

Company Registration No. 00400080 (England and Wales)

ArcelorMittal Commercial UK Ltd
Annual Report and Financial Statements
For the Year Ended 31 December 2022

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COMPANIES HOUSE

Directors

R Eshelby
J Dyer
A De Jong

Company Secretary

K Reading

Company number

00400080

Registered office

2nd Floor
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Auditor

E&Y
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1 More London Place
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Bankers

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BNP Paribas Bank
10 Harewood Avenue
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ArcelorMittal Treasury SNC
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ArcelorMittal Commercial UK Limited

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ArcelorMittal Commercial UK Limited

Strategic Report

The directors present the strategic report and financial statements for ArcelorMittal Commercial UK Ltd for the year ended 31 December 2022 in accordance with section 414C of the Companies Act 2006.

Review of the business

Trading activity during 2022 reflected the continued post Covid boom, the company recording it's highest Turnover yet, thanks to high prices being maintained, as well as continued demand.

UK 'Industry' has however been affected by wider geo-political and macro-economic events, the impacts of which have been felt more strongly than on the continent post-Brexit. Following the exceptional events of the last 2 years steel supply cycles have become shortened and less predictable, changes manifesting more rapidly than was historically the case.

As an important partner, the Automotive sector continued to struggle from the Covid restrictions, impacted by the Brexit effect, as components and assemblies have been re-sourced outside the UK to protect EU Auto Plants from UK Customs delays and general supply chain complications.

The company continues to derive the large majority of its turnover from its principal role as a 'low risk distributor', remunerated on the basis of a mark-up on SGA costs. Although we have seen a significant increase in turnover for 2022 compared to 2021, the company's profitability has remained relatively stable and so further improved its year-end financial position. Furthermore the gains recognised on the DB pension schemes has added to this improvement.

The movement in 'Other finance (cost) / income' (Note 8) reflects foreign currency revaluations and transaction gains arising as a result of the fluctuation in the exchange rates during the year.

Principal risks and financial risk management

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

ArcelorMittal Treasury SNC SA provides a treasury function and overdraft facility to the Company. 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.

Currency / Exchange rate risk

The company enters into forward foreign exchange hedge contracts (mainly EUR) to reduce exposure to exchange rate fluctuations.

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 turnover may be affected by fluctuations in the price and supply of steel, although purchasing policies and practices mitigate, where practicable, such risks.

Defined Benefit pension obligations

Funding of the Defined Benefit Pension schemes remains a priority with funding levels reviewed on an ongoing basis.

Environment

ArcelorMittal Commercial UK Ltd recognises 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.

Section 172 (1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole.

In doing so section 172 requires a director to have regard (amongst other matters) to:

- a. The likely consequences of any decisions in the long-term;
- b. The interests of the company's employees;
- c. The need to foster the company's business relationships with suppliers, customers and others;
- d. The impact of the company's operations on the community and environment;
- e. The desirability of the company maintaining a reputation for high standards of business conduct; and
- f. The need to act fairly as between members of the company.

In discharging our section 172 duty we, the directors of the Company, have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders.

The Company's key stakeholders are its customers, employees and suppliers. The views of and the impact of the Company's activities on these stakeholders are an important consideration for the Directors when making relevant decisions.

Key decisions made by the Directors of the Company

Capital

The directors carefully review operating results to determine the levels of dividend to be proposed to its shareholders. This takes into account long term viability especially investment and Pension scheme funding as well as short term cash flow requirements. Although a dividend wasn't proposed in 2022, the directors intend to review this decision regularly.

Company employees

Our future plans are based on identifying and developing strong leadership and management skills, providing adequate training, and focusing on the wellbeing of our colleagues.

We have developed a system to regularly review our staff, to evaluate their needs, and to ensure career progression is in line with their aspirations as far as possible. This allows for a robust two-way flow of information.

ArcelorMittal Commercial UK Limited

Strategic Report (Continued)

We conduct a regular Speak Up! Survey amongst our employees, which we follow up with concrete action plans that address the identified issues and needs.

Staff wellbeing is focused on as part of our very strong Health and Safety ethos which provides guidance, education and practical advice on diet / healthy eating and physical and mental wellbeing.

Staff are regularly updated on the Company and Groups Health & Safety record which provides information on lost time working, any injuries sustained at work and acts as a constant reminder of the Health & Safety policies of the Group to be adhered to.

Suppliers, customers and others

To facilitate engagement with our stakeholders, we carry out a range of engagement processes at site, country, and corporate level, including surveys, direct conversations, roundtables, roadshows, and reference external analysis to keep track of trends in stakeholder expectations.

A sample of customers are periodically contacted to complete satisfaction surveys at corporate level. Relevant feedback is then provided to the Company to allow follow-up with the customer.

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

Community and environment

Whilst ArcelorMittal Commercial UK Ltd has little impact on the local community given it is a sales office and does not manufacture products locally, ArcelorMittal as a group actively engages with local communities to make a positive contribution in terms of creating economic and social value through employment, procurement, taxation and sustainable development initiatives and through strong risk management and respect for human rights. To do this, we aim to take a partnership approach, listening to the concerns of stakeholders at site, country and segment levels, to give them the confidence that ArcelorMittal will address the impacts it has on them and their environment. ArcelorMittal Commercial UK Ltd acts upon feedback from Central Group resource to support this action.

Business ethics

We encourage our employees to be good corporate citizens, acting with integrity in everything they do. We strive to create a positive culture in which everyone wants, and knows how, to do the right thing. Our commitment to integrity is embodied in our Code of Business Conduct and is supported by a comprehensive framework of policies and procedures in areas such as human rights, anti-corruption and insider dealing. These documents reflect the principles and concepts of the UN Global Compact, the OECD Guidelines on Multinational Enterprises and UN Sustainable Development Goal 16 – Peace, justice and strong institutions. Compliance and our Code of Business Conduct defines what acting with integrity means in practice. It applies to all directors, officers and employees. Based on a training matrix, our employees undergo training on the Code of Business Conduct and other aspects of compliance every three years.

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:

	2022	2021
	£	£
Turnover:	676,983,974	595,434,231
Steel Sales	671,316,789	590,416,213
Services	5,667,185	5,018,018
Gross Profit	13,835,757	26,446,199
Pre-tax profit	3,474,872	3,027,382
	2022	2021
	Number	Number
FTE – (Full Time Equivalent employees)	56	56
No of Accidents	NIL	NIL

The number of employees continues to be a key KPI and is monitored closely.

Although 6 members of staff left during the year and 6 new staff joined, this did result in a negligible change to the 'FTE' (FTE: full time equivalent), but it appears unchanged (rounded to the nearest whole number).

The Group continues to focus on reduction of costs and with this aim in mind have strictly controlled staff numbers only replacing where key resources are required.

Health and safety remain one of the Group's key issues. The company carries out quarterly internal Health and Safety reviews and focuses on the wellbeing of its staff. The company is pleased that there are no accidents to report. Figures concerning Accidents and lost time frequency due to accidents are regularly reviewed and scrutinized by the Directors of the company. These figures are circulated to all staff members.

ArcelorMittal Commercial UK Limited

Strategic Report (Continued)

Future Outlook

The post Covid boom has since evaporated. Along with escalating inflation and interest rates the wider economies of both the UK and EU have entered a period of low growth and reduced demand in 2023 - particularly in construction and infrastructure. Though market conditions are expected to marginally improve moving into 2024, as interest rates are predicted to fall, recovery is anticipated to remain at a slow rate.

The crisis in UK domestic steel production has meant greater reliance on imports and expectations are this trend is set to continue as the global steel sector transitions towards its net zero Carbon targets.

The outlook for UK domestic steel production presents some uncertainty, and third country imports of strip products continue to play a key role in the UK, while our own market share is maintained. Green Steel initiatives are progressing while customer receptiveness to managing CO2 is evolving and expected to gather momentum.


There are hopes heading towards 2024 for some green shoots in the Automotive sector as it starts to recover from the Covid and supply chain issues of recent times.

ArcelorMittal has in place a group-wide commitment to being carbon neutral by 2050, building on the commitment made in 2019 for its European business to reduce emissions by 30% by 2030. To this end, we are continually shifting towards greener steel products and are actively working with customers as they target similar environmental goals.

Health and Safety

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

Approved by the Board of directors and signed on behalf of the board

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J Dyer
Joint Managing Director
12th February 2024

ArcelorMittal Commercial UK Limited

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2022. 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 good, reflecting the very strong results of the wider ArcelorMittal group for 2022

Results and dividends

The results for the year are set out on page 15. The directors have recommended that no dividend be paid for the year ending 31 December 2022, but will regularly review this decision.

Future developments

Details of future developments can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

Financial risk management

Financial risk management are disclosed in the Strategic Report on page 3 and form part of this report by cross-reference.

Other

The Company has no R&D activity, has made no political contributions and there are no Directors Indemnities.

Going concern

The Company has a Bilateral Cash Management and financial transaction agreement in place with ArcelorMittal Treasury SNC. The purpose of this agreement is to facilitate the optimization of cash and financial risk management within the ArcelorMittal Group. For this purpose, the company agrees to make its cash surpluses transfers to the Group treasury and access to group funds when the Company needs. Any amount due to/from ArcelorMittal Treasury SNC, required to be settled on the on contractual dates or the dates requested. The company has sufficient right to access this cash held on deposit with Treasury.

At of 31st Jan 2024, the Company had £6k of cash at banks and £25m of intercompany receivable from a group treasury company.

The directors have also reviewed forecasts and budgets prepared for the business and closely monitor the changes in commodity prices. The forecasts and budgets for the going concern period show that the business will generate cashflows along with the liquid assets to repay its liabilities falling due over the going concern period to cover the fixed cost basis over the going concern period.

ArcelorMittal Commercial UK Limited

Directors' Report (Continued)

As such, after conducting a review forecasts and budgets and considering the impact of steel market volatility and general economic factors, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of twelve months after the date accounts are signed. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts. Further details are provided in Note 1.

Streamlined Energy and Carbon Reporting

The company acts as a Local Buyer Reseller for the ArcelorMittal group (being ultimate parent company 'ArcelorMittal SA' and all subsidiaries), with no 'production' activity in the UK.

Energy consumption of our UK offices and company car fleet are 58,000 KWh (54,000 KWh 2021) and 44,000 KWh (28,000 KWh 2021) respectively and also CO2 emissions of 11t (11t 2021) and 59t (38t 2021) respectively. The increases compared to the previous year relate primarily to higher company car mileage. Our motor fleet includes PHEV's and EV's, the adoption of which continues in line with increasing viability.

The intensity ratio of CO2 emissions based on our main office space is 0.0099 t/sq.ft. (0.0055 t/sq.ft. 2021), the increase as a result of a move to smaller offices.

The methodology applied is using the appropriate conversion factors to the electricity consumed (in KWh) for the offices and PHEV's and each vehicle's emissions figure to calculate the CO2 emissions for the fleet.

A stockholding business is operated in the UK, but this along with the accompanying transport activities are contracted to external service providers, so excluded from the disclosure. We actively encourage these external service providers to reduce their carbon footprint wherever possible.

Directors

The following directors have held office since 1 January 2022 and to the date of this report:

R Eshelby
A De Jong
J Dyer

There are no third-party qualifying indemnities.

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 January 2019, 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>

ArcelorMittal Commercial UK Limited

Directors' Report (Continued)

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.

Ernst & Young LLP were appointed as auditor for financial year ending 2022, replacing Deloitte LLP, who did not seek reappointment. Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board of directors and signed on behalf of the board by

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J Dyer
Joint Managing Director
12th February 2024

ArcelorMittal Commercial UK Limited

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 LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ArcelorMittal Commercial UK Limited for the year ended 31 December 2022 which comprise of Profit and Loss Account, Statement of Comprehensive Income, the Balance Sheet and Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this 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 this gives rise to 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, 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.

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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.


- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework FRS 101 "Reduced Disclosure Framework", Companies Act 2006, Bribery Act 2010, Companies (Miscellaneous Reporting) Regulation 2018, those laws and regulations relating to health and safety and employee matters and relevant tax compliance regulations in the jurisdictions in which the Company operates, including the United Kingdom.
- We understood how ArcelorMittal Commercial UK Limited is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures. We corroborated our enquiries through the review of the following documentation:
 - all minutes of board meetings held during the year;
 - any relevant correspondence with local tax authorities;
 - and any relevant correspondence received from regulatory bodies.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.

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Signature

Oxana Dorrington (Senior statutory auditor)
 for and on behalf of Ernst & Young LLP, Statutory Auditor
 London, United Kingdom

Date: 13 February 2024

ArcelorMittal Commercial UK Limited
Profit and Loss Account for the Year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	676,983,974	595,434,231
Cost of sales		<u>(663,148,217)</u>	<u>(568,988,032)</u>
Gross profit		13,835,757	26,446,199
Administrative expenses		<u>(12,542,129)</u>	<u>(15,409,850)</u>
Operating profit	5	1,293,628	11,036,349
Other interest receivable and similar income	6	144,863	30,831
Interest payable and similar charges	7	(578,867)	(290,515)
Other finance (cost) / income	8	<u>2,615,248</u>	<u>(7,749,283)</u>
Profit before taxation		3,474,872	3,027,382
Tax charge on profit	9	<u>(725,669)</u>	<u>(366,378)</u>
Profit for the financial year attributable to owners of the company	19	<u>2,749,203</u>	<u>2,661,004</u>

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

The accompanying notes on pages 19 to 51 form part of these financial statements.

ArcelorMittal Commercial UK Limited
Statement of Comprehensive Income
for the Year ended 31 December 2022

	Note	2022 £	2021 £
Profit for the financial year		2,749,203	2,661,004
Re-measurement gain/(loss) on pension schemes	17	1,633,078	2,320,243
Movement on deferred tax relating to pension asset and liability balances	16	<u>(408,270)</u>	<u>(580,061)</u>
Total other comprehensive income / (expense)		<u>1,224,808</u>	<u>1,740,182</u>
Total comprehensive income / (expense) for the year attributable to the owners of the company		<u>3,974,011</u>	<u>4,401,186</u>

The accompanying notes on pages 19 to 51 form part of these financial statements.


ArcelorMittal Commercial UK Limited
Balance Sheet as at 31 December 2022

		2022	2021
	Note	£	£
Fixed assets			
Tangible assets	10	<u>1,271,967</u>	<u>138,925</u>
		1,271,967	138,925
Current assets			
Stock	12	23,868,877	22,473,163
Debtors: amounts falling due after one year	11	3,040,010	3,124,804
Debtors: amounts falling due within one year	13	134,666,962	132,121,919
Cash at bank and in hand		<u>11,372</u>	<u>12,495</u>
		161,587,221	157,732,381
Creditors: amounts falling due within one year	14	<u>(144,317,157)</u>	<u>(142,598,491)</u>
Net current assets		<u>17,270,064</u>	<u>15,133,890</u>
Total assets less current liabilities		<u>18,542,031</u>	<u>15,272,815</u>
Creditors: amounts falling due after more than one year	15, 17	<u>(2,807,819)</u>	<u>(3,512,614)</u>
Net assets		<u><u>15,734,212</u></u>	<u><u>11,760,201</u></u>
Capital and reserves			
Called-up share capital	18	2,212,882	2,212,882
Profit and loss account	19	<u>13,521,330</u>	<u>9,547,319</u>
		<u><u>15,734,212</u></u>	<u><u>11,760,201</u></u>

The accompanying notes on pages 19 to 51 form part of these financial statements.

These financial statements of ArcelorMittal Commercial UK Limited, company registration number 00400080, were approved by the board of directors and authorised for issue on 12th February 2024.

Signed on behalf of the board of directors

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J Dyer
Joint Managing Director

ArcelorMittal Commercial UK Limited
Statement of changes in equity

	Note	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2021	18	2,212,882	5,146,133	7,359,015
Profit for the year		-	2,661,004	2,661,004
Other comprehensive income for the year		-	1,740,182	1,740,182
Total comprehensive income for the year		-	4,401,186	4,401,186
Balance at 31 December 2021		2,212,882	9,547,319	11,760,201
Profit for the year		-	2,749,203	2,749,203
Other comprehensive income for the year		-	1,224,808	1,224,808
Total comprehensive income for the year		-	3,974,011	3,974,011
Balance at 31 December 2022	18	2,212,882	13,521,330	15,734,212

The accompanying notes on pages 19 to 50 form part of these financial statements.

Notes to the financial statements (continued)

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 8-10.

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 25.

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

In the current year, there were no new standards or interpretations that had a material impact on the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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 certain 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 or services, at the date of the transaction.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The principal accounting policies adopted are set out below.

Going concern

The Company has a Bilateral Cash Management and financial transaction agreement in place with ArcelorMittal Treasury SNC. The purpose of this agreement is to facilitate the optimization of cash and financial risk management within the ArcelorMittal Group. For this purpose, the company agrees to make its cash surpluses transfers to the Group treasury and access to group funds when the Company needs. Any amount due to/from ArcelorMittal Treasury SNC, required to be settled on the on contractual dates or the dates requested. The company has sufficient right to access this cash held on deposit with Treasury.

Notes to the financial statements (continued)

The directors have also reviewed forecasts and budgets prepared for the business and closely monitor the changes in commodity prices. The forecasts and budgets for the going concern period show that the business will generate cashflows along with the liquid assets to repay its liabilities falling due over the going concern period to cover the fixed cost basis over the going concern period.

As such, after conducting a review forecasts and budgets and considering the impact of steel market volatility and general economic factors, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of twelve months after the date accounts are signed. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

Revenue recognition

The Company's revenue is derived from the single performance obligation to transfer steel products under arrangements in which the transfer of the control of the products and the fulfilment of the Company's performance obligation occur at the same time. Revenue from the sale of the goods is recognised when the Company has transferred control of the goods to the buyer and the buyer obtains the benefits from the goods. Additional revenue is derived from services rendered, recognised in the period when such services are provided or performed. 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 and/or services.

Whether the customer has obtained control over the asset depends on when the goods are made available to the carrier or the buyer takes possession of the goods, depending on the delivery terms. For the Company's trading activities, generally the criteria to recognise revenue has been met when its products are delivered to its customers or to a carrier who will transport the goods to its customers, this is the point in time when the Company has completed its performance obligations. Revenue is measured at the transaction price of the consideration received or receivable, the amount the Company expects to be entitled to.

Additionally, the Company identifies when goods have left its premises, not when the customer receives the goods. Therefore, the Company estimates, based on its historical experience, the amount of goods in-transit when the transfer of control occurs at the destination and defers the revenue recognition.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a

straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented within Creditors (both falling due within one year and also falling due after more than one year) in the statement of financial position.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Leases (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within Tangible assets in the Financial statements.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

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).

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

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.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Taxation (continued)

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.

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 for impairment.

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:

Computer equipment	25% straight line
Fixtures, fittings & equipment	25% reducing balance/straight-line over the term of the lease remaining for additions relating to Friars Gate, B90 4BN.

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.

Financial instruments

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'interest receivable and similar income' line item.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value and gains or losses arising from changes in fair value, dividend income, and interest income are recognized in profit or loss.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, 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.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Impairment of financial assets (continued)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Impairment of financial assets (continued)

3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Financial Liabilities

Debt instruments are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not held-for-trading are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value and gains or losses arising from changes in fair value, dividend income, and interest income are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 24.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Notes to the financial statements (continued)

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.

Critical judgements in applying the Company's accounting policies

There are no 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.

Key sources of estimation uncertainty

There are no material key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that has a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Turnover

The total turnover of the company for the year has been derived from its principal activities per the revenue streams described in strategic report which were wholly undertaken in the United Kingdom.

Analysis of Turnover:	2022	2021
	£	£
Sale of goods	671,316,789	590,416,213
Rendering of services	<u>5,667,185</u>	<u>5,018,018</u>
	<u>676,983,974</u>	<u>595,434,231</u>

ArcelorMittal Commercial UK Limited
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Notes to the financial statements (continued)

5. Operating Profit for the year

Operating Profit for the year has been arrived at after charging/(crediting):	2022	2021
	£	£
Depreciation of tangible assets	67,438	23,772
Depreciation of right of use assets	180,470	125,928
Finance cost/interest expense of right of use assets	23,418	3,686
Cost of inventories recognised as an expense	661,760,263	567,608,232
Auditor's remuneration		
Fees Payable to the company's auditor for the audit of the company's financial statements	61,406	72,000
Non-audit fee - tax compliance services	7,100	5,525

6. Other interest receivable and similar income

	2022	2021
	£	£
On amounts receivable from group companies	144,863	30,831
	144,863	30,831

7. Interest payable and similar charges

	2022	2021
	£	£
On amounts payable to group companies	555,449	274,753
Other	23,418	15,762
	578,867	290,515

8. Other finance income/(cost)

	2022	2021
	£	£
Foreign currency exchange revaluation gain/(loss)	2,645,512	(7,695,496)
Other Finance costs	(30,264)	(53,787)
	2,615,248	(7,749,283)

ArcelorMittal Commercial UK Limited
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Notes to the financial statements (continued)

9. Taxation

	2022	2021
	£	£
UK corporate tax	536,165	510,933
Prior Year Adjustment	<u>(6,131)</u>	<u>(2,956)</u>
Total current tax	530,034	507,977
Deferred tax		
Origination and reversal of timing differences	<u>195,635</u>	<u>(141,599)</u>
Total deferred tax	195,635	(141,599)
Total Tax on profit	<u>725,669</u>	<u>366,378</u>
Factors affecting the tax charge for the year		
Profit before taxation	3,474,872	3,027,382
Profit before taxation multiplied by standard rate of UK corporation tax of 19% (2021: 19%)	660,226	575,203
Effect of:		
Non-deductible expenses	5,459	4,684
Other	66,115	27,197
Effect of changes in tax rates	-	(237,750)
Prior Year Adjustment	<u>(6,131)</u>	<u>(2,956)</u>
Tax charge for the year	725,669	366,378

The company has estimated losses of £nil (2021: £nil) available for carry forward against future trading profits.

The deferred tax charge includes £105,009 (2021: £76,670) 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. Other comprehensive income reflects a £408,270 deferred tax charge.

The UK Budget 2021 announcements on 3 March 2021 included an increase to the UK's main rate of corporation tax to 25% due to be effective from 1 April 2023. These changes have been reflected in the measurement of the deferred tax balances.

Notes to the financial statements (continued)

10. Tangible fixed assets

	Computer equipment £	Fittings & equipment £	Right of use of asset # £	Total £
Cost				
At 1 January 2022	54,223	293,744	472,230	820,197
Adjustments *	241,427	(138,959)	-	102,468
Additions	82,297	273,981	1,032,284	1,388,562
Disposals	(180,105)	(101,794)	(472,230)	(754,130)
At 31 December 2022	197,842	326,972	1,032,284	1,557,097
Depreciation				
At 1 January 2022	54,223	249,265	377,784	681,272
Adjustments *	204,980	(102,512)	-	102,468
Charge for the year	38,814	28,624	180,470	247,908
Disposals	(172,493)	(101,794)	(472,230)	(746,517)
At 31 December 2022	125,524	73,583	86,024	285,130
Net book value				
At 31 December 2022	72,318	253,389	946,260	1,271,967
At 31 December 2021	-	44,479	94,446	138,925

Included in Right of use asset – Additions are £32,370 professional fees relating to the new office lease.

* Adjustments are a correction to Fixed assets (with NIL NBV).

The company moved offices in August, the old office lease terminating end of September, so has one lease relating to its new office premises which matures in February 2033.

	31/12/2022 £	31/12/2021 £
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	180,470	125,928
Interest expense on lease liabilities	23,418	3,686

For tax purposes the company receives tax deductions in respect of the right-of-use assets and the lease liabilities in a manner consistent with the accounting treatment.

Notes to the financial statements (continued)

10. Tangible fixed assets (continued)

Right of use of Assets (continued)

Lease liability	2022	2021
	£	£
Maturity analysis:		
Year 1	89,976	97,596
Year 2	92,523	
Year 3	95,141	
Year 4	97,834	
Year 5	100,602	
Year 5+	450,751	
	<u>926,827</u>	<u>97,596</u>
Analysed as:		
Non-current (note 15)	836,851	-
Current	89,976	97,596
	<u>926,827</u>	<u>97,596</u>

Liabilities

The Company does not face a significant liquidity risk with regard to its lease liabilities.

11. Debtors: Amounts due after one year

	2022	2021
	£	£
Deferred tax asset (note 16)	-	314,413
Pension asset (note 17)	2,889,087	2,665,891
Other debtors	<u>150,923</u>	<u>144,500</u>
	3,040,010	3,124,804

12. Stock

	2022	2021
	£	£
Finished goods and goods for resale	23,868,877	22,473,163

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Notes to the financial statements (continued)

13. Debtors

	2022	2021
	£	£
Amounts due within one year:		
Trade debtors	26,658,346	45,734,176
Amounts owed by fellow subsidiary undertakings	105,487,028	84,418,060
Recoverable VAT	674,496	1,765,465
Prepayments and accrued income	195,839	179,382
Other debtors	7,337	24,836
Derivative financial instruments (Note 24)	1,643,916	-
	134,666,962	132,121,919

All amount owed by fellow subsidiaries balances are unsecured and on normal open credit terms. No interest is payable on amounts due from the Group.

14. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	1,515,428	507,238
Amounts owed to fellow subsidiary undertakings	67,319,055	57,031,626
Corporation tax	280,699	198,403
Other taxes and social security costs	244,923	128,925
Other creditors	42,616,393	47,438,628
Accruals and deferred income	32,340,659	34,785,493
Derivative financial instruments (Note 24)	-	2,508,178
	144,317,157	142,598,491

All amounts owed to fellow subsidiary undertakings are unsecured and on normal open credit terms. Interest is payable on treasury account amounts due to ArcelorMittal Treasury SNC at commercial rates and agreed trading/loan terms (based on LIBOR monthly average + debit/credit spread). Interest is not payable on any other Group balances.

Other creditors include £42,597,092 due to factor agent in respect of amounts received against factored trade debtors before year end (2021: £47,419,396).

ArcelorMittal Commercial UK Limited
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Notes to the financial statements (continued)

15. Creditors: amounts falling due after one year

	2022 £	2021 £
Amounts due after one year:		
Deferred tax liability (note 16)	289,492	-
Pension liability (note 17)	1,681,476	3,511,392
Lease obligation – Right of use of Assets (note 10)	836,851	-
Derivative financial instruments	-	1,222
	<u>2,751,653</u>	<u>3,512,614</u>

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 liability (Note 15) £	Pension asset (Note 13) £	Total £
At 1 January 2021	(93,113)	(1,079,762)	420,000	(752,875)
Credit to profit or loss	(9,923)	(291,917)	160,241	(141,599)
Prior year adjustment	(109,211)	-	-	(109,211)
Charge to other comprehensive income	-	493,830	86,231	580,061
At 31 December 2021	(103,036)	(877,849)	666,472	(314,413)
Credit to profit or loss	90,625	22,803	82,207	195,635
Prior year adjustment	-	434,677	(26,407)	408,270
Charge to other comprehensive income	-	-	-	-
At 31 December 2022	(12,411)	(420,369)	722,272	289,492

The Company will have taxable profits enough to allow the recognised Deferred tax liability to be utilised.

Notes to the financial statements (continued)

17. Retirement benefit schemes

Defined contribution

	2022	2021
	£	£
Contributions payable by the company for the year	209,208	164,397

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. These contributions have been paid in the year.

Defined benefit

TradeArbed Pension Scheme

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 2018. The actuarial valuation has been rolled forward to 31 December 2021 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 2018 in line with returns on market indices over the period from 1 May 2018 to 31 December 2021. The current service cost of the accrual of the benefits is calculated using the projected unit method.

	2022	2021
	%	%
The main financial assumptions by the actuary were:		
Rate of increase in salaries	3.1	2.8
Pension escalation	3.1	2.8
Discount rate	4.8	2.0
Inflation assumption (CPI)	2.7	3.1
Revaluation in deferment	3.1	2.8

Discretionary benefits:	No allowance has been made for discretionary benefits.
Tax free cash:	90% of members are assumed to take one quarter of pension as tax free cash.
Asset value:	Bid value plus the balance held in the Scheme's bank account.
Expenses:	Deducted from the return on assets (if not paid directly by the company).
Mortality after retirement:	SAPS S2 Tables with improvements in line with CMI 2020 projections with a smoothing factor of 7.0 and a 1.25% p.a. long term trend rate.

Notes to the financial statements (continued)

17. Retirement benefit schemes (continued)

Sensitivity Analysis

Adjustment to Assumptions:	Plus 1%	Minus 1%
Discount Rate	(£1,600,975)	£2,080,771
Inflation	£1,022,654	(£943,988)
Salary Increase	£496,045	(£457,746)
Life Expectancy (+/- 1 year)	£529,001	(£518,885)

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:

	2022 %	2021 %
Cash	14.90	5.12
Equity	22.00	0.00
Private Equity	0.00	0.00
Investment Funds	8.83	94.88
Government Bonds	41.32	0.00
Corporate Bonds	8.96	0.00
Real Estate/Property	0.00	0.00
Insurance Contracts	0.00	0.00
Derivatives	0.00	0.00
Other	3.98	0.00
	<hr/>	<hr/>
	100	100

The investments are selected in order to spread any risk to the company as far as possible and are approved by the Trustees. The type of investment is matched with the maturity profile of the scheme members in order to have liquid funds available as required. There is no focus on any specific class of asset, the funds are considered to be spread evenly based on professional investment advice received.

	2022 £	2021 £
Fair value of assets	9,874,259	15,077,973
Present value of funded obligations	(11,555,735)	(18,589,365)
Deficit in the scheme	(1,681,476)	(3,511,392)
Related deferred tax asset (notes 11 and 16)	<hr/> 420,369	<hr/> 877,848
Net pension liability	(1,261,107)	(2,633,544)

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Notes to the financial statements (continued)

17. Retirement benefit schemes (continued)

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

	2022	2021
	£	£
Current service cost	215,685	235,331
Past service cost	-	-
Interest pension liabilities	375,842	282,153
Interest on pension assets	<u>(302,000)</u>	<u>(200,567)</u>
	289,527	316,917

Current service cost is expensed to 'administrative expenses' and Interest is expensed to 'Other finance costs' in the profit and loss account.

Analysis of amount recognised in the statement of comprehensive income:

	2022	2021
	£	£
The return on plan assets (excluding amounts included in net interest expense)	(5,666,021)	516,435
Re-measurement of net pension liability	<u>7,404,728</u>	<u>1,022,203</u>
Total	1,738,707	1,538,638

Movement in deficit during the year:

	2022	2021
	£	£
Deficit in scheme at 1 January	(3,511,392)	(5,085,430)
Current service cost	(215,685)	(235,331)
Past service cost	-	-
Contributions made	380,736	352,317
Other finance costs	(73,842)	(81,586)
Re-measurement gain	<u>1,738,707</u>	<u>1,538,638</u>
Deficit in scheme at 31 December	(1,681,476)	(3,511,392)

Notes to the financial statements (continued)

17. Retirement benefit schemes (continued)

Reconciliation of assets and defined benefit obligation:

	2022 £	2021 £
The change in assets over the year was:		
Fair value of assets at the beginning of the year	15,077,973	14,303,387
Interest on pension assets	302,000	200,567
Employer contributions	380,736	352,317
Contributions by scheme participants	26,699	30,887
Benefits paid	(247,128)	(325,620)
Administration costs	-	-
Re-measurement gain	(5,666,021)	516,435
Fair value of assets at the end of the year	9,874,259	15,077,973

	2022 £	2021 £
The change in defined benefit obligation over the year was:		
Defined benefit obligation at the beginning of the year	18,589,365	19,388,817
Current service cost	215,685	235,331
Past service cost	-	-
Contributions by scheme participants	26,699	30,887
Interest on pension liabilities	375,842	282,153
Benefits paid	(247,128)	(325,620)
Re-measurement (gain)/loss	(7,404,728)	(1,022,203)
Defined benefit obligation at the end of the year	11,555,735	18,589,365

Notes to the financial statements (continued)

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 2018 which has been rolled forward to 31 December 2021 using IAS 19 assumptions.

	2022	2021
	%	%
The major assumptions used by the actuary were:		
Discount rate	4.8	2.0
Inflation assumption (CPI)	2.7	3.1
Rate of increase in salaries	-	-
Revaluation in deferment	2.7	3.1

Discretionary benefits:	No allowance has been made for discretionary benefits.
Tax free cash:	100% 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:	SAPS S2 tables with improvements in line with CMI 2019 projections with a smoothing factor of 7.0 and a 1.25% p.a. long term trend rate.

Sensitivity Analysis

Adjustment to Assumptions:	Plus 1%	Minus 1%
Discount Rate	(£153,723)	£198,725
Inflation	£39,289	(£37,729)
Salary increase	-	-
Life Expectancy (+/- 1 year)	£66,171	(£64,455)

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

Notes to the financial statements (continued)

17. Retirement benefit schemes (continued)

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

	2022 %	2021 %
Cash	8.21	1.80
Equity	41.07	50.00
Private Equity	0.00	0.00
Investment Funds	0.00	0.00
Government Bonds	19.40	21.70
Corporate Bonds	0.00	0.00
Real Estate/Property	15.90	13.80
Insurance Contracts	0.00	0.00
Derivatives	0.00	0.00
Other	15.42	12.70
	100	100

The investments are selected in order to spread any risk to the company as far as possible and are approved by the Trustees. The investments comprise of Prudential Managed fund Units and accordingly risk is spread widely within the fund. There is no focus on any specific class of asset, the funds are considered to be spread evenly based on the professional fund Manager's decisions. The investments are matched to the maturity profile of the scheme.

	2022 £	2021 £
Value of assets		
Fair value of assets	2,266,036	2,007,369
Present value of funded obligations	(1,271,687)	(2,001,746)
Scheme (Deficit)/surplus	994,349	5,623
Related deferred tax asset /(liability) recognised (notes 11 and 16)	(248,587)	(1,406)
Net pension (Liability)/asset	745,762	4,217

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

	2022 £	2021 £
Current service cost	-	-
Interest on pension liabilities	39,423	30,706
Interest on pension assets	(42,425)	(24,175)
Total	(3,002)	6,531

Current service cost is expensed to 'administrative expenses' and Interest is expensed to 'Other finance costs' in the profit and loss account.

Notes to the financial statements (continued)

17. Retirement benefit schemes (continued)

Analysis of amount recognised in the statement of comprehensive income:

	2022 £	2021 £
The return on plan assets (excluding amounts included in net interest expense)	71,141	194,461
Re-measurement of net pension liability	722,683	242,222
Total	793,824	436,683

Movement in surplus/(deficit) during the year:

	2022 £	2021 £
Surplus in scheme at 1 January	5,623	(597,530)
Current service cost	-	-
Contributions made	191,900	173,000
Other finance costs	3,002	(6,530)
Re-measurement (loss)/gain	793,824	436,683
Surplus in scheme at 31 December	994,349	5,623

Reconciliation of assets and defined benefit obligation:

	2022 £	2021 £
The change in assets over the year was:		
Fair value of assets at the beginning of the year	2,007,369	1,664,829
Interest on pension assets	42,425	24,175
Employer contributions	191,900	173,000
Contributions by scheme participants	-	-
Re-measurement (loss)/gain	71,141	194,461
Net Benefits paid out	(46,799)	(49,096)
Fair value of assets at the end of the year	2,266,036	2,007,369

Notes to the financial statements (continued)

17. Retirement benefit schemes (continued)

The change in defined benefit obligation over the year was:

	2022 £	2021 £
Defined benefit obligation at the beginning of the year	2,001,746	2,262,358
Current service cost	-	-
Contributions by scheme participants	-	-
Interest on pension liabilities	39,423	30,706
Re-measurement (gain)/loss	(732,683)	(242,222)
Net Benefits paid out	(46,799)	(49,096)
Defined benefit obligation at the end of the year	1,271,687	2,001,746

ArcelorMittal Commercial UK Ltd Pension and Assurance Scheme

The IAS 19 results have been based on results of the actuarial valuation by AON as at 1 April 2020 rolled forward to 31 December 2021 by a qualified actuary using IAS 19 assumptions.

	2022 %	2021 %
The major assumptions used by the actuary were:		
Discount rate	4.8	2.0
Inflation assumption (CPI)	2.7	3.1
Rate of increase in salaries	2.8	2.8
Revaluation in deferment	2.8	2.8

Discretionary benefits:	No allowance has been made for discretionary benefits.
Tax free cash:	90% 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:	SAPS S3 tables with improvements in line with CMI 2020 projections with a smoothing factor of 7.0 and a 1.25% p.a. long term trend rate.

Sensitivity Analysis

Adjustment to Assumptions:	Plus 1%	Minus 1%
Discount Rate	(£567,009)	£744,171
Inflation	£387,804	(£348,617)
Salary increase	£207,924	(£191,544)
Life Expectancy (+/- 1 year)	£161,693	(£158,279)

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.

Notes to the financial statements (continued)

17. Retirement benefit schemes (continued)

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

	2022 %	2021 %
Cash	26.81	0.47
Equity	17.06	0.00
Private Equity	0.00	0.00
Investment Funds	6.85	0.00
Government Bonds	39.24	40.32
Corporate Bonds	6.95	59.21
Real Estate/Property	0.00	0.00
Insurance Contracts	0.00	0.00
Derivatives	0.00	0.00
Other	3.09	0.00
	100	100

The investments are selected in order to spread any risk to the company as far as possible and are approved by the Trustees. There is no focus on any specific class of asset, the long-term Bond and Gilt investments having been selected as most closely matching the scheme profile. Investments are managed by Legal & General.

	2022 £	2021 £
Value of assets		
Fair value of assets	5,800,037	8,999,425
Present value of funded obligations	(3,905,299)	(6,339,157)
Scheme surplus	1,894,738	2,660,268
Related deferred tax liability recognised (notes 11 and 16)	(473,685)	(665,067)
Net pension asset	1,421,053	1,995,201

Notes to the financial statements (continued)

17. Retirement benefit schemes (continued)

Analysis of the amount recognised in the profit and loss over the year	2022	2021
	£	£
Current service cost	92,777	100,235
Interest on pension liabilities	129,867	95,830
Interest on pension assets	(181,794)	(131,012)
Total	40,850	65,053

Current service cost is expensed to 'administrative expenses' and Interest is expensed to 'Other finance costs' in the profit and loss account.

Analysis of amount recognised in the statement of comprehensive income:

	2022	2021
	£	£
The return on plan assets (excluding amounts included in net interest expense)	(3,566,307)	(244,912)
Re-measurement of net pension liability	2,666,854	925,941
Total	(899,453)	681,029

Movement in surplus during the year:

	2022	2021
	£	£
Surplus in scheme at 1 January	2,660,268	1,874,429
Current service cost	(92,777)	(100,235)
Past Service Cost	-	-
Other finance income	51,927	35,182
Re-measurement (loss)/gain	(899,453)	681,029
Contributions made	174,773	169,863
Surplus in scheme at 31 December	1,894,738	2,660,268

Reconciliation of assets and defined benefit obligation:

	2022	2021
	£	£
The change in assets over the year was:		
Fair value of assets at the beginning of the year	8,999,425	9,269,595
Interest on pension assets	181,794	131,012
Employer contributions	174,773	169,863
Contributions by scheme participants	10,352	9,974
Benefits paid		
Re-measurement (gain)/loss	(3,566,307)	(581,019)
Fair value of assets at the end of the year	5,800,037	8,999,425

Notes to the financial statements (continued)

17. Retirement benefit schemes (continued)

The change in defined benefit obligation over the year was:	2022 £	2021 £
Defined benefit obligation at the beginning of the year	6,339,157	7,059,059
Current service cost	92,777	100,235
Past Service Cost	-	-
Contributions by scheme participants	10,352	9,974
Interest cost on pension liabilities	129,867	95,830
Re-measurement gain	(2,666,854)	(925,941)
Defined benefit obligation at the end of the year	3,905,299	6,339,157

Summary of movement in surplus/(deficits)

	Sollac UK Ltd Scheme £	TradeArbed UK Ltd Scheme £	Steelinter UK Ltd Scheme £	Total £
(Deficit)/surplus in scheme at 1 January 2022	2,660,268	(3,511,392)	5,623	(845,501)
Current service cost	(92,777)	(215,685)	-	(308,462)
Past service cost	-	-	-	-
Other finance income/(cost)	51,927	(73,842)	3,002	(18,913)
Re-measurement gain/(loss)	(899,453)	1,738,707	793,824	1,633,078
Contributions made	174,773	380,736	191,900	747,409
Surplus/(deficit) in scheme at 31 December 2022	1,894,738	(1,681,476)	994,349	1,207,611
Related deferred tax recognised	(473,685)	420,369	(248,587)	(301,903)
Net pension (liability)/surplus	1,421,053	(1,261,107)	745,762	905,708
Surplus/(deficit) in scheme at 1 January 2021	1,874,429	(5,085,430)	(597,530)	(3,808,531)
Current service cost	(100,235)	(235,331)	0	(335,566)
Past service cost	0	0	0	0
Other finance income/(cost)	35,182	(81,586)	(6,530)	(52,934)
Re-measurement gain/(loss)	681,029	1,538,638	436,683	2,656,350
Contributions made	169,863	352,317	173,000	695,180
Surplus/(deficit) in scheme at 31 December 2021	2,660,268	(3,511,392)	5,623	(845,501)
Related deferred tax recognised	(665,067)	877,848	(1,406)	211,375
Net pension asset/(liability)	1,995,201	(2,633,544)	4,217	(634,126)

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Notes to the financial statements (continued)

17. Retirement benefit schemes (continued)

Combined scheme summary

	2022	2021
	£	£
Fair value of scheme assets	17,940,332	26,084,767
Present value of scheme liabilities	(16,732,721)	(26,930,268)
Deficit	1,207,611	(845,501)
Related deferred tax asset recognised (notes 11 and 16)	(301,903)	211,375
Net pension asset/(liability)	905,708	(634,126)

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

	2022	2022	2021	2021
	£	%	£	%
Cash	3,211,916	17.90	849,363	3.25
Equity	4,093,139	22.82	1,003,685	3.85
Investment Funds	1,269,209	7.07	14,306,731	54.85
Government Bonds	6,795,766	37.88	4,064,115	15.58
Corporate Bonds	1,288,362	7.18	5,328,920	20.43
Real Estate/Property	360,241	2.01	277,017	1.06
Other	921,688	5.14	254,936	0.98
Total	17,940,321	100.00	26,084,727	100.00

Contributions made are inclusive of the following deficit reduction contributions:

	2022	2021
	£	£
TradeArbed UK Limited Scheme	275,200	193,200
Steelinter UK Limited Scheme	191,900	173,000
Sollac UK Limited Scheme	36,750	39,000
	503,850	405,200

The employer expects to contribute the following amounts to the schemes during the next financial year:

	2022	2021
	£	£
TradeArbed UK Limited Scheme	540,776	357,887
Steelinter UK Limited Scheme	248,600	173,000
Sollac UK Limited Scheme	176,578	174,844
	965,954	705,731

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Notes to the financial statements (continued)

18. Called-up share capital

	2022 £	2021 £
Authorised, Allotted, called up and fully paid		
2,212,882 Ordinary shares of £1 each	2,212,882	2,212,882
	2,212,882	2,212,882

19. Profit and loss account

	£
Balance at 1 January 2021	5,146,133
Profit for the year	2,661,004
Other comprehensive income for the year	1,740,182
Dividends	-
Balance at 31 December 2021	9,547,319
Profit for the year	2,749,203
Other comprehensive income for the year	1,224,808
Dividends	-
Balance at 31 December 2022	13,521,330

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	
	2022 £	2021 £	2022 £	2021 £
Operating leases with expiry:				
Within one year	171,805	147,163	25,079	10,612
Between two and five years	687,220	-	316,735	399,764
In over five years	715,854	-	4,306	-
	1,574,879	147,163	346,120	410,376

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.

Notes to the financial statements (continued)

21. Capital commitments

There were no capital commitments at 31 December 2022 (2021: £Nil).

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.

	2022	2021
	£	£
Directors' remuneration		
Emoluments	482,546	424,713
Company contributions to defined benefit schemes	151,756	143,540
	<hr/> 634,302	<hr/> 568,253

	2022	2021
	Number	Number
The number of directors who:		
Are members of a defined benefit pension scheme	3	3

	£	£
Remuneration of the highest paid director:		
Emoluments	182,745	158,943

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £69,136 pa under the scheme at the end of the year. There is no accrued lump sum.

Notes to the financial statements (continued)

23. Employees

Number of employees

The average monthly number of employees (including directors) during the year was (there is only one category of employee):

	2022 Number	2021 Number
Permanent Employees	58	57

Employment costs

	2022 £	2021 £
Wages and salaries	3,443,195	3,253,770
Social security costs	443,989	410,903
Other pension costs	1,415,158	1,322,446
	<u>5,302,342</u>	<u>4,987,119</u>

24. Derivative financial instruments

Outstanding contracts	Towards affiliated Undertakings		Notional value		Fair value	
	2022 £	2021 £	2022 £	2021 £	2022 £	2021 £
Financial assets carried at fair value through profit or loss (FVTPL) Foreign exchange derivative instruments (current – buy contract)	100,071,943	149,516,719	100,071,943	149,516,719	1,643,916	(2,509,334)
	<u>100,071,943</u>	<u>149,516,719</u>	<u>100,071,943</u>	<u>149,516,719</u>	<u>1,643,916</u>	<u>(2,509,334)</u>

The Company uses derivative financial instruments (buy contracts) principally to manage its exposure to fluctuations in exchange rates. Derivative financial instruments are classified as current or non-currents assets or liabilities based on their maturity dates and are accounted for at trade date. The fair value of the financial asset as of year-end is £1,643,916 (2021: (£2,509,334)).

The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments. Gain or losses arising from changes in fair value of derivatives are recognized in the Profit and Loss Account.

Notes to the financial statements (continued)

25. Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party is ArcelorMittal S.A. which is incorporated in Luxembourg, registered office 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 stated above.

26. Subsequent Events

The Company performed a review of events subsequent to the balance sheet date through to the date the financial statements were issued.

At the end of first quarter of 2023 there were fires in two facilities (France and Spain) supplying some Flat products to the UK, so although there was some short-term disruption to available volumes and extended lead times, the situation was well managed with the affected products being supplied from other facilities, therefore having limited impact on the company.

There are ongoing HMRC compliance checks on our tax returns from 2017, which have not yet been concluded.