

Company registered number: 12303256

British Steel Limited

Annual Report and Financial Statements
for the year from 1 January 2022 to 31 December 2022

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Company Information

Directors

X Cao
X F Han
D P Hargreaves
H Li
W Zhang
Z An

Company Secretary

D P Hargreaves

Registered Office

Brigg Road
Scunthorpe
DN16 1XA

Independent Auditor

MHA
Chartered Accountants & Statutory Auditor
6th Floor London Wall Place
London
EC2Y 5AU

Principal Bankers

Santander UK plc
2 Triton Square
Regent's Place
London
NW1 3AN

Strategic Report

Introduction

The directors have the pleasure of presenting their Strategic Report together with the audited accounts of British Steel Limited ('BSL' or 'the Company') for the year ended 31 December 2022.

The Company has chosen to present the financial statements in accordance with FRS 101 Reduced Disclosure Framework, a framework for entities which apply the presentation, recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006.

Ownership

BSL is a wholly owned subsidiary of Jingye Steel (UK) Holding Limited ('JSUK' or 'the Parent'), and its activities are managed as an integral part of the parent's operations. The ultimate parent company is Jingye Group Co Ltd ("Jingye Group"), an unlisted company incorporated in China.

Principal Activities

The principal activities of the Company are the manufacture and sale of steel long products. The Company produces its product via the process of basic oxygen steelmaking at its integrated steelworks in the UK at Scunthorpe, before rolling at one of its four rolling mills located in Scunthorpe, Teesside, Skinningrove, or at the group subsidiary in the Netherlands, FNsteel BV.

The Company organises its commercial activities by major product group with offerings in Sections, Rods, Rail and Special Profiles as well as cast billets and slabs. The Company owns two distribution centres for construction steels located in both Teesside and Lisburn (Northern Ireland).

Strategic Activities

The Company continued its wide-ranging investment programme to improve the performance of the business, helping it to become more sustainable and enabling investments necessary to secure its long-term future. Implementation of the investment plan will improve the integrity of the asset base while controlling CO₂ emissions. During the year the Company continued to invest in its new billet caster, replacement cranes for raw material handling and modernised IT infrastructure.

As economic conditions deteriorated in the second half of the year, the Company focused on improving the operating performance in response to volatile energy and commodity prices and a deteriorating economic outlook. Efficiency savings were identified across the business and additional spend control measures implemented.

The Company continues to prioritise the health and wellbeing of employees whilst also maintaining safe operations in order to protect customers, suppliers and communities. A positive culture of risk management is promoted by the Board and addressed through continuous improvement and rigorous staff training. Existing environmental commitments continue to be met and drive the long-term strategy.

Business Review

The external trading environment remained highly volatile throughout 2022, characterised by significant fluctuations in both commodity and energy prices alongside variations in market demand levels.

Trading performance in the first quarter was subdued with margins remaining pressured following the spike in wholesale energy prices experienced in the fourth quarter of 2021. A marked improvement was observed in the second quarter with profitable trading achieved due to rise in steel prices and demand following the conflict in Eastern Europe, coupled with moderation in energy prices throughout the spring.

Further significant rises in energy prices, peaking in late summer, led to deteriorating margins and the difficult decision to manage production volumes to minimum practical levels in the fourth quarter.

Key Performance Indicators

Liquid steel production in the year ended at 2.0M tonnes (2021: 2.6M) following output management activities, but revenues increased to £1.7bn (2021: £1.5bn) with volume reductions offset by higher steel prices. Trading performance deteriorated to a total loss for the financial year of £367.0M (2021: £50.8M) with a further requirement for fixed asset impairments of £202.9M, recognising the long-term embedding of high energy prices.

The operating loss including impairment charge in 2022 was £371.0M (2021: Loss £28.9M). The operating loss during the year includes a £202.9M impairment charge recognised in the year reflecting a deteriorating outlook for the blast furnace operations at the Scunthorpe site.

The Company's result for the year after taxation and exceptional items was a loss of £367.0M (2021: Loss £50.8M), but despite these challenging conditions the Company continued to invest £143M in capital projects to support the business transformation and remains committed to its long-term decarbonisation strategy and restructuring plant. To this end discussions continue with the UK Government to seek support for the transition to low embodied carbon steel making which is a vital part of securing a long-term sustainable future for the business.

Strategic Report (CONTINUED)

Financing

In 2022, BSL benefitted from access to an external asset-backed receivable lending facility of £50M supplied by Secure Trust Bank plc. Jingye International (HK) Holdings Company Limited provided a further £220m committed lending facility to the JSUK Group, maturing in 2025. The Company also has a sale and repurchase commodity finance arrangement with both Trafigura Pte Ltd and Power Rich Resources Limited, a related party, and support from the shareholder in the form of short-term lending facilities from the wider Jingye Group. The Company adopts a blend of short-term and long-term funding to maintain an optimum cost of capital. Structural or capital investment is funded through long-term financing arrangements, whereas bridging and trade finance is generally short-term to maintain flexibility and minimise the cost of debt.

Cash Flow

Net cash inflow in the period was £44M (2021: £11M outflow). This comprised an underlying trading loss of £408.4M after impairment of £202.9M (2021: £49.5M loss) combined with £266M (2021: £220M) of shareholder/related party funding in the year and movement on working capital.

The working capital turnover ratio (excluding the impact of arrangements with JSUK Group companies and related parties) for 2022 is 3.1 (2021: 2.8), with most of the working capital held in inventories and receivables.

Capital Expenditure

Expenditure continued on significant strategic projects in 2022, including: a new billet caster, raw material unloading cranes, new steel plant charging crane, and new special profiles service centre at the Skinningrove site. Additional further expenditure was incurred commencing a company-wide upgrade to the existing ERP system. This was combined with significant investment to support coke making and steel efficiency and reliability.

Total capital expenditure in the year has been circa £143M (2021: £81M). Growth-capex was £71M in 2023 and is forecast at £31M for 2024.

Balance Sheet

BSL net liabilities as at 31 December 2022 were £123M (2021: net assets £244M).

Net debt (excluding intercompany/related party arrangements) was -£11M (2021: £53M) and intercompany/related party loans were £630M (2021: £364M). Cash and cash equivalents amounted to £55M (2021: £11M). Further details on borrowings can be found in note 17.

Raw Materials and Energy

Exposure to energy shortages and price increases are a present risk, due to disruption caused by conflict in Eastern Europe and sanctions on Russian businesses and products. These risks are closely monitored, and the Company continues to target measures to reduce its energy requirements and unit energy cost.

Principal Risks and Uncertainties

The other principal risks and uncertainties affecting the Company include health, safety, environmental and other compliance matters, employees, climate change, financing, cyber-attacks on information or operational technology, trading in the global steel market (including the impact of Brexit), long-term competitiveness, performance and operations, exchange rates and access to raw materials and energy. Further information and discussion on these principal risks and uncertainties are included in the JSUK 2022 Annual Report and Financial Statements.

Other Key Performance Indicators

The business monitors a wide range of indicators to assess performance. These include injury performance, production and sales volumes, margins by product group, inventory, and a wide variety of production statistics including yield and plant availability.

The key performance indicators (KPIs) monitored by the Board are as follows:

KPI	2022	2021
Loss before tax per tonne	-£203	-£19
Loss before tax and impairment per tonne	-£102	-£19
All injuries per million hours worked	22.50	22.50
Lost Time Injury Frequency Rate (LTIF) per million hours worked	1.70	1.53
Liquid steel production (<i>annualised</i>)	2.0mt	2.6mt
CO ₂ intensity per tonne of liquid steel on 1, 2 and 3 emissions	2.246tCO ₂ /t	2.086tCO ₂ /t

Strategic Report (CONTINUED)

Other Key Performance Indicators (*continued*)

Loss before tax per tonne is a key indicator of investor return. All injuries and lost injury time are also monitored closely as a key indicator for employee wellbeing. Liquid steel production and CO₂ intensity are also measured as key indicators of plant productivity and environmental liabilities.

Employees

Health and safety

The safe operation of all our sites is a top priority for British Steel. We continue to work closely with the Competent Authorities to continually improve and mature our processes for both Occupational and Process Safety. To maintain safeguards and the health and wellbeing of our people, we conducted (and continue to conduct) audits and checks to ensure our systems and controls are followed. British Steel reviewed its Management of Change (MOC) process and developed and deployed a refreshed and improved system across all the Business.

We actively strive to continually improve our safety performance and we remain focused on five key subjects – Leadership and Accountability; Risk Assessment; Incident Process; Planned General Inspection; Management of Work. These key topics remain at the heart of our Health and Safety Management system.

Employee numbers

As at 31 December 2022, staff numbers were 4,481 (2021: 4,552). The average for the year (as per note 6 'Employee costs') was 4,463 (2021: 4,321). We continue to recruit in line with our strategic plan with a focus on British Steel employment rather than utilising external contractors.

Employment policies

Our people are our greatest asset, and our employment values and policies are built upon the way we approach our work - with pride, passion and performance. A key component of our approach is two-way conversation between the Company, and our people and trade unions. This ensures our colleagues, and their health, safety and wellbeing, are the central considerations in our decision-making processes.

We are an equal-opportunities employer, committed to ensuring fairness and equality for all our people, regardless of their background or role within our business. We believe in the value that every one of our team members brings and look to support them in their personal development journeys, whatever direction their career takes them.

The Company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their aptitudes and abilities, and employs them where suitable work can be found. The requirements of job applicants and existing members of staff who have a disability are reviewed to ensure that reasonable adjustments are made to enable them to perform as well as possible during the recruitment process and while employed. All reasonable measures are taken to ensure that disabled employees are given the opportunity and facilities to participate fully in the workplace, in training and in career development, and promotion opportunities. In addition, every effort is made to find appropriate alternative jobs for those who have become disabled while working for the business.

We continue to invest in our employees' careers by providing a range of training and development activities. We have also adopted a flexible approach to working which, again, has the safety and wellbeing of our people at its heart. We have invested in a proactive and strong framework that supports our people to help themselves and to help others from a mental wellness perspective.

BSL continues to transform as a business under Jingye Group and our employment policies will continue to evolve to meet the changing needs of the Company and our people.

Pension arrangements

Pension arrangements for employees in the UK are provided by way of a defined contribution scheme. The principal defined contribution pension scheme in the Company as at 31 December 2022 is the British Steel Limited Pension Plan. Further details on these schemes are provided in note 21.

Gender Pay

Government regulations require all large employers to publish information on their gender pay gap between the average earnings of men and women. The gender pay gap is not the same as equal pay. Equal pay ensures that men and women receive the same pay for carrying out the same or equivalent work. The gender pay gap is a simple average figure for all employees within the UK workforce, regardless of what job they do. Historically, the manufacturing industry primarily attracted male applicants. Around 90% of our current employees are male, which increases to approximately 99% in our production environments. We are actively encouraging the recruitment and development of more women into this industry and our business. The British Steel gender pay gap report is published online (see www.britishsteel.co.uk).

Strategic Report (CONTINUED)

Modern Slavery Act

In accordance with section 54 (Transparency in Supply Chains) of the Modern Slavery Act 2015, the Company is required to publish a statement setting out the steps it is taking to prevent modern slavery in business and supply chains. This statement is published on our website (www.britishsteel.co.uk).

Research and Development

The Company's research programme has two main aspects. Firstly, through a dedicated research hub at the British Steel R&D Centre in Sheffield's Advanced Manufacturing Park, and secondly, utilising distributed research across the business as a whole. Both research avenues work in concert and research various projects for product and process development. Additionally, the business engages suitably qualified external consultants to ascertain and claim R&D tax credit (RDEC) on qualifying work undertaken by the Company's R&D centre and the wider business.

Financial Risk Management

BSL financial risk management is based upon sound economic objectives and good corporate practice. The Company's main financial risks are related to the availability of funds to meet its business needs, movement in exchange rates, and commodity costs. Derivative and other financial instruments are used to manage any exposures where it is considered appropriate. Further details of its financial risks and the way the Company mitigates them are contained in the Jingye Steel (UK) Holding Ltd group accounts.

Future Developments

Subsequent trading performance has remained challenging for the business, with losses continuing into 2023 and 2024. Operational problems associated with the ageing Queen Victoria blast furnace limited steel output in 2023, albeit with softening wholesale energy prices providing benefit to operating costs. Queen Victoria was taken out of service in February 2024, at the end of her campaign, with the newer Queen Bess blast furnace being brought into service to replace her.

The shareholder continues to support the business in its long-term decarbonisation aspirations following unveiling of plans, on 6 November 2023, to invest £1.25bn to become a clean, green and sustainable business by adopting electric arc furnace steelmaking. Under these proposals, the Company would build new facilities for steel making and casting as well as upgrading the business's existing rolling mills. Progress has continued with this project throughout 2024 with the Front-End Engineering Design Study now completed following approval of planning applications for both Scunthorpe and Teesside in April 2024.

Section 172, Companies Act 2006

This report sets out how the directors have had regard to the matter set out in section 172(1)(a) to (f) when performing their duties under section 172 of the Companies Act 2006. This requires directors to act in the way they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing, so have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term,
- the interests of the Company's employees,
- the need to foster the Company's business relationships with suppliers, customers and others,
- the impact of the Company's operations on the community and the environment,
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company.

The BSL Board is responsible for control and oversight of the Company's affairs, for setting strategic priorities, supporting stakeholder engagement, including communication with JSUK's ultimate parent company in China, Jingye Group Co Ltd. As is usual in large companies, the Board delegates authority for day-to-day management of BSL to an executive committee led by the Chief Executive Officer, which sets, approves and manages the execution of business strategy.

The BSL Board promotes high standards of corporate governance throughout the organisation and holds board meetings as required to consider matters relevant to the JSUK Group. Board meetings were held during the year ended 31 December 2022, with additional executive committee meetings held regularly. These meetings were held both electronically via Microsoft Teams and physically in person, and decisions were also made by circulation where appropriate. New directors inducted into the Company are made aware of their directorship duties, including section 172(1) of the Companies Act 2006. The Board is conscious of the impact its business decisions have on stakeholders as well as the wider impact on society. The Board recognises that, given the complexity of the Company, not all decisions taken will align with all stakeholder interests. Accordingly, the BSL Board has taken decisions in the year that it believes best support the Company's strategic objectives.

Strategic Report (CONTINUED)

Section 172, Companies Act 2006 (continued)

The likely consequences of any decision in the long term

Each year, the BSL Board approves an annual plan for the Company and monitors its implementation throughout the year through detailed review of operational and financial performance. The Board also observes external factors, including the steel industry outlook and global and economic market conditions. As set out in the delegated authority framework, the Board reviews proposals for the allocation of capital expenditure to support the annual plan and future sustainability of the Company. The Board takes into consideration guidance received from its parent company, JSUK, and has sought to align capital allocation within the cash flows generated, while ensuring capital expenditure for safety compliance and essential maintenance received the highest priority. The Board also reviews proposals for contracts greater than five years and other material items. As set out in the Statement of Corporate Governance Arrangements on pages 8-9 of this annual report, any Board proposal is required to include detailed criteria to inform directors in their decision making.

The Board is mindful of the Company's decarbonisation objectives and considers it in strategic decisions where relevant.

The interests of the Company's employees

Disclosures in relation to BSL employees are set out in this report and in the Statement of Corporate Governance Arrangements on pages 8-9 of this annual report. The Board has regard to the interests of employees in its decision making and engages with employees and employee representatives as appropriate. The Board recognises the importance of attracting, retaining and motivating employees to deliver strategic objectives, and prioritises the health, safety and wellbeing of its workforce.

Certain employees continue to work from home. Engagement with employees has increased to ensure that, even though employees may be isolated, they do not feel alone or excluded and there has been enhanced communication throughout the organisation including videos, emails and bringing teams together online.

The need to foster the Company's business relationships with suppliers, customers and others

The Board has oversight over all stakeholder relationships and has regard to these relationships in its decision making.

Through the Chief Executive Officer, and the commercial and procurement functions, the Company develops strong processes to manage and enhance relationships with suppliers, customers and others. This includes understanding their evolving needs and new trends in order that BSL can adapt to meet those needs. Further information can be found in this Strategic Report and in the Statement of Corporate Governance Arrangements under 'Stakeholder relationships and engagement' on page 9 of this annual report.

The impact of the Company's operations on the community and the environment

The Board is aware of the impact of steel manufacturing on the environment and the communities in which the Company operates and reviews environmental performance against BSL goals. A key ambition is that the Company should be carbon-neutral by 2050. More details on the BSL decarbonisation objective can be found in the Strategic Report of the JSUK Annual Report and Financial Statements. As a major employer, BSL acts as a cornerstone for local businesses. The Company also supports several community initiatives. Further details can be found in the JSUK Strategic Report.

The desirability of the Company making a reputation for high standards of business conduct

The Board is committed to maintaining BSL's reputation and a high standard of business conduct in all its business dealings. The Company expects honesty, integrity and transparency in all aspects of its business dealings from employees, contractors and other partners. The Board reviews and approves control measures and frameworks to uphold ethical principles and high standards of corporate and personal conduct. BSL has in place a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery and human trafficking, and data privacy. The Company also requires senior management and relevant employees to undertake mandatory compliance training and assessments.

The need to act fairly between members of the Company

The Board aims to act with fairness and integrity in all of its dealings and considers all shareholders when making decisions for the overall good of the Company.

Approval of Strategic Report

The Strategic Report for the Company has been prepared in accordance with, and in reliance upon, applicable English and Welsh company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by the law.

Approved by the Board on 15 August 2024 and signed on its behalf by:

X F Han
Director



Directors' Report

The Board

The directors of the Company are listed on page 1.

X Cao, X F Han, D P Hargreaves, H Li and W Zhang held office as directors of the Company throughout the financial period and up to the date of signing these financial statements.

R Holcroft resigned as a director of the Company on 9 December 2022. Z An was appointed as a director of the Company on 21 June 2024.

Directors Indemnity

The Company's articles of association provide, subject to the provisions of UK legislation, that the Company may indemnify any director or former director of the Company in respect of any losses or liabilities he or she may incur in connection with any proven or alleged negligence, default, breach of duty or breach of trust in relation to the Company (including by funding any expenditure incurred or to be incurred by him or her). In addition, directors and officers of the Company and its subsidiaries are covered by directors' and officers' liability insurance.

Dividends

The directors do not recommend that a dividend be paid, and no dividends were paid or proposed during the year (2021: £nil).

Political Donations and Political Expenditure

The Company does not make any political or charitable donations and none were made during the year (2021: £nil).

Statement as to disclosure of information to the Company's auditors

Each director in office at the date of this Directors' Report confirms that:

- a) so far as the directors are aware there is no relevant audit information of which the Company's auditors are unaware; and
- b) the directors have taken all the relevant steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent Auditors

MHA were appointed 14 March 2024 and have indicated their willingness to be reappointed as auditors to the Company for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an AGM.

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider appropriate for the following reasons.

The Company has made a loss before tax in the year ended 31 December 2022 of £408.4M (2021: £49.5M loss) after impairment of £202.9M (2021: nil), with losses continuing into 2023 and 2024. The Company is funded mainly through debt facilities provided by entities under the control of Jingye Group and had a total amount of debt outstanding of £630M (see note 16) at the year ended 31 December 2022 (2021: £364M). The Company had net liabilities at the year-end of £122.8M (2021: Net assets £244.2M).

The directors have considered a range of trading scenarios including further deteriorations in market conditions and increases in energy prices combined with reductions to production volumes. Risks remain of further volatility in the wholesale energy market and deterioration in the global steel market as conflict in the Ukraine continues and geopolitical uncertainty, high inflation and tightening monetary policy continues into 2024.

In the event of continued losses, the Company would require further funding support from the wider Jingye Group. The directors have received a confirmation from Jingye Group confirming their ability and willingness to provide financial support, should it be required, for at least twelve months from the date these financial statements were signed, as is necessary to enable British Steel Limited to meet its financial liabilities as they fall due and continue to trade, and that this support will be available regardless of the outcome of any current on-going negotiations in regards to government support. They have also confirmed that they will not seek repayment of the amounts owed by the Company to the Jingye Group until such time as the Company is able to repay these amounts without compromising its ability to continue to trade and to meet its liabilities as they fall due.

Directors' Report (CONTINUED)

Going Concern (*continued*)

The directors consider that Jingye Group are able to provide this support based on their understanding of the Company's financial position and performance.

Furthermore, on 23 October 2023, 100M shares with a nominal value of £1 each were allotted and paid up. The consideration for these shares comprised of a £100M shareholder loan offset from the Parent Company, Jingye Steel (UK) Holding Ltd.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. However, as at the date of approval of these financial statements there are no legally binding agreements in place in relation to the remittance of further funds and therefore no guarantee that the funds will be available in the timescale required, nor that existing loans and financing already lent from the parent company will not be recalled. This indicates the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern. At the date of approval the parent company does not intend to seek repayment of outstanding debt in the next twelve months.

Post balance sheet events

Please refer to page 5 of the Strategic Report ('Future and Subsequent Events') and note 26 'Events after the balance sheet date'.

Statement of Corporate Governance Arrangements

As a member of the Jingye Group, the Company runs its business in a manner consistent with a set of core values covering how we deliver value to our shareholder and the wider community and how we interact with our stakeholders, including our shareholder, employees, customers and suppliers. We have not applied a specific corporate governance code during this financial period. The Board is currently reviewing its corporate governance arrangements before deciding, in conjunction with its shareholder, whether it would be beneficial to formally adopt a specific corporate governance code such as the Wates Principles. Our corporate governance arrangements are as follows:

Purpose and leadership

The British Steel Board is responsible for oversight functions and, in consultation with the shareholder, sets the overall strategy of the Company and monitors performance. The Board delegates authority for day-to-day management of the British Steel Group's affairs to the British Steel Executive Committee.

The Board, in collaboration with the employees of the business, are engaged in a consultation process to establish the Company's vision and mission statement. Our values will guide and inform everything we do and reflect our principles as a business.

Board members hold regular meetings with senior management to monitor Company performance and the effectiveness of the Company's overall strategy.

Board composition

The Board comprises five directors with an appropriate balance of skills, experience and knowledge for the sector in which the Company operates. Each director has clear responsibility for separate parts of the business. The size and structure of the Board is appropriate for the Company.

The Board are supported by an Executive Committee, which through the financial period comprised the Chief Executive Officer, Chief Financial Officer, Chief Commercial and Procurement Director, Production Director, HR Director, Legal and Compliance Director, Chief Marketing Officer, Finance Director, SHEQ Director and IT Director.

The directors hold regular operational meetings with their respective leadership teams and attend the Executive Committee meetings on a weekly basis to monitor business performance and agree required actions.

Directors' responsibilities

The Board seeks to ensure that the necessary financial, operational and human resources are in place for the Company to meet its objectives, review management performance and ensure obligations to shareholders and other stakeholders are understood and met. All directors have a clear understanding of their roles and have access to the Legal Director for advice on their responsibilities and regulatory matters. All directors have received up-to-date training from the Legal Director on their directors' duties and responsibilities.

The Board and Executive Committee receive regular and timely information on all key aspects of the business, including health and safety statistics, operational and financial performance, strategic matters, compliance and risk matters, stakeholder engagement, commercial and technical updates and market conditions. Authority to Commit (ATC) papers setting out proposals for approval are required to include background, rationale and business case, options, financial analysis, risk assessment and timelines to help inform directors with their decision making.

Directors' Report (CONTINUED)

Directors responsibilities (continued)

Health, Safety and Environment (HSE) matters are reviewed by a HSE Committee, chaired by the HSE Director and attended by the Production Director. The Production Director reports to the Board and Executive Committee on health and safety performance at each of its scheduled meetings and on the actions being taken to improve performance.

Opportunity and risk

The Board is responsible for generating long-term sustainable success for the Company by setting its strategic direction in consultation with the shareholder. Following the acquisition of the British Steel business by the Jingye Group in March 2020, the Company commenced a transformation programme focusing on long-term financial stability and sustainable value growth. The directors and Executive Committee monitor the progress and implementation of the transformation programme.

In connection with this transformation programme, the directors have consulted with the Company's shareholder to formulate a detailed 10-year business plan. This long-term business plan focusses on four key areas (production growth; asset investment and environmental commitments; cost reduction; decarbonisation strategy) to promote the long-term success of the Company.

The principal risks and uncertainties affecting the Company and mitigating actions taken in respect of them will be set out in the Strategic Report of the Jingye Steel (UK) Holding Ltd 2022 Annual Report and Consolidated Financial Statements. The Company operates risk management processes across its departments, with each business unit maintaining and updating a detailed risk register for its area, to assist the directors' understanding of the key risks for the Company and help ensure that systems and controls are operating effectively. The Company is currently reviewing its risk management processes with a plan to adopt an enterprise risk management (ERM) framework.

Remuneration

The Company seeks to provide competitive remuneration packages that will attract and retain executives of the calibre required to take forward the Company's strategy. Remuneration comprises a base salary, competitive benefits package and bonus structure linked to overall Company performance. External benchmarking of remuneration is undertaken periodically to ensure alignment with good practice and the market.

Stakeholder relationships and engagement

The Board recognises the importance of effective communication with its stakeholders in order to deliver its purpose, values, vision, mission and strategy and ensure protection of relationships, reputation and brand. Stakeholders include its shareholder, customers, suppliers, employees and employee-representatives, pensioners, banks, Government bodies, and the local communities in which the Company operates.

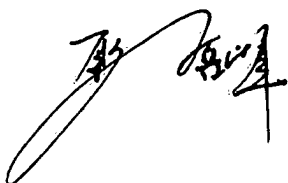
Information disclosed in the parent company Strategic Report

In accordance with section 414C of the Companies Act 2006, the directors have chosen to disclose the following information in the JSUK Group Strategic Report:

- Principal risks and uncertainties
- Business review
- Factors likely to affect the JSUK Group's future development, performance and position
- Policies on employment of disabled persons, employee involvement, communication, consultation, recruitment and training
- Details on how the JSUK Group engages with its employees
- Streamlined energy & carbon reporting emissions information
- Research & development activities
- An indication of exposure to price, credit, liquidity and cash flow risk

Approved by the Board on 15 August 2024 and signed on its behalf by:

X F Han
Director



Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and the Companies Act 2006).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

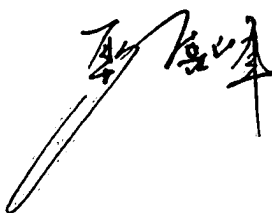
The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

The directors are responsible for the maintenance and integrity of the Company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 15 August 2024 and signed on its behalf by:

X F Han
Director

A handwritten signature in black ink, appearing to be 'X F Han', written over a horizontal line.

Independent Auditor's Report to the Members of British Steel Limited

Qualified opinion

We have audited the financial statements of British Steel Limited for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss 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 qualified opinion

The Company's 2021 financial statements were audited by another auditor whose report dated 22 November 2023 was modified on the basis of being unable to observe the counting of physical inventories of £45.8 million included within the inventories of £533.6 million as at 31 December 2021 and were unable to verify the existence and accuracy by alternative means. As the opening balance of these inventories is included in the determination of the total cost of goods sold for the year ended 31 December 2022, we were unable to reasonably conclude that the opening balance of inventories do not contain misstatements that may materially affect the financial statements of the Company for the year ended 31 December 2022 and the comparative period to 31 December 2021 and the impact any adjustment would have on the reported results for those years, together with any impact on the total inventories, net assets and retained reserves included in the comparative balance sheet as at 31 December 2021. Consequently, had there been any adjustment required to the opening balance of inventories, the Strategic Report would also need to be amended to reflect the impact of the adjustments to the affected amounts disclosed within the Strategic Report.

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 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the accounting policies, concerning the Company's ability to continue as a going concern. The matters explained in Note 1 indicate that the Company needs further funding from its ultimate parent company as at the date of approval of these financial statements. Whilst the ultimate parent company has shown its intent to support the Company, there are no legally binding agreements in place in relation to the remittance of further funds nor that existing amounts lent to the Company will not be recalled, and therefore no guarantee that the funds will be available in the timescale required. These events or conditions along with the matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Members of British Steel 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 contained within the annual report. 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.

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 course of 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 themselves. 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.

As described in the basis for qualified opinion section of our report, our audit opinion is qualified because we were unable to reasonably conclude that the opening balance of certain inventories amounting to £45.8 million is not materially misstated. We have concluded that where the other information refers to inventories or to related balances such as cost of goods sold, EBITDA, operating profit, profit for the year and comparative year and net assets as at end of both years, it may also be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter referred to in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the 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

Except for the matter referred to in the basis for qualified opinion section of our report, 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 or the Directors' Report.

In respect solely of the limitation on our work relating to inventories, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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:

- 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, 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.

Independent Auditor's Report to the Members of British Steel Limited (CONTINUED)

Auditor 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector, the control environment, business performance including remuneration policies, and the Company's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Company. Further, based on our understanding of the Company and industry we identified the principal risks of non-compliance with laws and regulations related to health and safety, employment legislation and climate related regulations such as Environmental Protection Act 1990 and Pollution Prevention and Control Act 1990 and we considered the extent to which non-compliance may have a significant impact on the financial statements.
- We enquired of the directors and management (including the in-house legal counsel, compliance, risk and other relevant committees) concerning the Company's policies and procedures relating to:
 - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries by unusual users, creating fictitious transactions to hide losses or to improve financial performance, and management bias in determining significant accounting estimates.

Independent Auditor's Report to the Members of British Steel Limited (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

Audit response to risks identified

In respect of the above procedures:

- We obtained an understanding of how the Company complies with the aforementioned requirements by discussions with management and internal legal representatives;
- We held discussions with management and internal legal representatives, including consideration of known or suspected non-compliance with laws and regulations and fraud, agreed to supporting correspondence from regulators and confirming such matters with external legal counsel where applicable;
- We corroborated the results of our enquiries through our review of the minutes of the Company's board of directors and executive committee meetings, as well as inspection of environmental risk registers and board reports that indicated the board's compliance and monitoring of legal and internal control matters;
- The audit procedures performed by the engagement team in connection with the risks identified included:
 - reviewing the financial statements disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements;
 - identifying and testing journal entries, including post-trial balance adjustments on the financial statements and those posted by infrequent or unusual users;
 - evaluating the business rationale of significant transactions outside the normal course of business and reviewing any indication of management bias;
 - challenging the assumptions and judgements made by management in respect of its significant accounting estimates;
 - obtaining confirmations from third parties to confirm existence of a sample of year-end balances
- The Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and,
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

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 any party other than the Company and Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Rakesh Shaunak FCA (Senior Statutory Auditor)
for and on behalf of MHA
Statutory Auditor

London, United Kingdom

15 August 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).

**Statement of Comprehensive Income
for the year ended 31 December 2022**

	Note	2022 £'000	2021 £'000
Revenue	2	1,732,566	1,463,601
Other operating income	3	23,140	14,522
Operating costs excluding impairment	4	(1,923,806)	(1,507,016)
Impairment	12	(202,870)	-
Operating costs	4	(2,126,676)	(1,507,016)
Operating loss		(370,970)	(28,893)
EBITDA		(143,919)	(3,653)
Impairment	12	(202,870)	-
Depreciation	4	(24,181)	(25,240)
Operating loss	5	(370,970)	(28,893)
Finance income	8	-	-
Finance costs	9	(37,383)	(20,624)
Loss before taxation		(408,353)	(49,517)
Tax credit/(charge)	10	41,395	(1,278)
Loss for the financial year		(366,958)	(50,795)
Total comprehensive loss for the year		(366,958)	(50,795)
Profit and total comprehensive income attributable to:			
Equity holders of the Company		(366,958)	(50,795)
Total comprehensive loss for the year		(366,958)	(50,795)

All references to 2022 in these financial statements, the accounting policies, and the related notes 2 to 25 refer to the accounting period from 1 January 2022 to 31 December 2022, or as at 31 December 2022, as appropriate.

All references to 2021 in these financial statements, the accounting policies, and the related notes 2 to 25 refer to the accounting period from 1 January 2021 to 31 December 2021, or as at 31 December 2021, as appropriate.

All results derive from continuing operations. There was no item of other comprehensive income during the year (2021: nil).

The notes on pages 18 to 37 form an integral part of the financial statements.

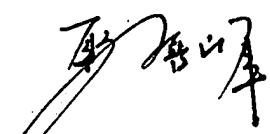
Statement of Financial Position
as at 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets	11	1,704	1,704
Property, plant and equipment	12	117,370	240,285
Right-of-use assets	13	43,121	48,080
		162,195	290,069
Current assets			
Inventories	14	496,301	533,579
Trade and other receivables	15	236,890	266,214
Cash and cash equivalents		54,943	10,855
		788,134	810,648
Liabilities			
Current liabilities			
Trade and other payables	16	(304,165)	(284,765)
Borrowings	17	(386,637)	(158,467)
Lease liabilities	18	(5,602)	(5,726)
Current tax liabilities		-	(23,506)
		(696,403)	(472,464)
Net current assets		91,730	338,184
Non-current liabilities			
Borrowings	17	(243,585)	(221,139)
Lease liabilities	18	(38,416)	(42,380)
Deferred tax liabilities	19	-	(36,878)
Provisions	20	(94,692)	(83,666)
		(376,693)	(384,063)
Net (liabilities)/assets		(122,768)	244,190
Equity			
Called up share capital	23	-	-
(Accumulated losses) / Retained earnings	24	(122,768)	244,190
Equity attributable to owners of the Company		(122,768)	244,190
Total (deficit)/equity		(122,768)	244,190

The notes on pages 18 to 37 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 15 August 2024 and signed on its behalf by:

X F Han
Director



British Steel Limited
Company registration no. 12303256

Statement of Changes in Equity
for the year from 1 January 2022 to 31 December 2022

	Called up share capital £'000	(Accumulated losses) / Retained earnings £'000	Total equity/(deficit) £'000
At 1 January 2021	-	294,985	294,985
Loss for the year	-	(50,795)	(50,795)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(50,795)	(50,795)
At 1 January 2022	-	244,190	244,190
Loss for the year	-	(366,958)	(366,958)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(366,958)	(366,958)
At 31 December 2022	-	(122,768)	(122,768)

Total equity is wholly attributable to the owners of the Company

The notes on pages 18 to 37 form an integral part of the financial statements.

Notes to the Financial Statements for the year from 1 January 2022 to 31 December 2022

1 Accounting policies

Basis of preparation

British Steel Limited ("the Company") is a private company, limited by shares, incorporated in England and Wales with company number 12303256 and domiciled in the United Kingdom. The registered address is Brigg Road, Scunthorpe, DN16 1XA.

The functional and presentational currency of the Company is pounds sterling ("sterling"), since this is the currency in which most of the Company's transactions are denominated. Figures in the financial statements and the accompanying notes are shown in round thousands (£'000).

These financial statements have been prepared in accordance with Financial Reporting Standard 101, '*Reduced Disclosure Framework*' and the requirements of the Companies Act 2006.

The following relevant exemptions from the requirements of International Accounting Standards (IAS) have been applied in the preparation of these financial statements, due to consolidation at Jingye UK level, in accordance with FRS 101:

- i. IFRS 7, Financial Instruments: Disclosures;
- ii. Paragraphs 91 to 99 of IFRS 13, Fair Value Measurement, in relation to the disclosure of valuation techniques and inputs used for fair value measurements of assets and liabilities;
- iii. The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- iv. The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
- v. Paragraph 38 of IAS 1, Presentation of Financial Statements' comparative information requirements in respect of certain assets (including intangible assets and property, plant and equipment);
- vi. IAS 7, Statement of Cash Flows;
- vii. IAS 24, Related Party Disclosures' requirements to disclose related party transactions with JSUK Group and the wider Jingye Group companies and key management personnel.

The Company's financial statements are included in the consolidated financial statements of Jingye Steel (UK) Holding Ltd, which are filed with Companies House. The financial statements have been prepared under the historical cost convention as modified by derivative financial instruments that are measured at fair value through profit and loss.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider appropriate for the following reasons.

The Company has made a loss before tax in the year ended 31 December 2022 of £408.4M (2021: £49.5M loss) after impairment of £202.9M (2021: nil), with losses continuing into 2023 and 2024. The Company is funded mainly through debt facilities provided by entities under the control of Jingye Group and had a total amount outstanding of £630M (see note 17) at the year ended 31 December 2022 (2021: £364M). The Company had net liabilities at the year end of £122.8M (2021: Net assets £244.2M).

The directors have considered a range of trading scenarios including further deteriorations in market conditions and increases in energy prices combined with reductions to production volumes. Risks remain of further volatility in the wholesale energy market and deterioration in the global steel market as conflict in the Ukraine continues and geopolitical uncertainty, high inflation and tightening monetary policy continues into 2024. In the event of continued losses, the Company would require further funding support from the wider Jingye Group. The directors have received a confirmation from Jingye Group confirming their ability and willingness to provide financial support, should it be required, for at least twelve months from the date these financial statements were signed, as is necessary to enable British Steel Limited to meet its financial liabilities as they fall due and continue to trade, and that this support will be available regardless of the outcome of any current on-going negotiations in regards to government support. They have also confirmed that they will not seek repayment of the amounts owed by the Company to the Jingye Group until such time as the Company is able to repay these amounts without compromising its ability to continue to trade and to meet its liabilities as they fall due.

The directors consider that Jingye Group are able to provide this support based on their understanding of the Company's financial position and performance.

Furthermore, on 23 October 2023, 100M shares with a nominal value of £1 each were allotted and paid up. The consideration for these shares comprised of a £100M shareholder loan offset from the Parent Company, Jingye Steel (UK) Holding Ltd. A further issue of £100M has been authorised by the Board of Directors.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. However, as at the date of approval of these financial statements there are no legally binding agreements in place in relation to the remittance of further funds and therefore no guarantee that the funds will be

Notes to the Financial Statements (CONTINUED)

Going Concern (*continued*)

available in the timescale required, nor that existing loans and financing already lent from the parent company will not be recalled. This indicates the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern. At the date of approval the parent company does not intend to seek repayment of outstanding debt in the next twelve months.

Prior period reclassifications

In these financial statements, there has been a £13.8m reclass within property, plant and equipment between 'spares' and 'plant and equipment' at 01/01/2022 in order to correct the presentation of certain assets. There is no impact on equity and profit and loss.

Furthermore, there has been a £3.4m reclassification from 'due after more than one year' to 'due within one year' with regards to amounts owed by Group undertakings at 01/01/2022 in order to correct the presentation of when these receivables are expected to fall due. There is no impact on equity and profit and loss.

New standards and interpretations applied

The following new international accounting standards ('IAS') and new IFRSs have been adopted in the current year:

		<i>Effective Date*</i>
IFRS 16 (Amendments)	Covid-19-related rent concessions beyond 30 June 2021	1 April 2021
IAS 37 (Amendments)	Onerous contracts – cost of fulfilling a contract	1 January 2022
IAS 16 (Amendments)	Proceeds before intended use	1 January 2022
IFRS 1, IFRS 9, Illustrative example 13 of IFRS 16 and IAS 41 (Amendments)	Annual improvements to IFRS standards 2018-2020	1 January 2022**

* *periods commencing on or after*

** *except for the amendment to IFRS 16 for which no effective date is stated as it regards only an illustrative example*

The amendments to the above Standards did not have a material impact on the Company's financial statements.

New standards and interpretations not applied

The International Accounting Standards Board (IASB) has issued the following new standards, which are relevant to the Company's reporting but have either not been applied as they have not been adopted for use under UK-adopted International Accounting Standards in the year ended 31 December 2022, or have an effective date after the date of these financial statements:

		<i>Effective Date*</i>
IFRS 17	Insurance Contracts	1 January 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 1 (Amendments)	Disclosure of accounting policies	1 January 2023
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
IAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
IAS 1 (Amendments)	Presentation of financial statements on non-current liabilities with covenants	1 January 2024
IFRS 16 (Amendments)	Lease liability in a sale and leaseback	1 January 2024
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

* *periods commencing on or after*

Management have performed a review of the expected impact from the other standards and interpretations not applied as shown above. Management do not expect a material impact as a result of other new standards and interpretations not applied.

Use of estimates and critical accounting judgements

The preparation of accounts in accordance with FRS 101 requires management to make estimates and assumptions that affect the:

- i. reported amounts of assets and liabilities;
- ii. disclosure of contingent assets and liabilities at the date of the accounts; and
- iii. reported amounts of income and expenses during the period.

Notes to the Financial Statements (CONTINUED)

Use of estimates and critical accounting judgements (*continued*)

Actual results could differ from those estimates. The most significant techniques for estimation are described in the accounting policies below.

Judgements in applying the Company's accounting policies

The critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are presented below.

Definition of cash generating units ('CGU')

A significant part of the Company's capital is invested in property, plant and equipment. Determining whether these assets are impaired requires an estimation of value in use of the CGU to which the asset relates. A CGU is smallest identifiable group of assets that generated cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In previous years these have usually been taken to be individual businesses, although these are combined or split into base entities where deemed appropriate to reflect the specific economic risks or operational inter-dependence of particular locations and operations based on the governance structure and lines of reporting. This process of defining CGUs requires the exercise of significant judgement.

Judgements involving sources of estimation uncertainty

Critical accounting judgements are the key sources of estimation or uncertainty in applying the Company's accounting policies. They arise in relation to provisions created for environmental remediation and legal claims, recoverability of loan receivables, classification of exceptional items, the discount rate used to calculate lease liabilities in respect of right-of-use assets, and impairment of property, plant and equipment and intangible assets. Each of these areas relies upon a number of estimates and judgements which are subject to uncertainty and which may lead to an adjustment within the next financial year.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period end that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowance for write-down, obsolescence and provisions

Estimates in calculating write-down of inventories, environmental remediation and legal claims are based on previous experience and third-party advice and are reassessed on a regular basis. Judgment is required in assessing the likely costs and timing of these costs. Please see note 14 'Inventories' and note 20 'Provisions'.

Spares are not depreciated but are reviewed regularly for obsolescence, with the resulting loss or gain being shown in the accumulated depreciation and impairment section of the property, plant and equipment note to the financial statements.

Property, plant and equipment

The Company estimates the useful lives of buildings and plant and equipment, based on the period over which the assets are expected to be available for use. The related estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation, and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. There were no changes in the estimated useful lives of property, plant and equipment in 2022 and 2021.

Amounts owed by/to Group undertakings, related parties and ultimate parent company

The Company has a number of loan balances, both receivables and payables, with other entities within the JSUK Group and the wider Jingye Group. Judgment is required in determining whether loan balances are recoverable. In line with the Company's policy on receivables in general, where indications exist that loan receivables may not be recoverable, including an assessment of events occurring after the balance sheet date, then appropriate impairment allowance is recognised and charged to profit or loss in line with the requirements of IFRS 9. Please see notes 15 'Trade and other receivables', 16 'Trade and other payables', 17 'Borrowings'.

Discount rates for lease liabilities

The Company has applied judgement in determining the discount rate used to calculate the present value of lease liabilities. A judgement has been made that the rate implicit in the lease is not readily determinable and as such, the incremental borrowing rate has been used. The incremental borrowing rate has been calculated using the existing borrowings of the Company, with adjustments made to reflect the terms of leases including duration, economic environment, type of asset and security. The weighted average incremental borrowing rate applied since the adoption of IFRS 16 Leases was 4.41%. Please see note 18 'Lease liabilities'.

Notes to the Financial Statements (CONTINUED)

Use of estimates and critical accounting judgements (continued)

Judgements involving sources of estimation uncertainty (continued)

Assessment of impairment of non-current assets

A significant part of the Company's capital is invested in property, plant and equipment and intangible assets. An impairment review is required under IAS 36 when an indicator of impairment exists. At 31 December 2022, management have assessed that an indicator of impairment for property, plant and equipment exists and have performed an impairment test. Further details are included in note 12.

The detailed accounting policies for each of these areas are outlined here below.

1.1 Government grants

Grants related to expenditure on property, plant and equipment are credited to the profit or loss over the useful lives of qualifying assets. Grants related to revenue are credited to the profit or loss in line with the timing of when costs associated with the grants are incurred. Total grants received less the amounts credited to the profit or loss at the end of the reporting period are included in the Statement of Financial Position as deferred income.

1.2 Insurance

Insurance premiums in respect of insurance placed with third parties are charged to the profit or loss in the period to which they relate.

1.3 Interest

Interest income is accrued on a time-basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest expense is determined through the EIR method. Discounts or premiums and expenses on the issue of debt securities are amortised over the term of the related security through the EIR method and included within interest expense. Unamortised amounts are shown in the balance sheet as part of the outstanding balance of the related security. Premiums payable on early redemptions of debt securities, in lieu of future interest costs, are written off as interest expense when paid.

1.4 Translation of foreign currency denominated transactions

Foreign currency denominated transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates, or at the average exchange rates for a relevant period, as practicable. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

In order to hedge its exposure to certain foreign exchange transactions risks, the Company enters into forward contracts.

1.5 Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. The detailed accounting treatment for such items can differ, as described in the following sections.

(i) Financial assets

All regular-way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification the financial assets. Where the Company transfers substantially all the risks and rewards of ownership of a financial asset, the financial asset is derecognised, and any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities.

(ii) Impairment of financial assets

The Company recognises lifetime expected credit losses (ECL) for trade and other receivables. The ECL on these assets are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics

Notes to the Financial Statements (CONTINUED)

1.5 Financial instruments (continued)

(iii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit and loss (FVTPL).

(iv) Derivative financial instruments

In the ordinary course of business, the Company uses certain derivative financial instruments to protect itself from business risk which arises from its exposure to foreign exchange fluctuations.

Derivatives are initially accounted for and measured at fair value from the date the derivative contract is taken out. Following this, at each subsequent reporting period-end the derivative is remeasured at its current fair value, with the fair value changes being presented within operating costs in the profit and loss.

1.6 Property, plant and equipment

Property, plant and equipment is recorded at cost on acquisition less accumulated depreciation and any recognised impairment loss. Cost includes professional fees and, for assets constructed by the Company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. This includes borrowing costs capitalised in respect of qualifying assets in accordance with the Company's policy.

Amounts incurred in connection with capital projects that are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended (which the Company refers to as 'commissioning costs' and which includes expenses such as initial operating losses incurred while technical deficiencies on new plant are rectified, and incremental operating costs that are incurred while the new plant is operating at less than full capacity) are written off to the profit or loss as incurred. Assets under construction are depreciated from the date on which they are available for their intended use.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Included in property, plant and equipment are loose plant and tools which are stated at cost less amounts written off related to their expected useful lives and estimated scrap value and spares, against which impairment provisions are made where necessary to cover slow-moving and obsolete items.

Included in property, plant and equipment are spares which are stated at estimated or actual purchase price or standard cost for own manufactured items, less amounts against which impairment provisions are made where necessary to cover slow-moving and obsolete items.

Subsequent costs are included in the carrying value of an asset when it is probable that additional future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other repairs and renewals are charged to the profit or loss as incurred.

1.7 Depreciation, amortisation and impairment of property, plant and equipment

Depreciation or amortisation is provided to write off, on a straight-line basis, the cost of property, plant and equipment, including those held under leases as defined by IFRS 16, to their residual value. These charges commence from the dates the assets are available for their intended use and are spread over their estimated useful lives or, in the case of right-of-use assets, over the lease period if shorter. The estimated useful lives of assets and residual values are reviewed annually and, when necessary, revised. Accelerated depreciation or amortisation is provided where an asset is expected to become obsolete before the end of its normal useful life or if events or changes in circumstances indicate that an impairment loss needs to be recognised, as discussed below. No further changes are provided in respect of assets that are fully written down but are still in use. The estimated useful lives for the main categories of property, plant and equipment are:

	<i>Life (years)</i>
Land and buildings	25-50
Plant and equipment	4-25

Land and spares are not depreciated. Spares are held for immediate use in the operation of the business. These are not depreciated as they are not in active use until incorporated into the production facility and/or capital projects but are reviewed regularly for impairment due to long periods of non-consumption/usage which results in spares being obsolete, with the resulting loss or gain being shown in the accumulated depreciation and impairment section of the property, plant and equipment note to the financial statements.

As stated in note 1.6, assets under construction are not depreciated until the assets are available for their intended use.

Notes to the Financial Statements (CONTINUED)

1.7 Depreciation, amortisation and impairment of property, plant and equipment (continued)

At each reporting period-end, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that the carrying amount of assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. Other intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, based on the Company's long-term weighted average cost of capital (WACC). If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately as an expense in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately as income in the profit or loss.

1.8 Intangible assets

Environmental licences (i.e. emission rights) are included in the balance sheet as intangible assets where they are clearly linked to long-term economic benefits for the Company. In this case, they are measured initially at fair value on acquisition or purchase cost. Environmental licences are not amortised and have an indefinite life. They will be subject to annual impairment testing or more frequently where there is an indication of impairment. All other costs on environmental licences are expensed in the profit or loss as incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Costs incurred on individual developmental projects are recognised as intangible assets from the date that all the following conditions are met:

- i. completion of the development is technically feasible;
- ii. it is the intention of the Company to complete the intangible asset and either use or sell it;
- iii. it is evident that the intangible asset will generate probable future economic benefits;
- iv. adequate technical, financial, and other resources to complete the development and to either use or sell the intangible asset are available; and
- v. it is possible to reliably measure the expenditure attributable to the intangible asset during its development.

Costs are no longer recognised as an asset when the project is complete and available for its intended use, or if these criteria no longer apply. The approach to amortisation and impairment of other intangible assets is described in 1.8 above. Where development activities do not meet the conditions for recognition as an asset, any associated expenditure is treated as an expense in the profit or loss in the period in which it is incurred. Where the Company purchases emission rights from an emission trading scheme, it recognises these as an intangible asset, and values the asset at cost. No amortisation is recognised, provided that the Company intends to utilise the asset to settle emission rights liabilities.

1.9 Inventories

The Company adopts a standard costing approach in its accounting processes to value its inventories. This is based on an estimated annual production volume along with a combination of historic and forecast information. Actual results differ from these estimates due to production levels, input material prices and consumption levels. Inventories are then revalued periodically, to take account of these deviations.

Inventories of raw materials are valued at the lower of cost and net realisable value. Cost is generally determined using the "first in, first out" (FIFO) method. Inventories of partly processed materials, finished products, and consumables stores are individually valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution. Allowance for obsolescence is made to cover slow-moving and obsolete items based on historical experience of utilisation on a product-category basis, which involves individual businesses considering their local product lines and market conditions; and also write-downs to net realisable value (NRV) where NRV is lower than cost, NRV being determined by prevailing market price. Inventories are valued at standard costs and are adjusted at period-end to reflect actual costs, with the purchase price and performance yield variances being absorbed into production.

Notes to the Financial Statements (CONTINUED)

1.10 Employee benefit costs

Retirement benefit costs

A defined contribution pension plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Payments in settlement of obligations for contributions to defined contribution retirement benefit schemes are charged as an expense in the profit or loss in the periods during which services are rendered by employees.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company does not participate in a defined benefit pension scheme.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

1.11 Provisions and contingencies

Provisions for environmental remediation and legal claims are recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. This involves a series of management judgements and estimates that are based on experience of similar events and third-party advice where applicable. Where appropriate and relevant, provisions are discounted to take into consideration the time-value of money.

In cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognised in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset not exceeding the amount of the related provision.

The Company uses the net liability approach to recognition and measurement of carbon allowances. Under this approach free allocated carbon allowances are recognised at a nominal amount (cost) and can be sold to secondary market as the need arises, and the entity will only recognise a liability once the actual emissions exceed the emission rights granted and still held. This method is the approach adopted by most participants of the EU ETS (Climate Policy Initiative Jan 2011).

1.12 Revenue

Revenue is measured based on the consideration specified in the contractual terms of trade with a customer. The Company's revenue is derived from the single performance obligation to transfer steel products under arrangements in which the transfer of control of the products and the fulfilment of the Company's performance obligation occur at the same time.

Revenue from the sale of goods is recognised at the point in time when the Company has transferred control of the goods to the buyer and the buyer obtains the benefits from the goods, the potential cash flows and the amount of revenue (the transaction price) can be measured reliably, and it is probable that the Company will collect the consideration to which it is entitled to in exchange for the goods.

The Company manufactures and sells a range of steel products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The steel is often sold with volume discounts based on aggregate sales over a certain period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are normally made with a credit term of 60 days, which is consistent with market practice. Any obligation to provide a refund is recognised as a provision.

A receivable is recognised when the goods are delivered, as this is the point in time that the consideration is unconditional as only the passage of time is required before the payment is due. As such, there are no contract assets recognised in relation to the right to consideration in exchange for goods or services that the Company has transferred to a customer.

Notes to the Financial Statements (CONTINUED)

1.12 Revenue (continued)

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time-value of money.

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in IFRS 15 and expenses such costs as incurred. The Company also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Company accounts for those costs in accordance with accounting policies related to those financial reporting standards (such as inventories). Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the accounting period. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Both current and deferred tax items are calculated using the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. This means using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.14 Leases

At inception, the Company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Where a tangible asset is acquired through a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are presented as a separate line on the face of the statement of financial position.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

Right-of-use assets acquired as part of business combinations are initially measured at cost adjusted for favourable or unfavourable lease terms when compared with market terms.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful economic life of the underlying asset. The estimated useful lives of the right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments which depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the cost of any options that the Company is reasonably certain to exercise, such as the lease payments in an optional renewal period or penalties for early termination of a lease.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a modification to or a reassessment of the lease, including when there is a change in: lease payments arising from a change in an index or rate; the Company's estimate of the amount expected to be payable under a residual value guarantee; and the Company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to the profit or loss as incurred.

Notes to the Financial Statements (CONTINUED)

1.14 Leases (continued)

Lease payments are allocated between principal and finance costs. Finance costs are charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less from inception, and receivables financing.

1.16 Equity

Called up share capital represents the nominal value of shares that have been issued. Retained (losses)/earnings represent all current and prior period results of operations as reported in the statement of comprehensive income, reduced by any amounts of dividends declared.

2 Revenue

The directors consider the manufacture and sale of steel throughout the world to be the Company's only material line of business. All the revenues below are from performance obligations satisfied during the year, and there are no partially satisfied performance obligations as at year-end.

	2022 £'000	2021 £'000
Sale of goods	1,732,566	1,463,601

An analysis of revenue by destination is shown below:

	2022 £'000	2021 £'000
United Kingdom	926,534	874,344
Europe	443,456	372,286
Rest of the world	362,576	216,971
	1,732,566	1,463,601

3 Other operating income

	2022 £'000	2021 £'000
Rental income	625	1,142
Sale of carbon credits	22,515	13,380
	23,140	14,522

Rental income is from tenants at Scunthorpe and Skinningrove sites.

Carbon allowances are bought or sold on the secondary market as the need arises.

4 Operating costs

	2022 £'000	2021 £'000
Costs by type:		
Raw materials and consumables	1,092,520	775,560
Maintenance costs	137,605	129,432
Other external charges (including fuel, utilities, hire charges and carriage costs)	467,029	375,090
Employee costs (note 6)	202,010	186,843
Depreciation	24,181	25,240
Net exchange rate loss	449	11,069
Impairment loss on property, plant and equipment	202,870	-
Other operating items	12	3,782
	2,126,676	1,507,016

Notes to the Financial Statements (CONTINUED)

5 Expenses and auditor's remuneration

Operating loss has been arrived at after charging/(crediting):

	2022 £'000	2021 £'000
Depreciation of property, plant and equipment (note 12)	17,750	18,152
Depreciation of right-of-use assets (note 13)	6,431	7,088
Increase/(decrease) in inventory write-down to net realisable value (note 14)	10,398	(27,686)
Increase/(decrease) in allowance for obsolescence of inventories (note 14)	15,909	(14,150)
Impairment losses recognised on property, plant and equipment (note 12)	202,870	-
Impairment losses recognised on trade receivables (note 15)	180	329
Loss on scrapping of property, plant and equipment	8,812	1,993
Environmental provision charged to profit and loss (note 20)	11,026	43,095
Research and development expensed as incurred	242	358
Net exchange rate loss	449	11,069

The remuneration paid to MHA (2021: Moore Kingston Smith LLP), the Company's external auditors, was as follows:

	2022 £'000	2021 £'000
Fees payable for the audit of the Company's financial statements	900	475
Total fees	900	475

6 Employee costs

	2022 £'000	2021 £'000
Wages and salaries	167,635	157,813
Social security costs	19,122	16,756
Defined contribution pension costs	15,253	12,274
	202,010	186,843

The average monthly number of employees during the period, including executive directors, was:

	2022 No.	2021 No.
Sales	108	102
Operations	4,047	3,931
Administration	308	288
	4,463	4,321

7 Emoluments of directors

The remuneration of the directors, who are the key management personnel of the Company, was as follows:

	2022 £'000	2021 £'000
Short-term employee benefits	734	760
Post-employment benefits	17	10
Compensation for loss of office	161	-
	912	770

Two directors are remunerated through the Company with the remaining directors remunerated through separate group arrangements.

Short-term employee benefits include employers' national insurance contributions paid by the Company of £77,604 (2021: £67,373).

The number of directors for whom retirement benefits are accruing under the defined contribution pension scheme is two (2021: 2).

The management remuneration and pension contributions of the highest-paid director was £289,300 (2021: £251,800) and £13,125 (2021: £7,500), respectively.

The compensation for loss of office was paid to a director who resigned from office.

Notes to the Financial Statements (CONTINUED)

8 Finance income

	2022 £'000	2021 £'000
Interest receivable on bank deposits	-	-

9 Finance costs

	2022 £'000	2021 £'000
Interest payable on leases (note 18)	2,168	2,371
Interest payable on loans from Group undertakings (note 17)	15,263	13,275
Interest payable on loans from related parties (note 17)	19,410	4,208
Interest payable on other loans and payables (note 16, 17)	542	770
	37,383	20,624

10 Taxation

(a) Analysis of tax credit in year:

	2022 £'000	2021 £'000
Current tax:		
Prior year adjustment	1,169	-
UK corporation tax on profits for the year	(5,686)	(6,644)
Total current tax credit	(4,517)	(6,644)
Deferred tax:		
Origination and reversal of temporary differences - prior period	(16,058)	720
Origination and reversal of temporary differences - current period	(15,823)	7,202
Deferred tax rate change	(4,997)	-
Total deferred tax (credit)/charge (note 19)	(36,878)	7,922
Total income tax (credit)/charge	(41,395)	1,278

Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year.

(b) Factors affecting tax (credit)/charge for year:

Income tax credit for the year can be reconciled to accounting profit as follows:

	2022 £000	2021 £000
Loss before taxation	(408,353)	(49,517)
Corporation tax at 19%	(77,587)	(9,408)
Effect of:		
Expenses not deductible for tax purposes	18,588	-
Incentives	(3,522)	-
Research and development expenditure credit (RDEC)	1,334	1,116
Research and development expenditure repayable (RDEC)	(5,686)	-
Accelerated capital allowances	-	(4,122)
Other timing differences	-	5,770
Deferred tax asset not recognised	45,364	-
Current tax prior year adjustment	1,169	-
Deferred tax prior year movement	(16,058)	720
Deferred tax rate adjustment	(4,997)	7,202
Total income tax (credit)/charge	(41,395)	1,278

(c) Factors affecting future tax charge:

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

Notes to the Financial Statements (CONTINUED)

11 Intangible assets

	Environmental licences £000
Cost	
At 1 January 2022	1,704
Additions at cost	-
At 31 December 2022	1,704
Accumulated impairment losses and amortisation	
At 1 January 2022	-
Amortisation	-
At 31 December 2022	-
Carrying amount	
At 31 December 2022	1,704
At 1 January 2022	1,704

12 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Spares £000	Under construction £000	Total £000
Cost					
At 1 January 2022, as previously reported	52,411	139,074	96,207	54,286	341,978
Reclassification	-	(13,765)	13,765	-	-
At 1 January 2022, as restated	52,411	125,309	109,972	54,286	341,978
Additions at cost	869	9,767	36,030	95,881	142,547
Transfer of assets under construction	-	18,690	-	(18,690)	-
Issued	-	-	(31,508)	-	(31,508)
Disposals	(8)	(25,870)	(13,323)	-	(39,201)
At 31 December 2022	53,272	127,896	101,171	131,477	413,816
Accumulated depreciation and impairment					
At 1 January 2022	1,060	16,726	83,907	-	101,693
Charge for the period	1,568	16,182	-	-	17,750
Impairment loss/(reversal) recognised during the period	48,663	81,045	(11,775)	84,937	202,870
Eliminated on disposals	(8)	(25,859)	-	-	(25,867)
At 31 December 2022	51,283	88,094	72,132	84,937	296,446
Carrying amount					
At 31 December 2022	1,989	39,802	29,039	46,540	117,370
At 1 January 2022	51,351	108,583	26,065	54,286	240,285

Land and buildings are freehold. Secure Trust Bank plc holds a first ranking charge over certain land properties of the Company (see note 17 'Borrowings').

Prior period reclassification

In these financial statements, there has been a £13.8m reclass within property, plant and equipment between 'spares' and 'plant and equipment' at 01/01/2022 in order to correct the presentation of certain assets, still in use in operations. There is no impact on equity and profit and loss.

Impairment test for property, plant and equipment

The Company recognised a total impairment charge of £215M (2021: nil) gross of £12M reversal of impairment on spares (2021: nil).

Notes to the Financial Statements (CONTINUED)

12 Property, plant and equipment (continued)

Impairment test for property, plant and equipment (continued)

Property, plant and equipment was tested at 31 December 2022 for impairment at that date where indicators of impairment existed. A value in use (VIU) calculation has been prepared to consider the recoverable amount and assess whether this exceeds the carrying value. This VIU calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts supporting our decarbonisation strategy which cover a period of ten years and future projections taking the analysis out to perpetuity based on a steady state, sustainable cash flow reflecting average steel industry conditions between successive peaks and troughs of profitability. Key assumptions for the VIU calculation are those regarding expected changes to selling prices and raw material costs, EU and UK steel demand, energy costs, exchange rates, and a pre-tax discount rates of 10% (2021: 7%). Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources.

In preparing the VIU calculation, BSL has considered the effect that climate related risks may have on its future cash flow generation. Included within the cash flow forecasts are estimates of costs of compliance under the UK Emissions Trading Scheme based on the Company's estimated shortfall between free allowances under the scheme and actual emissions.

The outcome of this test indicated that due to the anticipated retirement of existing primary steelmaking facilities in 2027, and the associated operating losses. The Company's CGU's had a value in use which was lower than its carrying value. An impairment of £215M has been recognised, gross of £12M reversal of impairment on spares (2021: nil).

In 2021 a review was also undertaken at the reporting date of the carrying amounts of property, plant and equipment to determine whether there was any indication of a trigger that may have led to these assets suffering an impairment loss. Impairment triggers were noted in relation to property, plant and equipment due to high energy prices in the last quarter of 2021. Management considered that this was caused by short-term fluctuations in the wholesale energy market and would not be a long-term or sustained increase. Consequently property, plant and equipment was not impaired.

	Recoverable amount £m	Net book value £m	Impairment £m
Primary Steel Making	(730)	215	215
Scunthorpe Rail and Section Mill	476	6	-
Scunthorpe Rod Mill	249	27	-
Skinningrove Service Centre	119	9	-
Distribution Facilities	309	6	-
		263	215

Spares are reviewed annually for impairment, and aged and redundant items provided for. As the useful economic life of property, plant and machinery is extended beyond its expected useful economic life spares previously recognised as impaired are brought into use and the impairment reversed.

The discounted cash flow (DCF) was derived by estimating the EBITDA generated by the assets in their current use and condition.

The impairment tests compared the value in use of the CGU to the respective carrying values of the associated assets and were performed based on conditions as at the year end.

Key assumptions

- Recent performance was reviewed and adopted as the best indication of future performance
- The Company has assumed a weighted average cost of capital (WACC) of 10%
- Sales volume was expected to remain constant at 2.2mt per annum
- Spread, being the steel to raw materials price, was assumed to be constant based upon actual results achieved in 2022
- The price of carbon was based on the price prevailing at 31 December 2022 of £75 per tonne
- No contraction of the economy was expected
- The Company has adopted a 10-year horizon in its impairment assessment based on anticipated delivery of its decarbonisation road map

Based on the key assumptions set out above, the carrying value of the Company's fixed assets, excluding spares, exceeds their value by £215M and were impaired.

Sensitivity analysis

Any impairment is dependent on judgement used in determining the most appropriate basis for the assumptions and estimates made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions has therefore been provided below and is prepared on the basis of other factors remaining equal.

Notes to the Financial Statements (CONTINUED)

12 Property, plant and equipment (continued)

Sensitivity analysis (continued)

		2022 £M increase/(decrease) in impairment of £203M for CGU	2021 £M increase/(decrease) in headroom of £150M for CGU
Impact if discount rate	Increased by 1%	-	(55)
	Reduced by 1%	-	73
Impact if sales volume or spread	Increased by 5%	-	360
	Decreased by 5%	-	(360)
Impact if inflation (applied to overheads and not recovered in increased pricing)	Increased by 2%	-	(121)
	Decreased by 2%	-	121
Impact if energy prices	Increased by 20%	-	(321)
	Reduced by 20%	-	321
Impact if carbon prices	Increased by 20%	-	(125)
	Reduced by 20%	-	125

The Company has conducted sensitivity analysis on the impairment tests of the carrying value of the Company's CGU. The directors believe that a reasonable possible change in any of the key assumptions used in the VIU calculations would not cause the carrying value of property, plant and equipment which had a carrying value at 31 December 2022 of £117M, to further exceed its value in use.

On 6 November 2023 the Company announced its intention to become a clean, green and sustainable business by adopting electric arc furnace steelmaking and closing the blast furnaces in 2025. The cashflows associated with closure of the blast furnaces in 2025 have not been considered as part of assessment of impairment as management consider that the conditions which gave rise to the increases did not exist at the balance sheet date. An estimate of the financial effect cannot be made.

13 Right-of-use assets

	Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost			
At 1 January 2021	35,169	18,055	53,224
Remeasurement	6,469	-	6,469
At 1 January 2022	41,638	18,055	59,693
Remeasurement	1,472	-	1,472
At 31 December 2022	43,110	18,055	61,165
Accumulated depreciation			
At 1 January 2021	1,274	3,251	4,525
Amortisation	3,246	3,842	7,088
At 1 January 2022	4,520	7,093	11,613
Depreciation charge	3,303	3,128	6,431
At 31 December 2022	7,823	10,221	18,044
Carrying amount			
At 31 December 2022	35,287	7,834	43,121
At 1 January 2022	37,118	10,962	48,080
At 1 January 2021	33,895	14,804	48,699

The Company leases land and buildings, plant, office equipment, machinery and vehicles for use within the business.

Land and buildings are leased for terms ranging from 3 to 15 years. A number of land and buildings leases contain options to extend the lease. Management has determined whether these options are reasonably certain to be exercised to determine the lease term at inception. A number of land and buildings leases also contain clauses whereby the rent is reviewed on certain dates to align the amount with open market rental rates.

Notes to the Financial Statements (CONTINUED)

13 Right-of-use assets (continued)

Remeasurements are made due to the variability of annual lease payments wherein the annual rent is reviewed based on change in retail price index.

Plant is leased for a term of 5 years, office equipment for an average of 2 years and machinery and vehicles for an average of 3 years. A number of vehicle leases contain options to terminate the lease, and management has determined whether they are reasonably certain to exercise these options when assessing the lease term. Office equipment leases contain options to purchase the assets at the end of the lease. Management have also assessed whether these options are reasonably certain to be exercised.

14 Inventories

	2022 £000	2021 £000
Raw materials and consumables	238,987	194,168
Work in progress	139,387	192,982
Finished goods	117,927	146,429
	496,301	533,579

Included within inventories is £nil (2021: £nil) expected to be recovered in more than 12 months.

Raw materials, consumables and changes in finished goods and work in progress included in operating costs in the period amounted to £1,092.5M (2021: £775.6M). The allowance for write down to NRV at 31 December 2022 is £41.4M (2021: £31.0M) and the allowance for obsolescence is £24.7M (2021: £8.8M). The value of stock in transit at the year-end was £26.1M (2021: £29.6M). The carrying amount of inventories carried at net realisable value is £537.7M.

The Company's core business is continuously subject to volatile price changes which may cause inventory write-downs and subsequent reversals. Moreover, future realisation of the carrying amounts of inventories is affected by price changes in different market segments of the steel and other products.

For raw materials and consumables, there is no material difference between the value of inventories included in the Statement of Financial Position and its replacement cost. Work in progress and finished goods are valued at the lower of cost and net realisable value based on estimated selling prices less costs to complete and sell. These assets are not pledged as security for any liabilities.

15 Trade and other receivables

	2022 £000	2021 £000
Trade receivables	168,122	182,252
Less: impairment provision	(739)	(559)
Net trade receivables	167,383	181,693
Prepayments	4,451	5,105
Government compensation	3,986	3,634
Other receivables	19,328	40,921
Current tax receivable	1,642	-
Security deposits	7	8,012
Derivative financial instruments	-	44
Amounts owed by Group undertakings	40,093	26,805
	236,890	266,214

Amounts owed by Group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

ECL for amounts owed by group undertakings are measured and recognised using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the amounts upon demand at the reporting date taking into consideration the historical defaults from the counterparties. Also, the Company does not consider any significant credit risks in these amounts owed by group undertakings since these entities are part of Jingye Group, whose credit risks for liquid funds are considered negligible, have indicated to financially support these related parties as part of its long-term corporate strategy.

Other receivables pertain significantly to the rent deposit for Immingham Bulk Terminal.

The credit risk for other receivables, which is significantly pertaining to the rent deposit for Immingham Bulk Terminal, is considered negligible since the amounts are recoverable at the end of the lease and the counterparty has high quality credit rating. Therefore, no ECL was assessed for these amounts.

Notes to the Financial Statements (CONTINUED)

15 Trade and other receivables (continued)

Government compensation includes compensation for the indirect costs of the UK Emissions Trading System and the Carbon Price Support Mechanism.

Prior period reclassification

In these financial statements, there has been a £3.4m reclassification from 'due after more than one year' to 'due within one year' with regards to amounts owed by Group undertakings at 01/01/2022 in order to correct the presentation of when these receivables are expected to fall due. There is no impact on equity and profit and loss.

Movement in the trade receivables impairment provision

	2022 £000	2021 £000
At 1 January 2022 / 1 January 2021	559	230
Impairment losses recognised	180	329
Amounts written off as uncollectable	-	-
At 31 December 2022 / 31 December 2021	739	559

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowance for ECL, estimated by the Company's management based on prior experience and forward-looking assessments of the economic environment in accordance with IFRS 9 'Financial Instruments'.

The Company has no significant concentration of credit risk, with exposure spread over many counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. In addition, the Company holds a credit insurance policy.

16 Trade and other payables

	2022 £000	2021 £000
Trade payables	61,475	48,225
Social security and other taxes	5,408	3,952
Accrued expenses	98,027	160,063
Other creditors	10,623	7,951
Financial liabilities measured at fair value through profit or loss	4,905	118
Amounts owed to related parties	123,120	64,194
Amounts owed to Group undertakings	607	262
	304,165	284,765
Due within one year	304,165	284,765
Due after more than one year	-	-
	304,165	284,765

All financial liabilities included within 'Trade and other payables' are due to be settled within 12 months from year-end.

Amounts owed to Group undertakings are repayable on demand, unsecured and bear interest at 7%.

Amounts owed to related parties is balance due to Jingye International HK Co Ltd, headquartered in Hong Kong, in respect of the financing of raw material purchases.

Notes to the Financial Statements (CONTINUED)

17 Borrowings

	2022 £000	2021 £000
Receivables financing	-	11,479
Secured loan	70	4,511
Loan from related parties under common control of ultimate parent company	386,502	142,412
Loan from parent company	243,585	221,139
Loan from subsidiary of ultimate parent company	65	65
	630,222	379,606
Due within one year	386,637	158,467
Due after more than one year	243,585	221,139
	630,222	379,606
<i>Contractual maturities of borrowings including future interest:</i>		
On demand or within one year	408,409	169,146
In the second year	-	-
In the third to fifth years inclusive	278,832	267,500
In more than five years	-	-
Total contractual cash flows	687,241	436,646
Future finance charges	(57,019)	(57,040)
Present value of contractual cash flows	630,222	379,606

Receivables financing | The Company has a receivables finance facility with Secure Trust Bank plc. The limit on this facility is £50M (2021: £50M). The bank holds a first ranking charge over the property, plant and equipment of the Company.

Secured loan | In July 2021, the Company signed a commodity sales and repurchase financing arrangement with Trafigura Pte Ltd, covering iron ore fines, coal and coke held at the Immingham port facility. The limit on this facility is USD \$57M (2021: USD \$57M).

Loan from related party | In July 2021, the Company signed a commodity sales and repurchase financing arrangement with Power Rich Resources Limited, covering iron ore fines, coal and coke held at the Immingham port facility. The ultimate parent company of Power Rich Resources Limited is Jingye Group Co Ltd, a company incorporated in China (see note 25 for further details).

The loan from parent company bears interest at 7% per annum and is repayable in full on 9 March 2025.

Liquidity risk

The Company's objectives when managing liquidity are:

- to safeguard the Company's ability to meet expected and unexpected payment obligations at all times; and
- to maximise the Company's profitability

The fair value of the Company's borrowings is not considered to be materially different from the carrying amounts.

18 Lease liabilities

Lease liabilities are classified based on the amounts that are expected to settle within the next 12 months and after more than 12 months from the reporting date, as follows:

	2022 £000	2021 £000
Due within one year	5,602	5,726
<i>Due between one and five years</i>	<i>13,729</i>	<i>16,231</i>
<i>Due after more than five years</i>	<i>24,687</i>	<i>26,149</i>
Due after more than one year	38,416	42,380
Lease liabilities	44,018	48,106

The movements in the lease liabilities during the period are as follows:

	2022 £000	2021 £000
At 1 January 2022 / 1 January 2021	48,106	47,366
Remeasurements	1,472	6,469
Interest	2,168	2,371
Repayments	(7,728)	(8,100)
At 31 December 2022 / 31 December 2021	44,018	48,106

Notes to the Financial Statements (CONTINUED)

18 Lease liabilities (continued)

Remeasurements are made due to the variability of annual lease payments wherein the annual rent is reviewed based on change in retail price index.

The impact of leases on the financial performance of the Company in the period is summarised below:

	2022 £000	2021 £000
Depreciation expense on right-of-use assets	6,431	7,088
Interest expense on lease liabilities	2,168	2,371
Lease expense for short-term leases	-	70
Total expense for the period	8,599	9,529

The cash outflows in respect of leases are equal to the repayments made in the period for lease liabilities plus the lease expense in relation to short-term leases, being a total of £7,728k (2021: £8,100k). The incremental borrowing rate applied to lease liabilities is 4.41% (2021: 4.41%).

The Immingham Bulk Terminal lease contains the option to extend by a period of 5-10 years, exercisable in the last 18 months of the existing lease term. Management have made the judgement that they are reasonably certain to extend this lease by 5 years, and as such this has been factored into the lease term.

19 Deferred tax

	Advanced Capital Allowances £000	Other timing differences £000	Inventories £000	Losses £000	Total £000
At 1 January 2021	(22,932)	(324)	(5,700)	-	(28,956)
Total net charge related to the period	(14,265)	643	5,700	-	(7,922)
At 1 January 2022	(37,197)	319	-	-	(36,878)
Prior year adjustment	16,058	-	-	-	16,058
Total net release related to the current year	22,677	(285)	-	58,116	80,508
Deferred tax asset not recognised	(1,538)	(34)	-	(58,116)	(59,688)
At 31 December 2022	-	-	-	-	-

The UK deferred tax liability as at 31 December 2022 was calculated at 25%, as this is the rate substantially enacted effective 1 April 2023 at which the deferred tax liability is expected to unwind. Deferred tax for the period ended 31 December 2021 was calculated at 25%.

The Company has an unrecognised deferred tax asset of £59.7M (2021: £nil)

The unrecognised deferred tax asset is calculated at 25%. It includes losses totalling £232,464k providing an asset of £58,116k (2021: £nil); decelerated capital allowances of £6,150k, providing an asset of £1,538k (2021: -£37,197k liability); and other timing differences of £138k, providing an asset of £34k (2021: £319k).

The deferred tax assets are not recognised as it is not envisaged that the Company will utilise the losses and other timing differences in the foreseeable future.

Notes to the Financial Statements (CONTINUED)

20 Provisions and contingencies

	Environmental £000	Other £000	Total £000
At 1 January 2021	40,571	200	40,771
Provisions utilised	-	(131)	(131)
Charged to profit and loss	43,095	-	43,095
Released to profit and loss	-	(69)	(69)
At 31 December 2021	83,666	-	83,666
Included in current liabilities	-	-	-
Included in non-current liabilities	83,666	-	83,666
At 31 December 2021	83,666	-	83,666
At 1 January 2022	83,666	-	83,666
Provisions utilised	-	-	-
Charged to profit and loss	11,026	-	11,026
At 31 December 2022	94,692	-	94,692
Included in current liabilities	-	-	-
Included in non-current liabilities	94,692	-	94,692
At 31 December 2022	94,692	-	94,692

Environmental provision

£32.6M (2021: £34.7M) is cost inclusive of landfill tax of disposing waste by-products at the Scunthorpe site.

CO₂ emissions provision of £62.1M (2021: £49.0M) represents the carbon shortfall position of the Company under the UK Emissions Trading Scheme at the balance sheet date.

The provision is expected to be settled within the next five years. Due to the nature of these provisions, the timing of any settlement is uncertain. Provisions are held at their present value.

Other provisions

At the time of the business combination on 9 March 2020, the Darlington property lease contained a clause whereby the Company had an obligation to carry out certain tenant's works. A restoration provision of £200k was recognised as at 31 December 2020, applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Subsequently, the directors entered into discussions with the lessor and negotiated a waiver of the requirement for these works to be carried out, in return for a one-off payment of £131k, which was paid during 2021.

Contingencies

Dependent on future events, current legal proceedings and recent significant contracts may give rise to contingencies and commitments that are not currently reflected in the above figures, as they are not deemed probable.

Following the imposition of UK government sanctions in respect of iron ore imports, the Company is party to a trade dispute where there is a possibility that an obligation may crystallise.

An investigation by the UK health and safety executive also continues where there is a risk of financial loss.

No provision has been made in these financial statements where the Company does not consider that there is a probable loss.

The Company is party to a number of claims which may provide the Company with a future inflow of cash. No amount has been recorded in these financial statements on the basis that the company does not consider it virtually certain that an amount will be received.

There were no contingent liabilities in the prior year.

21 Pensions and post-retirement benefits

Defined contribution pension plan

The Company operates a defined contribution pension plan for all qualifying employees. The plan is administered by Legal & General. A minimum of 5% of salary is paid by the employee; Company contribution cap increased from 3% to 5% effective April 2022.

The total cost charged to income of £15.2M (2021: £12.3M) represents contributions payable to the plan by the Company.

Notes to the Financial Statements (CONTINUED)

22 Commitments

Raw materials

At the year-end, the Company had entered into spot value contractual agreements all maturing by early April 2023 with a number of suppliers to purchase circa 0.9M metric tonnes of various raw materials used in the steel production process.

Guarantees given under trade agreements

The Company has given a guarantee to Npower Limited for £16M (2021: £16M).

Foreign currency

As at year-end, the Company held open foreign currency forward contracts totalling USD \$81.6M (2021: USD \$16.3M). The amount of derivative liability recognised as at year-end was -£4.9M (2021: -£0.1M).

23 Called up share capital

	2022	2021
	£	£
Allotted, issued and fully paid		
One £1 ordinary share	1	1

The sole shareholder of the Company is Jingye Steel (UK) Holding Ltd (see note 25) and is entitled to be paid any profits of the Company which are available for distribution and to receive notice of general meetings and to attend, speak and vote at such meetings.

24 Reserves

Retained earnings

Retained earnings represent the accumulated profits and losses of the Company.

25 Ultimate and immediate parent company

Jingye Steel (UK) Holding Ltd is the Company's immediate parent company, which is incorporated in England and Wales, and is the smallest group to consolidate these financial statements.

Jingye Group Co Ltd, a company incorporated in China (Nandian Town, Pingshan County, Shijiazhuang, Hebei, 050400 China), is the ultimate parent company and the largest group to consolidate these financial statements, the accounts of which are themselves not consolidated further nor legally required to be made publicly available.

The ultimate controlling party is Li GanPo.

26 Events after the balance sheet date

Share issue

On 23 October 2023, 100M shares with a nominal value of £1 each were allotted and paid up. The consideration for these shares comprised of a £100M shareholder loan offset from the Parent Company, Jingye Steel (UK) Holding Ltd.

Borrowings from the Parent Company

The Company has received a further £311M of borrowings from the Parent Company since the year end.

There were no other significant events since the balance sheet date which may have a material effect on the financial position or performance of the Company.