



## Authentication Report

### Safeguard measures on certain steel products

### Case: TF0006

<b>Period of Investigation (POI):</b>	01 January 2013 – 31 December 2017
<b>Most Recent Period (MRP):</b>	01 January 2018 – 30 June 2020
<b>Date of report:</b>	16 April 2021
<b>Case team details:</b>	TF0006@traderemedies.gov.uk
<b>Company authenticated:</b>	Duferco UK Ltd
<b>Company details:</b>	6 <sup>th</sup> Floor, 7 Birchin Lane, London EC3V 9BW
<b>Company representative:</b>	



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## Executive Summary

We are conducting a transition review to determine whether the UK should maintain, vary or revoke safeguarding measures put in place by the EU on certain steel products.

As part of the review, we sought to assess the accuracy of the information Duferco UK Limited provided in its questionnaire response, which covered its company structure, its goods subject to review, its imports and UK purchases of those goods, its sales of those goods, and the potential economic-interest effects of continuing, varying or discontinuing the measures.

During the authentication process, we have compared questionnaire responses, including the data annexed to the questionnaire (annex data) and other accompanying evidence and information from open sources, such as Companies House, HMRC, and Duferco UK Limited's websites. We checked information for internal consistency, consistency with audited financial statements and consistency with the responses from other interested parties. We conducted a walkthrough of Duferco UK Limited's accounting systems to assess how much reliance we can place on data produced by the system. Due to the COVID-19 restrictions, we had to conduct all authentication remotely, but where necessary, we gave Duferco UK Limited's management the opportunity to provide more detail or clarify outstanding questions during remote authentication meetings and via written correspondence.

For Duferco UK Limited, we concluded that reconciliation has not been possible for import data and therefore we will need to rely on HMRC import data in the transition review. We have also concluded that reconciliation has been possible for sales data and that other information which we have been able to authenticate provided by Duferco in its questionnaire response, annex data and the authentication process is sufficiently accurate for us to be able to rely on it in our transition review without any adjustments. Despite the limited supporting evidence, we will consider Duferco UK Limited's statements with the claims of other parties during our Economic Interest Test, based on its experience and knowledge of the industry.

## Purpose of authentication

The purpose of authentication is to achieve a reasonable level of assurance that the questionnaire responses provided by the interested parties is relevant, complete and accurate.

## Process of authentication



Authentication can comprise activity undertaken through desk, on site or remote analysis.

Due to the COVID-19 pandemic, and subsequent restrictions affecting travelling, the case team was unable to undertake any authentication work on site.

## Purpose of this report

This authentication report presents the work that has been completed and the checks that have been carried out by the case team in respect of the questionnaire responses received from Duferco UK Limited (Duferco). It details any adjustments we will make to the data following the authentication process and our consultation with the interested party and forms the basis on which the interested parties can provide the case team with a non-confidential summary for general publication.

## Authentication

Please find below a summary of work that has been completed and the checks that have been carried out by the case team to authenticate the information provided by Duferco in their questionnaire response.

### 1 Company structure and associations

#### What information was authenticated

We confirmed information provided on the following areas:

- General set-up, including the ownership and management of the company
- Year of establishment
- Facility locations
- Function as a steel trading and distribution company
- Range of its products concerned/subject to review, and
- Associations.

We also reviewed Duferco's accounting systems in the following areas:

- The accounting practices and policies
- The accounting systems used, how well they are integrated and the level of automation across the systems.

*Please indicate the confidentiality status of the information summarised above:*

☒ non-confidential

☐ partly confidential

☐ confidential

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#### How the information was authenticated

We cross-checked the information provided on Duferco's general set-up, ownership and products by examining official documents published on Companies House, including the



Certificate of Incorporation and the company's audited financial reports. We found the information we retrieved from those sources to be consistent with the information provided by the company in its questionnaire response.

We reviewed the company's associations by checking financial reports published on Companies House, which we also used to check whether any of Duferco's board members were associated with other companies related to the same industry. We confirmed that the associated companies provided by Duferco were consistent with the publicly available information.

To assess the reliability of the financial statements, we considered the auditor's reports, which consistently stated that the financial statements give a "true and fair view" of the company's affairs and have been "properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice" (UK GAAP) for the period under review..

We also used information in the financial reports to check the company's accounting practices and policies. This included its basis for account preparation, its financial year convention, its method for stock valuation and its method for revenue recognition. We compared those findings with Duferco's response to the importer questionnaire and with explanations given during remote authentication.

In a remote authentication meeting, we asked Duferco for further explanations of its accounting systems. The company's representatives also provided a walkthrough of a sample purchase transaction and a sample sales transaction. This demonstrated which tasks are automated and which are manual, where there is a segregation of duties, and what checks and approvals and error reconciliation are performed before transactions can be posted to the accounts.

*Please indicate the confidentiality status of the information summarised above:*

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### Exceptions/Findings

None.

*Please indicate the confidentiality status of the information summarised above:*

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### Conclusions

Duferco provided correct information about its ownership, function and associations in its questionnaire response.



Duferco's accounting practices and systems are sufficiently accurate and can be relied upon in the transition review. The auditor's report confirms that the accounts are "true and fair" and prepared in accordance with UK GAAP and are reliable.

During our authentication of the company's accounting systems, we did not find any evidence to suggest that the systems are inaccurate or unreliable. The walkthroughs suggest that Duferco's accounting systems are sufficiently automated and supported adequate internal controls. Its systems have remained constant during the POI and MRP. Consequently, we conclude that we can rely on the information produced by the company's systems during the transition review.

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☒ non-confidential

☐ partly confidential

☐ confidential

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## 2 Goods

### What information was authenticated

We checked that Duferco had:

- Correctly selected the commodity codes for its goods subject to review, and
- Allocated them correctly to the product categories used in the transition review.

We checked the evidence of the imports that the company claimed to have imported during the POI and MRP.

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### How the information was authenticated

We confirmed the correct assignment of commodity codes and subsequent allocation to product categories by comparing the codes provided in questionnaire annex 3 against the codes defined in the Notice of Initiation.

Using technical documentation provided by Duferco, we compared the characteristics of the imports with those of goods subject to review. We checked Duferco's commodity codes by reviewing questionnaire annex data against information obtained from Trader Search function on [uktradeinfo.com](http://uktradeinfo.com) which details trader activity from non-EU sources. Some product codes outside of the information provided were listed as imported, and some codes provided were not listed. As we are unable to see volumes of imports, data from before 2016 and imported from the EU, trader search can only give us an indication and the trader search demonstrated imports of the product categories identified in Duferco's submission. We concluded that the information provided in the questionnaire



response, in respect of goods that Duferco imported, was sufficiently consistent with external data sources and therefore we can accept that they import these goods.

During the walkthrough, Duferco provided an outline of all the company's imports, including a description of its goods not subject to review. We compared the information provided in the walkthrough with the information in the questionnaire responses and it was consistent.

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☐ partly confidential

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### Exceptions/Findings

None.

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### Conclusions

Duferco reported the correct commodity codes and allocated them to the product categories for goods subject to review. The evidence suggests that Duferco did import the goods it reported during the POI and MRP. We accepted the company's outline of the goods it imported and judged the information obtained during remote authentication to be consistent with the company's questionnaire response and annex data. Therefore, the evidence suggests that Duferco has provided an outline of its goods subject to review that we can rely on in the transition review.

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## 3 Imports and purchases

### What information was authenticated

We analysed the questionnaire annex data that Duferco provided for all imports and UK purchases by considering the trends in:

- Volume
- Value, and
- Average price per tonne.



We assessed the reliability of the annex data for imports and UK purchases.

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#### How the information was authenticated

In order to carry out a review of the trends in the data provided, a sample of product categories was used for each of the importers representing the categories for which the imports were most significant for the importer, or across the imports into the UK.

For the sampled categories, we analysed Duferco's import volumes, import values and average import prices per tonne across the POI and MRP by using the questionnaire-annex figures to plot graphs and tabulate year-on-year changes. With the aid of trendlines we observed and compared the overall trends for each product category and by inspecting the graphs and tables we identified any fluctuations that were significant as shown in annex 2.1 and 2.2.

To determine whether Duferco's reported trends differed for each product category from those of other importers, we compared the trends with those of the importers in our sample. Some products had fluctuations in their trends, however these trends for most products generally followed the trends of other importers, and fluctuations were explained by Duferco. We have accepted Duferco's explanations as reasonable.

We then conducted a reconciliation of the company's questionnaire-annex figures for imports and UK purchases with corresponding figures in the financial statements and used the reconciliation to assess whether we could rely on the company's questionnaire-annex data.

The questionnaire completed by Duferco Ltd states that during the POI they did not purchase any like goods from UK producers and this was reflected in the annex data where no UK purchases were reported.

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#### Exceptions/Findings

Duferco's financial year convention differs from the transition review POI, therefore the data needed to be realigned in order to be reconciled. Duferco did not initially provide quarterly trial balances however, they agreed to provide us with a sample of three years (2017-2019).





We attempted to reconcile the import data using the sample of three years of quarterly trial balances and found that the variance was between 1.13% and 10.4% over the three years. While the years 2017 and 2019 had variances of 1.13% and 1.5% respectively, for 2018 there was a variance of 10.4% which is not attributable to any specific issue that we could identify. Due to this variance within the sample, we are unable to rely on the import data provided in the transition review and will have to rely on HMRC UK level data in the transition review.

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## Conclusions

We identified significant fluctuations in the company's imports and UK purchased goods, but we were satisfied with Duferco's explanation of the trends.

We were able to reconcile the annex figures for two years provided in the sample, 2017 and 2019, however we were unable to reconcile the annex figures with corresponding figures in the audited financial statements to within a reasonable variance for 2018.

Consequently, the evidence suggests that the data the company has provided for its imports and UK purchases cannot be relied upon during the transition review and we will need to rely on HMRC UK level data in the analysis.

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## 4 Sales

### What information was authenticated

We analysed the annex data that Duferco provided for sales by considering the trends in:

- Volume
- Value
- Average price per tonne, and
- Share of UK export sales.

We also:

- Assessed the reliability of the sales figures for all goods that the company reported in its questionnaire annex
- Checked whether the proportion of the sales value coming from the goods subject to review was consistent with other information.



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#### How the information was authenticated

For the sampled product categories, we analysed year-on-year changes across the POI and MRP for Duferco's sales volumes and sales values (as shown in annex 2.6) and identified trends.

We reviewed the average sales prices per tonne for the UK for the sampled product categories (as shown in annex 2.4) and also reviewed the data provided for exports.

Once we had identified trends, we asked Duferco for an explanation of the fluctuations identified. The company gave explanations that fluctuations were based on changes to the business and internal decision making and stated that otherwise market changes were responsible for most changes. We accepted the company's commercial explanations as reasonable.

Duferco's financial year convention differs from the transition review POI, therefore the data needed to be realigned in order to be reconciled. Duferco did not initially provide quarterly trial balances however, they agreed to provide us with a sample of 3 years (2017-2019).

We realigned the sampled quarterly trial balance data provided to the POI and compared this to the corresponding figures in the financial statements. We reconciled the company's sample annex data for sales for 2017 to 2019 with corresponding figures in the financial statements and thereby assessed whether we could rely on that data. When comparing the annex figures for total sales of all goods with the turnover figures in the financial statements, the discrepancies were between 0.3 and 0.41%. This is consistent with the information provided by Duferco that they do not trade in any goods falling outside of the goods subject to review. These variances are within acceptable tolerance levels and therefore we can rely on this information in the transition review.

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#### Exceptions/Findings

None.

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## Conclusions

We identified fluctuations in the company's sales of the sampled product categories, but we were satisfied with its explanation of the trends.

We reconciled the annex figures for total sales of all goods, for the sample years 2017 to 2019, with corresponding figures in the audited financial statements to within 1%. This was consistent with the information provided by Duferco on goods falling outside the measure.

Consequently, the evidence suggests that the data the company has provided for its sales is sufficiently accurate for us to rely on it during the transition review.

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## 5 Economic interest

### What information was authenticated

We assessed Duferco's claims about the UK producers of like goods that it identified in its questionnaire response. This involved confirming that they:

- Did have sites in the UK during the POI and MRP
- Did in fact import goods mentioned by Duferco during the POI and MRP, and

We also considered Duferco's claims about the potential production capacity of the UK in total.

To consider the effects of safeguarding measures on Duferco's own business activities, we authenticated claims regarding:

- Its supply chain
- The industries it serves
- Its employment numbers
- Its median wages/salaries
- Its share of the import market for the goods subject to review, and
- Its total exports.

Finally, we considered the company's claims about the wider UK market for the goods subject to review and like goods and the potential impact of safeguarding measures on the industry.

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#### How the information was authenticated

Duferco provided details of the UK producers of the product categories it imported. This information was checked using internet searches, Companies House data and the information provided in the Duferco questionnaire and annex. Duferco asserted that there is no UK producer for category 14 – Stainless steel bars and light sections. However this was inconsistent with information provided by other parties in the sample who confirmed a UK producer for that product category.

Duferco did not provide any data on the location of the UK producers, only providing the names of those companies producing the product categories that Duferco imports. We have therefore used a combination of Companies House, producer website data and Google Maps, to confirm the locations of the UK producers. Our research confirmed the location of UK producers.

Duferco described their supply chain in the walkthrough and confirmed the exporters that they use within the annex to their questionnaire. We have been able to verify the exporters using internet searches to identify the company websites. Duferco explained that they used UK ports to offload goods and that they used warehousing at a number of UK deep sea and smaller ports. They also confirmed that they use local stevedoring, and haulage contractors to transport goods to UK buyers. We were able to verify UK customers from the list provided by Duferco in their questionnaire response, again using internet searches to locate the company websites.

Duferco provided their employment numbers in the questionnaire response. These were cross-checked with the financial statements, which were consistent. Duferco stated all employees work is related to the sale of the goods subject to review which is consistent with the fact that they have stated all goods they trade in are subject to review.

Duferco stated in the questionnaire that its median wage was £35,000. The annex figures that they presented provided a higher figure generally across the years, but upon reviewing the company audited accounts we were able to establish that when dividing the total expenditure on wages with the number of employees the figures matched. We deduced that the figures provided in the annex were the mean average wage not the median average, explaining the difference between £35k in the questionnaire and £60k in the annex.

In order to consider market share we used the HMRC data on the goods subject to review, which detailed total imports both in value and volume. We were able to establish Duferco's market share per product per year. Duferco estimated in the questionnaire response that they held a 3% market share of imports of their main sales, and this was found to be generally consistent with what was found using the HMRC data, with some fluctuations between product categories.

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### Exceptions/Findings

During authentication for economic interest, we did not identify any significant inconsistencies with information provided by other interested parties or with publicly available information; however, there was insufficient supporting evidence provided to support some of Duferco's claims regarding the impact of the safeguard measure and therefore these would not be relied upon in isolation.

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### Conclusions

We found that the information Duferco provided about its own business activities was consistent with other sources and as a result we accepted its claims about its supply chain, its market share and the relative importance of goods to its business.

It has not been possible to authenticate the claims made by Duferco on the impact of the safeguard measure due to the limited evidence provided. However, it is reasonable to assume that Duferco has answered these questions based on its knowledge and understanding of the market. These claims have been considered alongside responses from other sampled importers to understand the position of importers.

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## Conclusions

As shown in the conclusions of the various sections of the report, through our authentication of the data provided by Duferco, the questionnaire information provided by Duferco has been reviewed and found to be consistent with other sources of information including publicly available information, financial statements and trial balances. Reconciliation has been possible to an extent acceptable for our purposes for sales and therefore no adjustments have been required and information can be considered within the transition review. For imports, reconciliation was possible for 2017 and 2019 but not for 2018, where we found a 10.4% difference and therefore the import data cannot be relied upon in the transition review. Information provided regarding the Economic Interest Test has been found to be consistent with other submissions in many cases, however, is not supported by corroborative evidence. Information on EIT is judged to be based on the company's experience



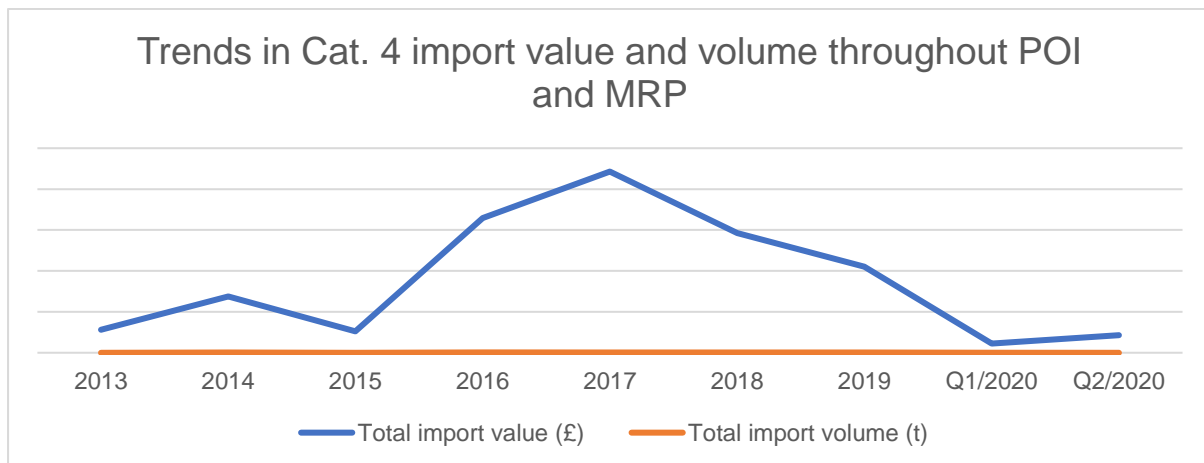
and knowledge of the industry, demonstrating that this can be considered in conjunction with other EIT claims made by other parties.

## Annex 1: Meeting details

Date and duration	Type of authentication	Company representatives	TRID representatives
16/03/2021 2pm-5pm	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	Director  Financial Manager  Trading Support Manager  Accountant	(lead investigator)  (verification specialist)  (investigator)  (investigator)  (investigator)

## Annex 2: Non-Confidential versions of graphs and tables.

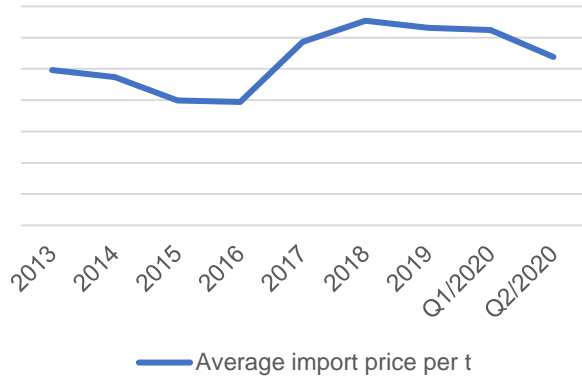
1: Category 4 total import value and volume through POI and MRP



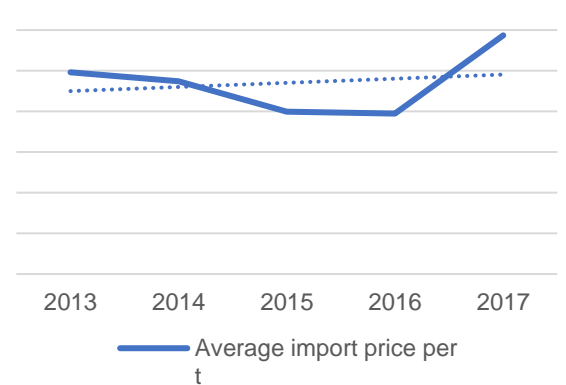
2: Category 4 average import price during POI and MRP



Average import price per t for  
Cat. 4 during POI and MRP

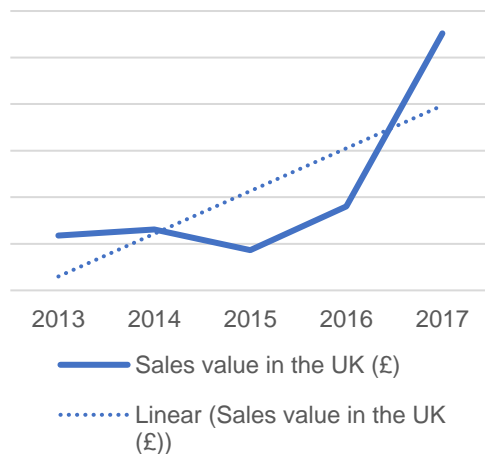


Average import price per t for  
Cat. 4 during POI

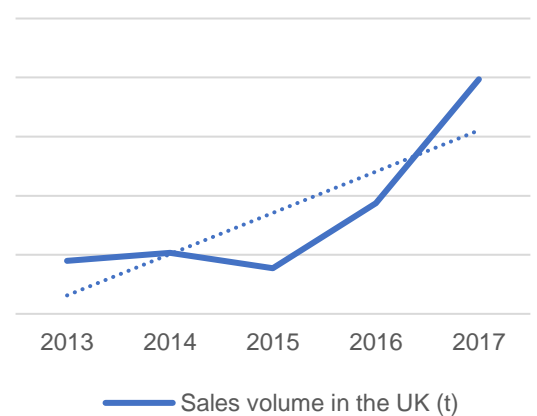


3: Category 4 sales values/volumes during POI

Trend in sales values of Cat.  
4 during POI



Trend in sales volumes of  
Cat 4. during POI



4. Category 4 sales price during POI.

