

Company Registration No. 00400080 (England and Wales)

ArcelorMittal Commercial UK Ltd
Annual Report and Financial Statements

For the Year Ended 31 December 2017

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ArcelorMittal Commercial UK Ltd

Directors

R Eshelby
A De Jong
J Dyer
S Ward-Jones

Company Secretary

K Reading

Company number

00400080

Registered office

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Auditor

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ArcelorMittal Commercial UK Ltd

Strategic report

The directors present the strategic report and financial statements for the year ended 31 December 2017.

Review of the business

The UK economy fell during 2017. Consequently demand for steel was not as high as expected and budgeted level of sales were not achieved. Nevertheless, focus on added value products resulted in improved margins. However, continued volatility in Pounds Sterling v Euro exchange rates also impacted our steel prices which in turn has kept pressure on our margins.

Principal Risks and Uncertainties

Competitive pressure

Competitive pressure is a continuing risk for the company. To manage this risk the Company strives to provide added value products and services to its customers, prompt response times in the supply of products and services and in handling of customer queries through the maintenance of strong continuing relationships with customers.

Interest Rate Risk

The ArcelorMittal group operates a treasury function and overdrafts are intra group. The Company is exposed to fair value interest rate risk on its borrowing. The company continually manages this risk to reduce the company's exposure in this area.

Liquidity Risk

The company manages its cash and borrowing requirements in order to minimise interest expense whilst ensuring the company has sufficient liquid resources to meet its day to day business and operating needs.

Credit Risk

Customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are reviewed regularly and provision is made for doubtful debts where necessary.

Price Risk

The company's business may be affected by fluctuations in the price and supply of steel, although purchasing policies and practices seek to mitigate, where practicable, such risks.

Defined benefit pension obligations

Funding of the Defined Benefit Pension schemes remain a priority with funding levels reviewed on an ongoing basis. The group fully supports such funding requirements.

Environment

ArcelorMittal Commercial UK Ltd recognise the importance of its environmental responsibilities, carefully considers its impact on the environment and designs and implements policies to mitigate any adverse impact that might be caused by its activities.

ArcelorMittal Commercial UK Ltd

Strategic report (continued)

Key performance indicators (KPI)

The company's management use a number of key measures to monitor and manage the performance of the business. The performance of each client's contract is reviewed in terms of turnover and profitability with particular attention to gross profit percentage and comparison to previous performance, budget and targets. The key performance indicators are sales, gross profit, and profit before tax, Full time equivalent (FTE) or staffing levels and especially accident levels. The results are summarised below:

	2017 £	2016 £
Turnover:	431,410,752	256,318,951
Steel Sales	425,858,660	250,546,140
Services	5,552,092	5,772,811
Gross Profit	13,242,765	10,956,129
Pre-tax profit (loss)	2,588,338	3,169,093
	2017 Number	2016 Number
FTE – number of employees	53	54
No of Accidents	Nil	Nil

On 1 October 2015, the company merged its Long Product business with its Flat Product business. At the same time, the company changed its business model from that of primarily an Agency providing a Service to its Parent and other Group companies to that of Buyer/Reseller invoicing customers directly

This change has now been rolled out for all Flat industry customers but for Long Products this has continued to be rolled out during the year and continues into 2018 during which Bars and Rods business is expected to move to the same model.

Consequently, during this continuing transition period it is difficult to analyse KPI quantitatively due to the significant changes taking place in the company's business model, hence we continue to make no analysis other than to draw attention to the KPI's monitored. Once the change in business model is completed, expected by the end of 2018, the Company will make further comment on its KPI performance.

ArcelorMittal Commercial UK Ltd

Strategic report (continued)

Future outlook

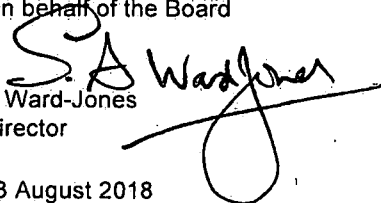
There are a number of factors that have influenced the company's performance. Whilst there has been an improvement in demand for our products as the economy has shown signs of recovery, there has also been a trend of weakening of the pound against euro especially since Brexit.

We have seen improvement in our prices following the growth in the UK economy in the last quarter of 2017 and less volatility of the exchange rate against euro during 2017.

The challenging economic and commercial environment is expected to continue in the coming year especially in view of the continuing economic slowdown in China and the continuing uncertainty surrounding the impact of Brexit.

Health and Safety remains our top priority, as it does for the ArcelorMittal Group. Our stock activities are undertaken with our OHSAS18001 accreditation.

On behalf of the Board


S Ward-Jones
Director

23 August 2018

ArcelorMittal Commercial UK Ltd

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2017. For additional information please also refer to the Strategic Report on page 3.

Principal activities and review of the business

The principal activity of the company for the year was acting as Buyer/Reseller of Flat and Long Steel Products of the ArcelorMittal Group. In addition, the company also continued to act as a service provider for the sale of steel produced by other ArcelorMittal Group companies.

The Directors consider the result for the year to be satisfactory and in line with expectations.

Results and dividends

The results for the year are set out on page 11.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: £nil).

Future developments

The directors confirm that the Agency segments of the Long Products business have followed Flat Industry products to become Buyer/Reseller in 2017. The Sections and Merchant Bar business moved to Buyer/Reseller status from February 2017 and Bars and Rods are expected to move during 2018.

Other

We have no R&D activity, have made no Political contributions and there are no Directors Indemnities.

Going concern

The directors have considered the financial position and future prospects of the Company. The directors consider that the company has access to sufficient resources to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The following directors have held office since 1 January 2017 and to the date of this report:

R Eshelby
A De Jong
J Dyer
S Ward-Jones

ArcelorMittal Commercial UK Ltd

Directors' report (continued)

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The Modern Slavery Act 2015

Respect for human rights is fundamental to the culture of integrity we want for ArcelorMittal. It is integral to our approach to sustainable development, and governs how we behave towards our employees, contractors, suppliers, and the communities in which we work.

In May 2017, we updated our human rights policy to make our commitment to oppose the use of forced or compulsory labour, human trafficking and all forms of modern slavery (both within our own operations and in our supply chain) even more explicit and to publicly report on what we are doing to prevent it on a yearly basis.

For more information please see our Modern Slavery Act statement online;
<http://corporate.arcelormittal.com/~media/Files/A/ArcelorMittal/sdr2016/Statement-UK-Modern-Slavery-Act.pdf>

Auditor

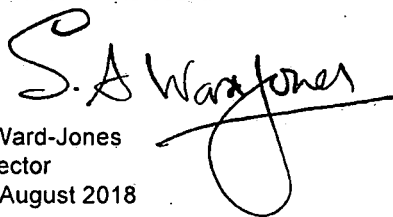
Each of the persons who are a director at the date of approval of this report confirms that:

- So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

In accordance with the Company's Articles, a resolution proposing that Deloitte LLP be appointed as auditor of the company will be put at a General Meeting.

On behalf of the board



S Ward-Jones
Director
23 August 2018

ArcelorMittal Commercial UK Ltd

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of ArcelorMittal Commercial UK Ltd

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ArcelorMittal Commercial UK Ltd (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 24.

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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of ArcelorMittal Commercial UK Ltd

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Peter Gallimore, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

23 August 2018

ArcelorMittal Commercial UK Ltd

Profit and loss account

For the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	431,410,752	256,318,951
Cost of Sales		(418,167,987)	(245,362,822)
Gross Profit		13,242,765	10,956,129
Administrative Expenses		(9,136,011)	(8,170,881)
Operating profit	5	4,106,754	2,785,248
Other interest receivable and similar income	6	84,110	141,962
Interest payable and similar charges	7	(193,748)	(484,860)
Other finance (cost)/income	8	(1,408,778)	726,743
Profit before taxation		2,588,338	3,169,093
Tax charge on Profit	9	(379,530)	(703,908)
Profit for the financial year attributable to owners of the company	19	2,208,808	2,465,185

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ArcelorMittal Commercial UK Ltd

Statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £	2016 £
Profit for the financial year		2,208,808	2,465,185
Re-measurement gain/(loss) on pension schemes	17	3,855,000	(4,672,000)
Movement on deferred tax relating to pension asset and liability balances	16	<u>(693,900)</u>	<u>840,960</u>
Total other comprehensive income/(loss)		<u>3,161,100</u>	<u>(3,831,040)</u>
Total comprehensive income/(loss) for the year attributable to the owners of the company		<u>5,369,908</u>	<u>(1,365,855)</u>

ArcelorMittal Commercial UK Ltd

Balance sheet

As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	10	1,308,207	1,528,680
Current assets			
Stock	11	9,640,880	13,077,617
Debtors:			
amounts falling due within one year	12	115,867,352	51,047,219
amounts falling due after one year	13	2,721,870	1,976,044
Cash at bank and in hand		14,155	575,296
		<u>128,244,257</u>	<u>66,676,176</u>
Creditors: amounts falling due within one year	14	<u>(120,606,371)</u>	<u>(61,988,671)</u>
Net current assets		<u>7,637,886</u>	<u>4,687,505</u>
Total assets less current liabilities		<u>8,946,093</u>	<u>6,216,185</u>
Creditors: amounts falling due after more than one year	15, 17	<u>(4,067,000)</u>	<u>(6,707,000)</u>
Net assets		<u>4,879,093</u>	<u>(490,815)</u>
Capital and reserves			
Called up share capital	18	2,212,882	2,212,882
Profit and loss account	19	<u>2,666,211</u>	<u>(2,703,697)</u>
		<u>4,879,093</u>	<u>(490,815)</u>

Approved by the Board and authorised for issue on 23 August 2018. They were signed on its behalf by:

S Ward-Jones
Director

Company Registration No. 00400080

ArcelorMittal Commercial UK Ltd
Statement of changes in equity

For the year ended 31 December 2017

	Note	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2016	18	1,462,882	(1,337,842)	125,040
Issue of share capital		750,000	-	750,000
Profit for the year		-	2,465,185	2,465,185
Other comprehensive loss for the year		-	(3,831,040)	(3,831,040)
Total comprehensive expense for the year			(1,365,855)	(1,365,855)
Balance at 31 December 2016		2,212,882	(2,703,697)	(490,815)
Profit for the year		-	2,208,808	2,208,808
Other comprehensive income for the year		-	3,161,100	3,161,100
Total comprehensive income for the year			5,369,908	5,369,908
Balance at 31 December 2017	18	2,212,882	2,666,211	4,879,093

ArcelorMittal Commercial UK Ltd

Notes to the financial statements

For the year ended 31 December 2017

1. General information

ArcelorMittal Commercial UK Ltd (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 6 to 7.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. Details of the Company's ultimate parent undertaking is as set out in note 24.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle	<p>The Company has adopted the amendments to IFRSs included in the <i>Annual Improvements to IFRSs 2012-2014 Cycle</i> for the first time in the current year.</p> <p>The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.</p> <p>The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.</p> <p>The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.</p> <p>The adoption of these amendments has had no effect on the Company's financial statements.</p>
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ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRS 16	<i>Leases</i>
IFRS 2 (amendments)	<i>Classification and Measurement of Share-based Payment Transactions</i>
IAS 7 (amendments)	<i>Disclosure Initiative</i>
IAS 12 (amendments)	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

- IFRS 16 may have impact on the reported assets, liabilities and income statement. Furthermore, extensive disclosures will be required by IFRS 16.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council. These financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The principal accounting policies adopted are set out below.

Going concern

The company has considerable financial resources because it is supported by the ultimate parent undertaking ArcelorMittal SA. The directors have no reason to believe that ArcelorMittal SA will not continue to support the company's operations. The directors have a reasonable expectation that the company and the ArcelorMittal group have adequate resources to continue in operational existence in the foreseeable future.

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Financial Costs

Interest received is accrued on a time basis by reference to the principal outstanding and the effective interest applicable

Interest expense is expensed as incurred. Interest expense relates solely to Group Treasury recharge of the costs of financing the Company

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Significant accounting policies (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The Company also operated three defined benefit contributory pension schemes. The assets of the schemes were held separately to those of the company. Pension schemes' assets were measured using market values. Pension schemes' liabilities were measured by projecting the expected benefit payment using the chosen assumptions and discounted the resulting cash flow back to the review date in accordance with IAS 19 Employee Benefits (Revised 2011).

The pension schemes' deficit was recognised in full. The movement in the scheme deficit was split between operating charges, finance items and other comprehensive income.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Stock

Stocks are stated at the lower of cost and net realisable value. Stocks consist of Sheet Piling, Merchant Bars and Wire Rod which are held in a number of locations. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Cost is calculated using the FIFO method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Stock values are regularly reviewed.

Tangible fixed assets

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost less their residual values over their useful lives as follows:

Rental Assets	write down to net realisable value on acquisition
Computer equipment	25% straight line
Fixtures, fittings & equipment	25% reducing balance/straight-line over the term of the lease remaining for additions relating to Fore 2 Huskisson Way
Plant and machinery	25% straight line

The method of depreciating the rental pool asset is one of depreciating cost less estimated realisable value immediately on acquisition. The directors are of the opinion that this method best represent the use of the assets in the company's trade.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with 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 financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the rendering of services set out in IAS 18 Revenue and, in particular, whether the company has provided and the service and earned right to the agreed remuneration.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that 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.

Valuation of pension liabilities

The company operates three defined benefit pension schemes and the directors were required to set a number of actuarial assumptions in order to perform the valuation of the schemes' liabilities as at year end. Due to the nature of such assumptions and the significant level of sensitivity of the schemes' liabilities to them (as disclosed in note 17), the directors, at each reporting date, engaged qualified actuaries to assist with determining these and performing valuation in accordance with IAS 19.

4. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

Analysis of Turnover:

	2017	2016
	£	£
Sale of goods	425,858,660	250,546,140
Rendering of services	5,552,092	5,772,811
	<u>431,410,752</u>	<u>256,318,951</u>

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

5. Operating Profit for the financial year

Operating Profit for the year has been arrived at after charging/(crediting):

	2017 £	2016 £
Depreciation of tangible assets	265,613	172,551
Loss on disposal of tangible assets	174,143	142,660
Cost of inventories recognised as an expense	416,743,969	243,916,423
Profit on foreign exchange transactions	330,887	(730,742)
Operating lease rentals		
- Plant and machinery	195,849	185,425
- Other assets	176,836	152,512
Auditor's remuneration		
Fees Payable to the company's auditor for the audit of the company's financial statements	75,000	75,000
Non-audit fee - tax services	13,754	1,717

6. Other interest receivable and similar income

	2017 £	2016 £
Bank interest	82,422	136,625
Other income	1,688	5,337
	<u>84,110</u>	<u>141,962</u>

7. Interest payable and similar charges

	2017 £	2016 £
On amounts payable to group companies	192,734	484,860
Other	1,014	-
	<u>193,748</u>	<u>484,860</u>

8. Other Finance (Cost)/Income

	2017 £	2016 £
Foreign currency exchange revaluation (loss)/Income	(1,276,778)	726,743
Other Finance costs	(132,000)	-
	<u>(1,408,778)</u>	<u>726,743</u>

Significant currency fluctuations were incurred due to exchange rate movements during the year.

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

9. Taxation

	2017 £	2016 £
UK corporate tax	492,686	428,260
Prior Year Adjustment	(120,430)	-
Total current tax	372,256	428,260
Deferred tax		
Origination and reversal of timing differences	7,274	276,252
Effect of changes in tax rates	-	(604)
Total deferred tax	7,274	275,648
Total Tax on profit on ordinary activities	379,530	703,908

Factors affecting the tax charge for the year

Profit on ordinary activities before taxation	2,588,338	3,169,093
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2016: 20%)	517,667	633,819
Effect of:		
Non-deductible expenses	23,423	53,557
Other	(41,130)	17,136
Effect of changes in tax rates	-	(604)
Prior Year Adjustment	(120,430)	-
	(138,137)	70,089
Tax charge for the year	379,530	703,908

The company has estimated losses of £Nil (2016: £Nil) available for carry forward against future trading profits.

The deferred tax charge includes (£735,660) (2016: £759,240) in respect of IAS 19 pension cost timing differences. The deferred tax on these pension cost timing differences is netted off against the pension scheme asset or liability.

The Chancellor, in the Summer Budget on 16 March 2016, announced reductions in the main rate of corporation tax for UK companies. The main rate of corporation tax remains at 20% for the financial year commencing 1 April 2016, however there will be a further reduction to 19% with effect from 1 April 2017, and to 17% from 1 April 2020. The deferred tax assets and liabilities at the balance sheet date are calculated taking account of the forecast impact of the reduction of the corporation tax rate from 20%, to the previously substantively enacted rate of 18%.

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

10. Tangible fixed assets

	Rental Assets	Computer equipment	Fixtures, Fittings & equipment	Plant and machinery	Total
	£	£	£	£	£
Cost					
At 1 January 2017	1,539,782	51,731	252,933	2,904	1,847,350
Additions	1,474,789	23,290	-	-	1,498,079
Disposals	(1,668,002)	(20,798)	-	(2,904)	(1,691,704)
At 31 December 2017	1,346,569	54,223	252,933	-	1,653,725
Depreciation					
At 1 January 2017	179,263	41,732	94,389	3,286	318,670
On disposals	(215,348)	(20,131)	-	(3,286)	(238,765)
Charge for the year	219,890	31,410	14,313	-	265,613
At 31 December 2017	183,805	53,011	108,702	-	345,518
Net book value					
At 31 December 2017	1,162,764	1,212	144,231	-	1,308,207
At 31 December 2016	1,360,519	9,999	158,544	(382)	1,528,680

11. Stock

	2017 £	2016 £
Finished goods and goods for resale	9,640,880	13,077,617

12. Debtors

	2017 £	2016 £
Amounts due within one year:		
Trade debtors	36,962,264	18,305,032
Amounts owed by parent	721,281	501,633
Amounts owed by fellow subsidiary undertakings	78,028,355	31,987,667
Prepayments and accrued income	149,405	221,097
Other debtors	6,047	31,790
	115,867,352	51,047,219

All Group balances are unsecured and on normal open credit terms. There were no bad debts during the year. No interest is payable on amounts due from the Group.

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

13. Debtors: Amounts due after one year

	2017 £	2016 £
Deferred tax asset (note 16)	381,870	1,083,044
Pension asset (note 17)	<u>2,340,000</u>	<u>893,000</u>
	2,721,870	1,976,044

14. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	4,114,657	3,848,158
Amounts owed to parent	3,883,338	7,396,989
Amounts owed to fellow subsidiary undertakings	48,370,585	24,018,239
Corporation tax	354,004	422,210
Other taxes and social security costs	9,642,287	9,571,585
Other creditors	40,638,810	15,480,333
Accruals and deferred income	<u>13,602,690</u>	<u>1,251,157</u>
	120,606,371	61,988,671

All Group balances payable are unsecured and on normal open credit terms. No interest is payable on amounts due to the Group.

Other creditors include £40,620,760 due to factor agent in respect of amounts received against factored trade debtors before year end (2016: £15,462,284).

15. Creditors: amounts falling due after one year

	2017 £	2016 £
Amounts due after one year:		
Pension liability (note 17)	<u>4,067,000</u>	<u>6,707,000</u>
	4,067,000	6,707,000

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

16. Deferred tax

The following are the major deferred tax liabilities and (assets) recognised by the Company and movements thereon during the current and prior reporting period

	Other timing differences (Note 11) £	Pension asset (Note 12) £	Pension liability (Note 12) £	Total £
At 1 January 2016	(231,056)	(520,740)	233,460	(518,336)
Transfer from the fellow group undertaking	-	-	-	-
Charge/(Credit) to profit or loss	194,532	261,180	(179,460)	276,252
Charge to other comprehensive income	-	(947,700)	106,740	(840,960)
At 1 January 2017	(36,524)	(1,207,260)	160,740	(1,083,044)
Transfer from the fellow group undertaking	-	-	-	-
(Credit)/Charge to profit or loss	(34,486)	28,800	12,960	7,274
Charge to other comprehensive income	-	446,400	247,500	693,900
At 31 December 2017	(71,010)	(732,060)	421,200	(381,870)

17. Retirement benefit schemes

Defined contribution

	2017 £	2016 £
Contributions payable by the company for the year	157,841	159,107

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

Defined benefit

Trade Arbed Pension Scheme

The company operates a funded defined benefit pension scheme however the scheme is a multi-employer scheme. The scheme has two participating employers each of whom are members of the ArcelorMittal Group: ArcelorMittal Commercial UK Limited and ArcelorMittal Distribution Solutions UK Limited.

The method used by the actuary to produce an IAS 19 actuarial valuation is to prepare an updated actuarial valuation based on the actuarial valuation carried out for the trustees of the scheme by Aviva at 1 May 2015. The actuarial valuation has been rolled forward to 31 December 2017 using IAS 19 assumptions. The value of the scheme's assets have been arrived at by adjusting the surrender value of the assets shown in the actuarial valuation at 1 May 2015 in line with returns on market indices over the period from 1 May 2015 to 31 December 2017. The actuary has also estimated the allocation of the Scheme deficit between the employers. The current service cost of the accrual of the benefits is calculated using the projected unit method.

	2017 %	2016 %
The main financial assumptions by the actuary were:		
Rate of increase in salaries	2.8	2.4
Pension escalation	3.1	3.4
Discount rate	2.6	2.6
Inflation assumption (RPI)	3.1	3.4
Revaluation in deferment	3.1	2.4

Discretionary benefits:	No allowance has been made for discretionary benefits.
Tax free cash:	50% of members are assumed to take one quarter of pension as tax free cash.
Asset value:	Fair value of with-profits fund.
Expenses:	Deducted from the return in assets.
Mortality after retirement:	S2NxA tables with improvements in line with CMI 2016 projections with a smoothing factor of 7.5 and a 1.25% p.a. long term trend rate.

Sensitivity Analysis

Adjustment to Assumptions:	Plus 1%	Minus 1%
Discount Rate	(£3,316,000)	£4,552,000
Inflation	£3,240,000	(£2,539,000)
Salary Increase	£809,000	(£719,000)
Life Expectancy (+/- 1 year)	£584,000	(£581,000)

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Retirement benefit schemes (continued)

The assets of the scheme do not include any investment in the shares of the company. The fair value of the Scheme's assets does not include any property investment that is occupied by the company.

The major categories of assets as a percentage of total assets are:

	2017 %	2016 %
Equities	44	52
Gilts and Bonds	32	37
Cash and other	24	11
	<u>100</u>	<u>100</u>

	2017 £	2016 £
Fair value of assets	11,129,000	10,380,000
Present value of funded obligations	(14,907,000)	(16,228,000)
Deficit in the scheme	(3,778,000)	(5,848,000)
Related deferred tax asset (notes 12 and 16)	<u>680,040</u>	<u>1,052,640</u>
Net pension liability	(3,097,960)	(4,795,360)

Analysis of the amount recognised in the profit and loss over the year:

	2017 £	2016 £
Current service cost	238,000	209,000
Interest pension liabilities	424,000	426,000
Interest on pension assets	<u>(273,000)</u>	<u>(340,000)</u>
	389,000	295,000

Analysis of amount recognised in the statement of comprehensive income:

	2017 £	2016 £
Re-measurement gain/(loss)	<u>2,117,000</u>	<u>(3,393,000)</u>
Total	2,117,000	(3,393,000)

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Retirement benefit schemes (continued)

Movement in deficit during the year:

	2017 £	2016 £
Deficit in scheme at 1 January	(5,848,000)	(2,503,000)
Transfer from the group undertaking	-	-
Current service cost	(238,000)	(209,000)
Contributions made	342,000	364,000
Other finance costs	(151,000)	(86,000)
Re-measurement gain/(loss)	2,117,000	(3,393,000)
Administration Costs	-	(21,000)
Deficit in scheme at 31 December	(3,778,000)	(5,848,000)

Reconciliation of assets and defined benefit obligation:

	2017 £	2016 £
The change in assets over the year was:		
Fair value of assets at the beginning of the year	10,380,000	9,064,000
Transfer from the group undertaking	-	-
Interest on pension assets	273,000	340,000
Employer contributions	342,000	364,000
Contributions by scheme participants	29,000	42,000
Benefits paid	(96,000)	(139,000)
Administration costs	-	(21,000)
Re-measurement gain	201,000	730,000
Fair value of assets at the end of the year	11,129,000	10,380,000

	2017 £	2016 £
The change in defined benefit obligation over the year was:		
Defined benefit obligation at the beginning of the year	16,228,000	11,567,000
Transfer from the group undertaking	-	-
Current service cost	238,000	209,000
Contributions by scheme participants	29,000	42,000
Interest on pension liabilities	424,000	426,000
Benefits paid	(96,000)	(139,000)
Re-measurement (gain)/loss	(1,916,000)	4,123,000
Defined benefit obligation at the end of the year	14,907,000	16,228,000

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Retirement benefit schemes (continued)

ArcelorMittal Commercial UK Ltd Pension Scheme

The IAS 19 results have been based on the actuarial valuation prepared on 30 June 2015 which has been rolled forward to 31 December 2017 using IAS 19 assumptions.

	2017 %	2016 %
The major assumptions used by the actuary were:		
Discount rate for liabilities	2.6	2.6
Price inflation	3.1	3.4
Rate of increase in salaries	3.1	3.4
Revaluation in deferment	3.1	3.4

Discretionary benefits:	No allowance has been made for discretionary benefits.
Tax free cash:	25% of members are assumed to take a tax free lump-sum in cash
Asset value:	Surrender value
Expenses:	An allowance is made in the current service cost.
Mortality after retirement:	S2NxA tables with improvements in line with CMI 2016 projections with a smoothing factor of 7.5 and a 1.25% p.a. long term trend rate.

Sensitivity Analysis

Adjustment to Assumptions:	Plus 1%	Minus 1%
Discount Rate	(£681,000)	£892,000
Inflation	£139,000	(£132,000)
Life Expectancy (+/- 1 year)	£117,000	(£117,000)

The assets of the Scheme do not include any investments in the shares of the company.

The major categories of assets as a percentage of total assets are:

	2017 %	2016 %
Equities	50	46
Property	14	15
Gilts and Bonds	27	27
Cash and other	9	12
	<hr/> 100	<hr/> 100

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Retirement benefit schemes (continued)

	2017 £	2016 £
Value of assets		
Fair value of assets	3,310,000	3,642,000
Present value of funded obligations	(3,599,000)	(4,501,000)
 Scheme deficit	 (289,000)	 (859,000)
Related deferred tax asset recognised (notes 12 and 16)	52,020	154,620
 Net pension liability	 (236,980)	 (704,380)

Analysis of the amount recognised in the profit and loss over the year

	2017 £	2016 £
Current service cost	79,000	54,000
Interest on pension liabilities	106,000	127,000
Interest on pension assets	(87,000)	(118,000)
 Total	 98,000	 63,000

Analysis of amount recognised in the statement of comprehensive income:

	2017 £	2016 £
The return on plan assets (excluding amounts included in net interest expense)	173,000	195,000
Re-measurement of net pension liability	190,000	(881,000)
 Total	 363,000	 686,000

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Retirement benefit schemes (continued)

Movement in deficit during the year:

	2017 £	2016 £
Deficit in scheme at 1 January	(859,000)	(390,000)
Transfer from the fellow group undertaking	-	-
Current service cost	(79,000)	(54,000)
Contributions made	314,000	287,000
Other finance costs	(19,000)	(9,000)
Re-measurement gain/(loss)	363,000	(686,000)
Administration costs	(9,000)	(7,000)
Deficit in scheme at 31 December	(289,000)	(859,000)

Reconciliation of assets and defined benefit obligation:

	2017 £	2016 £
The change in assets over the year was:		
Fair value of assets at the beginning of the year	3,642,000	3,043,000
Transfer from the fellow group undertaking	-	-
Interest on pension assets	87,000	118,000
Employer contributions	314,000	287,000
Contributions by scheme participants	6,000	6,000
Re-measurement gain	173,000	195,000
Administration Costs	(9,000)	(7,000)
Net Benefits paid out	(903,000)	-
Fair value of assets at the end of the year	3,310,000	3,642,000

The change in defined benefit obligation over the year was:

	2017 £	2016 £
Defined benefit obligation at the beginning of the year	4,501,000	3,433,000
Transfer from the fellow group undertaking	-	-
Current service cost	79,000	54,000
Contributions by scheme participants	6,000	6,000
Interest on pension liabilities	106,000	127,000
Re-measurement gain	(190,000)	881,000
Net Benefits paid out	(903,000)	-
Defined benefit obligation at the end of the year	3,599,000	4,501,000

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Retirement benefit schemes (continued)

ArcelorMittal Commercial UK Ltd Pension and Assurance Scheme

The IAS 19 results have been based on results of the actuarial valuation by Legal & General as at 1 April 2014 rolled forward to 31 December 2017 by a qualified actuary using IAS 19 assumptions.

	2017 %	2016 %
The major assumptions used by the actuary were:		
Discount rate for liabilities	2.6	2.6
Price inflation	3.1	3.4
Rate of increase in salaries	3.1	3.4
Revaluation in deferment	2.6	3.4
Discretionary benefits:	No allowance has been made for discretionary benefits.	
Tax free cash:	50% of members are assumed to take 25% of their pension as tax free cash.	
Asset value:	Bid value plus the balance held in the Scheme's bank account.	
Expenses:	Expected rate of return assumed to be net of investment manager expenses.	
Mortality after retirement:	S2NxA tables with improvements in line with CMI 2016 projections with a smoothing factor of 7.5 and a 1.25% p.a. long term trend rate.	

Sensitivity Analysis

Adjustment to Assumptions:	Plus 1%	Minus 1%
Discount Rate	(£1,362,000)	£1,822,000
Inflation	£971,000	(£757,000)
Salary increase	£299,000	(£290,000)
Life Expectancy (+/- 1 year)	£170,000	(£169,000)

The assets do not include any investments in the shares of the company. The assets do not include any property investment that is occupied by the company.

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Retirement benefit schemes (continued)

The major categories of assets as a percentage of total assets are:

	2017	2016
	£	£
Value of assets		
Fair value of assets	8,181,000	7,705,000
Asset not recognised due to limit on recognisable surplus	-	(555,000)
Present value of funded obligations	8,181,000	(7,150,000)
 Scheme surplus	 2,340,000	 893,000
Related deferred tax liability recognised (notes 12 and 16)	(421,200)	(160,740)
 Net pension asset	 1,918,800	 732,260
	2017	2016
	%	%
Gifts and bonds	100	100
	100	100
 Analysis of the amount recognised in the profit and loss over the year	 2017	 2016
	£	£
Current service cost	82,000	49,000
Interest on pension liabilities	163,000	162,000
Interest on pension assets	(201,000)	(253,000)
 Total	 44,000	 (42,000)
 Analysis of amount recognised in the statement of comprehensive income:	 2017	 2016
	£	£
The return on plan assets (excluding amounts included in net interest expense)	190,000	843,000
Re-measurement of net pension asset	630,000	(1,962,000)
Effect of limit on recognisable surplus	555,000	526,000
 Total	 1,375,000	 (593,000)

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Retirement benefit schemes (continued)

Movement in surplus during the year:

	2017 £	2016 £
Surplus in scheme at 1 January	893,000	1,297,000
Transfer from the fellow group undertaking	-	-
Current service cost	(82,000)	(49,000)
Other finance income	38,000	91,000
Re-measurement gain/(loss)	1,375,000	(593,000)
Contributions made	133,000	147,000
Contributions made	(17,000)	-
Surplus in scheme at 31 December	2,340,000	893,000

Reconciliation of assets and defined benefit obligation:

The change in assets over the year was:

	2017 £	2016 £
Fair value of assets at the beginning of the year	7,705,000	7,041,000
Transfer from the fellow group undertaking	-	-
Interest on pension assets	201,000	253,000
Employer contributions	133,000	147,000
Contributions by scheme participants	8,000	8,000
Benefits paid	(39,000)	(587,000)
Re-measurement loss	190,000	843,000
Administration Costs	(17,000)	-
Fair value of assets at the end of the year	8,181,000	7,705,000
Asset not recognised due to limit on recognisable surplus	-	(555,000)
	8,181,000	7,150,000

The change in defined benefit obligation over the year was:

	2017 £	2016 £
Defined benefit obligation at the beginning of the year	6,257,000	4,663,000
Transfer from the fellow group undertaking	-	-
Current service cost	82,000	49,000
Contributions by scheme participants	8,000	8,000
Interest cost on pension liabilities	163,000	162,000
Benefits paid	(39,000)	(587,000)
Re-measurement gain	(630,000)	1,962,000
Defined benefit obligation at the end of the year	5,841,000	6,257,000

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Retirement benefit schemes (continued)

Summary of movement in surplus (deficits)

	TradeArbed UK Ltd Scheme £	Steelinter UK Ltd Scheme £	Sollac UK Ltd Scheme £	Total £
(Deficit)/surplus in scheme at 1 January 2017	(5,848,000)	(859,000)	893,000	(5,814,000)
Transfer from the fellow group undertaking	-	-	-	-
Current service cost	(238,000)	(79,000)	(82,000)	(399,000)
Other finance (costs)/income	(151,000)	(19,000)	38,000	(132,000)
Re-measurement (loss)/gain	2,117,000	363,000	1,375,000	3,855,000
Contributions made	342,000	314,000	133,000	789,000
Administrative costs	-	(9,000)	(17,000)	(26,000)
(Deficit)/surplus in scheme at 31 December 2017	(3,778,000)	(289,000)	2,340,000	(1,727,000)
Related deferred tax recognised (notes 12 and 16)	680,040	52,020	(421,200)	310,860
Net pension (liability)/surplus	(3,097,960)	(236,980)	1,918,800	(1,416,140)
(Deficit)/surplus in scheme at 1 January 2016	(2,503,000)	(390,000)	1,297,000	(1,596,000)
Transfer from the fellow group undertaking	-	-	-	-
Current service cost	(209,000)	(54,000)	(49,000)	(312,000)
Other finance (costs)/income	(86,000)	(9,000)	91,000	(4,000)
Re-measurement gain	(3,393,000)	(686,000)	(593,000)	(4,672,000)
Contributions made	364,000	287,000	147,000	798,000
Administrative costs	(21,000)	(7,000)	-	(28,000)
(Deficit)/surplus in scheme at 31 December 2016	(5,848,000)	(859,000)	893,000	(5,814,000)
Related deferred tax recognised (notes 11 and 15)	1,052,640	154,620	(160,740)	1,046,520
Net pension (liability)/asset	(4,795,360)	(704,380)	732,260	(4,767,480)
Combined scheme summary				
			2017	2016
			£	£
Fair value of scheme assets			22,620,000	21,727,000
Limit on recognisable surplus			-	(555,000)
Present value of scheme liabilities			(24,347,000)	(26,986,000)
Surplus deficit			(1,727,000)	(5,814,000)
Related deferred tax asset recognised (notes 12 and 16)			310,860	1,046,520
			1,416,140	(4,767,480)

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

17. Retirement benefit schemes (continued)

Contributions made are inclusive of the following deficit reduction contributions:

	2017 £	2016 £
TradeArbed UK Limited Scheme	182,400	92,000
Steelinter UK Limited Scheme	246,812	225,000
Sollac UK Limited Scheme	73,812	200,000
	<u>503,024</u>	<u>517,000</u>

The employer expects to contribute the following amounts to the Scheme's during the next financial year:

	2017 £	2016 £
TradeArbed UK Limited Scheme	182,400	182,000
Steelinter UK Limited Scheme	191,453	173,000
Sollac UK Limited Scheme	48,493	-
	<u>422,346</u>	<u>355,000</u>

18. Called up share capital

	2017 £	2016 £
Authorised, Allotted, called up and fully paid		
2,212,882 Ordinary shares of £1 each	2,212,882	1,462,882
Share capital issued 11 March 2016	-	750,000
	<u>2,212,882</u>	<u>2,212,882</u>

The company issued an additional 750,000 £1 ordinary shares to ArcelorMittal Flat Carbon Europe SA in settlement of the net assets transferred from ArcelorMittal FCE UK Ltd on 30 September 2015. The 750,000 shares were issued at par on 11 March 2016.

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

19. Profit and loss account

	£
Balance at 1 January 2016	(1,337,842)
Profit for the year	2,465,185
Other comprehensive loss for the year	(3,831,040)
Balance at 1 January 2017	(2,703,697)
Profit for the year	2,208,808
Other comprehensive income for the year	3,161,100
Balance at 31 December 2017	2,666,211

20. Financial commitments

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2017 £	2016 £	2017 £	2016 £
Operating leases with expiry:				
Within one year	169,925	169,925	10,205	143,833
Between two and five years	637,218	679,699	204,632	207,910
In over five years	-	258,773	-	-
	807,143	1,108,397	214,837	351,743

Included within commitments for land and buildings are the rentals for the company offices in Solihull. These are the only significant leasing arrangements made by the Company.

21. Capital commitments

There were no capital commitments at 31 December 2017 (2016: £Nil).

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

22. Related party transactions

Trading transactions

The company has taken advantage of the exemption available in FRS 101 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

The directors' remuneration, analysed under the headings required by Company law is set out below.

	2017 £	2016 £
Directors' remuneration		
Emoluments	496,591	474,497
Company contributions to defined benefit schemes	111,027	99,804
	<hr/> 607,618	<hr/> 574,301

	2017 Number	2016 Number
The number of directors who:		
Are members of a defined benefit pension scheme	4	4

	£	£
Remuneration of the highest paid director:		
Emoluments	137,579	146,612

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £80,666 pa under the scheme at the end of the year. There is no accrued lump sum.

23. Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

2017 Number	2016 Number
55	51

Employment costs

	2017 £	2016 £
Wages and salaries	2,684,679	2,538,176
Social security costs	341,026	339,277
Other pension costs	615,866	534,999
	<hr/> 3,641,571	<hr/> 3,412,052

ArcelorMittal Commercial UK Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

24. Control

The company's ultimate parent undertaking and controlling party is ArcelorMittal S.A. which is incorporated in Luxembourg, 24-26 boulevard d'Avranches L-1160 Luxembourg, Grand Duchy of Luxembourg. This is the largest Group preparing Group Financial Statements of which the Company is a member.

The parent undertaking of the smallest group of which the company is a member is ArcelorMittal Commercial RPS SARL, incorporated in Luxembourg

Financial Statements are available on-line and at the address of the ultimate parent company, which is 24-26 boulevard d'Avranches L-1160 Luxembourg, Grand Duchy of Luxembourg.