight line basis. As no reliable estimate can be made, the useful economic life has been limited to 5 years.

Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

Property, plant and equipment – depreciation and amortisation

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful life using the follow rates:

Computer equipment	25% straight line
Fixtures and fittings	20% straight line
Leasehold improvements	Over the shorter of the lease term and 10 years

Where there has been a further diminution in value of any asset, this amount has been written off directly to profit and loss account.

Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

The benefits of lease incentives are recognised in profit and loss account over the lease period.

Inventories

Inventories have been valued at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bring the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design cost, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each accounting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Profit and Loss and Retained Earnings Reconciliation. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the Profit and Loss and Retained Earnings Reconciliation.

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

Income recognition

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below:

(i) Sale of Design Services

The company sells design services to other group companies. Revenue is recognised in the accounting period in which the services are concluded. The company uses the percentage of completion method based on the actual service performed as a percentage of the total services to be provided.

(ii) Sale of Spare Parts

The company sells spare parts to various installations and plants around the world. Revenue is recognised in the accounting period that the product has been shipped to the location specified by the customer, the risk of obsolescence or loss has been transferred to the customer and the customer accepts the products in accordance with the sales order placed.

(iii) Sale of Machinery and Plant

The company supplies items of machinery and complete plant installations over several accounting periods. Revenue is recognised on the percentage of completion based on cost.

(iv) Consignment Stock

The company has stock held on consignment with several customers and recognises the revenue from such stock on the basis of usage or on reaching the final date for consumption of the stock as stated in the contract.

(v) Dividend Income

Dividend income is recognised when the right to receive payment is established.

Exceptional Items

The company classifies charges and credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

Deferred Taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes.

Tax deferred or accelerated is accounted for in respect of all material timing differences.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Balances at the year-end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

Pension Costs

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are recognised in profit and loss account when due.

Investments

All investments are initially recorded at cost less provision for diminution in value. The investment in subsidiaries represents the cost of the company's subsidiary undertakings. The carrying value of the investment is reviewed for impairment following the first full year of acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

In particular:

Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

Financial Instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial Assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial Liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

Exemptions for qualifying entities under FRS 102

The company is a wholly owned subsidiary of Industrielle Beteiligung SA, a societe anonyme having its registered office at 9, Rue du Laboratoire L-1911, Luxembourg. Industrielle Beteiligung SA itself is a wholly owned subsidiary of Danieli & C Officine Meccaniche Spa a company established under the laws of the Republic of Italy, with its principal place of business at 33042 Buttrio, Udine, Italy. It is included in the consolidated financial statements of Danieli & C Officine Meccaniche Spa which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Danieli & C Officine Meccaniche Spa. Includes the company's cash flows in its own consolidated financial statements.

4 Critical Accounting Judgements and Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Deferred income

The company has a number of contracts for rendering of goods and services which were in progress at the year end. The external costs incurred at the year end on the contracts are recoverable through the standard terms and conditions of the contract, should the contract not be fulfilled through no fault of the company. As such, the company recognises revenue throughout the length of the contract through the costs incurred to date on profit making contracts and recognises the profit element upon completion of the contract, as this is the significant act that ensures the company will be entitled to the full amount of revenue. In making this judgement, management has considered the detailed criteria set out for the recognition of revenue in FRS 102 Section 23, with particular emphasis to whether the specific act of completion of the contract is the most significant aspect of the contract to recognise the revenue in excess of costs on a contract. As such, the company has deferred £641,352 (2016: £1,229,298)

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(ii) Deferred costs

The company has a number of contracts for rendering of goods and services which were in progress at the year end. In respect of goods and services received in order to carry out the contract amounts have been invoiced but are not payable until the final terms of the contract have been agreed by the end customer per the terms of the contract. The amount of costs deferred are estimated using the balance on the original contract yet to be received from the end customer in respect of the work performed at the year end date.

In making this judgement, management has considered the detailed criteria set out for the recognition of costs in FRS 102 Section 21, with particular emphasis as to whether an obligation existed at the reporting date as a result of a past event. As such the company has deferred £nil (2016: £198,370).

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

5 Turnover

The company's turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year / period

The analysed of turnover by geographical area and activity is as follows:

By geographical area	2017	2016
	£	£
United Kingdom	2,285,762	4,658,347
North America	2,330,084	449,504
South America	140,211	101,097
Asia	432,931	639,427
Europe	7,561,430	7,743,352
Africa	39,255	28,584
Australasia	139,200	20,900
	12,928,873	13,641,211

By activity	2017	2016
	£	£
Continuous casting products	925,254	958,572
Scrap metal processing equipment	10,209,097	10,571,602
Non-ferrous products	1,794,522	2,111,037
	12,928,873	13,641,211

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

6 Profit / (Loss) before tax

	2017	2016
	£	£
Profit / (Loss) before tax is stated after charging / (crediting):		
Directors' remuneration	106,119	160,589
Pensions of directors	10,851	9,062
Auditors' remuneration	19,500	17,500
Depreciation of owned assets	55,366	75,865
Amortisation of owned assets	-	665,571
Operating lease rentals:		
- property rentals	283,674	499,534
- vehicles	17,575	13,808
Loss on sale of tangible fixed assets	-	34,916
Net (Gains) on foreign currency translations	(597,854)	(564,625)

7 Auditors' remuneration

	2017	2016
	£	£
Fees payable for audit of annual financial statements	19,500	17,500
Fees payable for other services	-	2,200

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

8 Directors' remuneration

	2017	2016
	£	£
Emoluments for qualifying services	107,401	152,962
Company contributions to defined contribution pension scheme	10,851	9,062
Emoluments paid to a third party for qualifying services (note 27)	-	-
	118,252	162,024

Retirement benefits are accruing for 1 (2016: 1) director under the company's defined contribution pension scheme.

9 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	2017	2016
	Number	Number
Manufacturing	22	26
Sales and administration	33	35
	55	61

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£	£
Wages and salaries	2,554,358	2,792,363
Social security costs	243,650	295,272
Other pension costs (Note 25)	162,935	159,299
Staff costs	2,960,943	3,246,934

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

10 Net interest receivable

	2017	2016
	£	£
Interest receivable		
Bank	2,828	891
Group	-	1,525
Other	240,770	302,120
	243,598	304,536
Interest payable		
Bank	(12,966)	(37,555)
Group	-	-
Other	(251,964)	(271,609)
	(264,930)	(309,163)
Net interest receivable	(21,332)	(4,628)

11 Dividends

The Company received no cash dividend (2016: £nil) from its subsidiary Innoval Technology Limited in the year. There was no further dividends receivable by the Company at the end of the financial year (2016: £nil).

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

12 Taxation

	2017	2016
	£	£
Current tax		
UK Corporation tax at 19.75% (2016: 20.00%)	-	-
Adjustments in respect of previous periods	-	(3,008)
Total current tax charge	-	(3,008)
Deferred tax (note 21)		
Origination and reversal of timing differences	(313,127)	(51,615)
Changes in tax rates or laws	20,912	(49,973)
Adjustments in respect of prior periods	10,407	(5,375)
Tax charge on Profit / (Loss) on ordinary activities	(281,808)	(109,971)

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

12 Taxation (continued)

The tax assessed for the period is lower (2016: higher) than the standard rate of corporation tax in the UK at 19.75% (2016: 20.00%). The differences are explained below:

	2017 £	2016 £
Profit / (Loss) before tax	1,519,118	(491,494)
Profit / (Loss) on ordinary activities multiplied by standard rate in the UK of 19.75% (2016: 20.00%)	300,036	(95,297)
Effects of:		
Accelerated capital allowances	-	-
Income not taxable for tax purposes	-	-
Other permanent differences	-	16
Fixed asset differences	-	18,396
Expenses not deductible for tax purposes	13,092	134,236
Tax rate change	(20,912)	-
Adjustments in respect of previous periods	(10,407)	3,008
Adjustments in respect of previous periods – Deferred tax	-	5,375
Adjustment in closing deferred tax to average rate of 20.00%	-	44,237
Rounding's	(1)	-
Charge for the period	281,808	109,971

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

13 Intangible Fixed Assets

	Goodwill
	£
Cost	
At 1 July 2016	3,008,501
Additions	-
At 30 June 2017	3,008,501
Amortisation	
At 1 July 2016	3,008,501
Charge for the year	-
At 30 June 2017	3,008,501
Net book amount	
At 30 June 2017	-
At 30 June 2016	-

The intangible fixed asset was created wholly from the goodwill on acquisition of Lynxs Shredder (Project Design) Ltd.

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

14 Investments in subsidiaries

	Investments in subsidiary undertakings
	£
Cost of valuation	
At 1 July 2016	3,441,243
Over provided consideration	-
At 30 June 2017	3,441,243
Amortisation	
At 1 July 2016	-
Charge in the year	-
At 30 June 2017	-
Net book amount	
At 30 June 2017	3,441,243
At 30 June 2016	3,441,243

Investments in subsidiaries comprises of equity shares in Innoval Technology Ltd. These shares are not publicly traded.

The company owns 100% of the equity share capital (2016: 100%). During the year the company received no dividend (2016: £nil).

The investment is carried at cost and not fair value as the shares are not publicly traded and therefore the company continues to follow its previous accounting policy.

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

14 Investments in subsidiaries (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of Company	Holding	Proportion of voting rights and shares held	Nature of Business
Danieli Lynxs Limited	Ordinary Shares	100%	Dormant
Danieli Lynxs Services Limited	Ordinary Shares	100%*	Dormant
Danieli Lynxs Shredder Services Limited	Ordinary Shares	100%*	Dormant
Innoval Technology Limited	Ordinary Shares	100%	Engineering
Danieli Davy Distington Limited	Ordinary Shares	100%	Dormant

* Held by a subsidiary undertaking.

The aggregate capital and reserves and the results of these undertakings for the last relevant financial period were as follows:

Subsidiary undertakings	Capital and reserves £	Loss for the period £
Danieli Lynxs Limited	100	-
Danieli Lynxs Services Limited	100	-
Danieli Lynxs Shredder Services Limited	100	-
Innoval Technology Limited	802,206	(75,232)
Danieli Davy Distington Limited	1	-

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

15 Property, Plant and Equipment

	Leasehold Improvements	Computer Equipment	Fixtures and Fittings	Total
	£	£	£	£
Cost				
At 1 July 2016	174,999	377,865	161,381	714,245
Additions	51,250	294	9,678	61,222
Disposals	(17,610)	(45,623)	(37,956)	(101,189)
At 30 June 2017	208,639	332,536	133,103	674,278
Depreciation				
At 1 July 2016	88,178	304,387	152,326	544,891
Charge for the year	16,160	34,150	5,056	55,366
Disposals	(17,610)	(45,623)	(37,956)	(101,189)
At 30 June 2017	86,728	292,914	119,426	499,068
Net book amount				
At 30 June 2017	121,911	39,622	13,677	175,210
At 30 June 2016	86,821	73,478	9,055	169,354

16 Inventories

	2017 £	2016 £
Raw materials and consumables	831,008	609,131
Work in progress	-	-
	831,008	609,131

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

17 Receivables – amounts recoverable within one year

	2017 £	2016 £
Trade receivables	1,953,851	2,539,157
Amounts owed by parent undertaking	4,173,023	1,248,643
Amounts owed by subsidiary undertakings	13,020	13,958
Amounts owed by fellow group undertakings	527,854	759,329
Corporation tax	-	-
Deferred tax asset (note 21)	116,332	398,142
Other receivables	401,390	424,284
Prepayments and accrued income	265,004	276,558
Advances to suppliers	2,061	1,942
	7,452,535	5,662,013

18 Payables – amounts falling due within one year

	2017 £	2016 £
Trade payables	1,717,948	1,242,480
Payments on account	641,352	1,229,298
Other tax and social security	73,052	85,494
Accruals and deferred income	2,198,502	451,982
Deferred and contingent consideration	-	-
Promissory notes	1,983,889	1,920,997
Bank loan	311,881	416,668
Amounts owed to parent undertaking	193,492	118,452
Amounts owed to fellow group undertakings	453,515	603,584
	7,573,631	6,068,955

Payments on account are down payments to suppliers as part of the supply of goods per the payment terms on committed orders.

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

19 Payables – amounts falling due after one year

	2017	2016
	£	£
Deferred and contingent consideration	-	-
Promissory notes	2,975,833	4,802,492
Bank loan	-	312,500
	2,975,833	5,114,992

Amounts falling due after more than one year comprise:

Deferred and contingent consideration

Amounts owing under sale and purchase agreements totalling £nil (2016: £nil) were outstanding at the yearend relating to the acquisition of Innoval Technology Limited.

Bank Loan

The company has a term loan of £311,881 (2016: £729,167) from Barclays Bank plc. The facility bears interest at 3 month LIBOR + 2% payable on a quarterly basis. This is a secured debenture.

Promissory Notes

The company has promissory notes of £4,959,722 (2016: £6,723,489) outstanding with Confirmec Spa. The notes are repayable in full in 2019. The promissory notes bear interest at 2.32% payable annually. These are shown at historic cost and are unsecured.

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

20 Provision for liabilities

	2017 £	2016 £
As at 1 July 2016	379,486	100,595
Released during the year	236,199	-
Charge for the year	-	278,891
As at 30 June 2017	143,287	379,486

Rationalisation of the company's operations resulted in a relocation and consolidation of premises. The liability for the previous premises costs has been provided in full within provisions and will be fully utilised by 12 February 2018.

21 Deferred tax asset

	Deferred Tax Asset £
Deferred tax at 1 July 2016	398,140
Charge to the profit and loss account	(281,808)
Deferred tax at 30 June 2017	116,332

Deferred tax asset provided and unprovided in the financial statements is as follows:

	Provided		Unprovided	
	2017 £	2016 £	2017 £	2016 £
Accelerated capital allowances	76,177	98,025	-	-
Losses	29,243	290,577	-	-
Short term timing differences	10,912	9,540	-	-
Deferred tax asset	116,332	398,142	-	-

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

22 Financial instruments

The company has the following financial instruments:

	2017 £	2016 £
Financial Assets that are debt instruments measured at amortised cost:	7,069,138	4,985,372
	7,069,138	4,985,372
Financial Liabilities measured at amortised cost:	7,709,609	9,502,667
	7,709,609	9,502,667

23 Share capital

	2017 £	2016 £
Authorised		
12,488,999 Ordinary shares of £1 each	12,488,999	12,488,999
Allotted, called up and fully paid		
12,488,999 Ordinary shares of £1 each	12,488,999	12,488,999
Total issued share capital	12,488,999	12,488,999

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

24 Leasing commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

				2017
	Land and buildings	Plant and machinery	Vehicles	Total
	£	£	£	£
Operating leases which expire:				
Within one year	198,181	3,259	5,734	207,174
In the second to the fifth years inclusive	205,382	5,877	5,278	216,537
After the fifth year	57,500	-	-	57,500
	461,063	9,136	11,012	481,211
				2016
	Land and buildings	Plant and machinery	Vehicles	Total
	£	£	£	£
Operating leases which expire:				
Within one year	294,998	2,365	10,528	307,891
In the second to the fifth years inclusive	362,024	2,340	3,759	368,123
	657,022	4,705	14,287	676,014

Amounts paid on leases in the year were £301,250 (2016: £513,342).

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

25 Pension scheme

The company's employees are members of a defined contribution pension scheme under which contributions are paid by the company and by employees.

The company's contributions are based on a percentage of employee earnings. The pension cost charge for the year was £162,935 (2016: £159,299). The balance sheet payable as at the yearend was £24,191 (2016: £23,767).

26 Contingent liability

During the year the company gave an unlimited guarantee to Barclays Bank plc in respect of Innoval Technology Limited's bank borrowings. At 30th June 2017 these amounted to £106,246 (2016: £142,054).

27 Related party disclosures

As a subsidiary undertaking of Danieli & C Officine Meccaniche Spa, the company has taken advantage of the exemption in FRS 102 "Related party disclosures" not to disclose transactions with group companies.

Amounts due from parent/subsidiary/fellow group undertakings are included within Trade receivables (note 17). Amounts due to parent/subsidiary/fellow group undertakings are included within Trade payables (note 18).

See note 8 for disclosure of the directors' remuneration and note 28 for key management compensation.

The company had a balance of £2,192,213 (2016: £2,480,216) due from Danieli Banking Corporation. This balance is included within the Cash at bank and in hand shown in the statement of financial position.

Danieli UK Holding Limited

Notes to the Financial Statements for the year ended 30 June 2017

28 Key management

The compensation paid or payable to key management for employee services is as follows:

	2017	2016
	£	£
Emoluments for qualifying services	107,401	224,993
Company contributions to defined contribution pension scheme	10,851	12,164
Emoluments paid to a third party for qualifying services (note 27)	-	-
	118,252	237,158

29 Ultimate parent company

The company is a wholly owned subsidiary of Industrielle Beteiligung SA, a societe anonyme having its registered office at 9, Rue du Laboratoire L-1911, Luxembourg. Industrielle Beteiligung SA itself is a wholly owned subsidiary of Danieli & C Officine Meccaniche Spa a company established under the laws of the Republic of Italy, with its principal place of business at 33042 Buttrio, Udine, Italy.