# ArcelorMittal Kent Wire Limited

## Annual Report and Financial Statements

## for the year ended 31 December 2019

Registered number: 02153671

# ArcelorMittal Kent Wire Limited

## Annual Report and financial statements for the year ended 31 December 2019

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# Annual report and financial statements for the year ended 31 December 2019

## Officers and professional advisers

**Directors**

U Braun
P Taylor
J Posekardt

**Company Secretary**

S L Collins

**Registered office**

Forest House
Northside Three
Chatham Docks
Chatham
Kent
ME4 4SR

**Bankers**

HSBC Bank plc
231 High Street
Chatham
Kent
ME4 4BQ

**Solicitors**

Adams & Remers LLP
~~Trinity House~~
School Hill
Lewes
Sussex
BN7 2NN

**Auditor**

Deloitte LLP
Statutory Auditor
Crawley
West Sussex
RH10 9AD

# ArcelorMittal Kent Wire Limited

## Strategic report

The directors, in preparing this strategic report, have complied with S414C of the Companies Act 2006.

### Review of the business

The company incurred a pre-tax loss of £673,394, (2018 – pre-tax loss of £304,109). This resulted from a reduction in margins over the costs for raw materials, from 11% to 10%. The principal business risks faced by the company relate to unfavourable fluctuations in the general economic environment, as well as movements in commodity prices. The business maintained its core trading activities in the supply of steel reinforcement products to the UK construction industry during 2019. The company measures its performance in respect of sales volumes, mix and selling prices, which together form the basis of the company's turnover figure. Business turnover increased by 1% year on year, with volumes and selling prices remaining largely consistent to those of 2018, margins however came under pressure due to input price and resulted in larger losses compared to those of the previous year.

### Going concern

Kent Wire Limited has net current liabilities of £1,116,149 at the balance sheet date. The company has the facility to borrow up to £3.5m through the Group's Treasury division in order to finance its operations and forms part of the Group's debt factoring arrangement which it joined during 2014. The company is dependent on the continued support of its parent company ArcelorMittal Hamburg GmbH for the provision of credit terms on the intercompany liability arising from the purchases of wire mesh coil and other products and access to the Group's Treasury facility. The Directors of the company have obtained confirmation from ArcelorMittal Hamburg GmbH that extended credit terms will continue to be granted on the intercompany liability and access to the Groups Treasury facility for a period of not less than 12 months from signing these financial statements. As at 31 December 2019, £1.2m of the Treasury facility was drawn down. At the point of signing the company, the entity has cash and cash equivalents of £3.1m and has drawn down £2.3m from the Treasury facility. The Directors of the company confirm that the business has adequate resources to continue its operations for the following twelve months and into the foreseeable future. The main impact of Covid-19 was felt during quarter two of 2020, when turnover reduced by 23% compared to quarter one, by the end of quarter two business activities returned to more normal levels.

### Key performance indicators

The key financial highlights are as follows:

| | | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Turnover | (£'000) | 44,465 | 43,913 | 40,868 | 34,661 |
| Turnover growth | (%) | 1 | 7 | 18 | 18 |
| Gross profit margin | (%) | 10 | 11 | 15 | 19 |
| (Loss)/Profit before tax | (£'000) | (673) | (304) | 473 | 1,681 |

Turnover has increased 1% to £44,465k (2018 - £43,913k).

Gross profit margin has decreased to 10% (2018 – 11%) which flowed through to a loss before tax of £673,395, (2018 – loss of £304,109) as an increase in cost of sales from higher input prices impacted on gross margins from the previous year.

### Principal risks and uncertainties

The company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The company does not use derivative financial instruments for speculative purposes.

***Cash flow risk***
The company's activities expose it to the financial risk of changes in foreign currency exchange rates. The company uses either foreign exchange forward contracts to manage these risks, or mitigates them through normal trading activities with group companies.

***Credit risk***
The company's principal financial assets are bank balances and cash, trade and other debtors.

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors. An allowance for impairment is made for where there is an identified loss event, which based on previous experience and current knowledge, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk as all customers are credit insured and exposure is spread over a large number of customers.

## Strategic report (continued)

*Commodities risk*
The company's activities expose it to the financial risk in the change in the price of steel. The company mitigates this level of risk, through managed purchases for stock and subsequent movements in its onward selling price.

*Liquidity risk*
In order to maintain liquidity and ensure that sufficient funds are available for ongoing operations and future developments, the company utilises the cash flow generated from the group's factoring agreement as well as using its cash resources and if required, bank finance and credit finance provided by the ultimate parent undertaking.

*EU exit risk*
The UK's decision to leave the EU presented the company with new risks, such as currency exchange rate volatility and steel price fluctuations. These risks are mitigated by management through the use of forward contracts and consideration in the timing of purchases. However, until the EU exit negotiations are complete, the situation presents considerable uncertainty.

**Future developments and events after the balance sheet date**

The Directors expect the general level of activity to increase in 2020 compared to 2019, driven by significant infrastructure projects within the UK.

Subsequent worldwide events impacted negatively on the business as Covid-19 affected all of our daily lives and forced many businesses to revise their practices and working patterns.

Whilst the business suffered a reduction of volumes and turnover during the initial months of the pandemic, trade has since returned to more normal levels and with the Government actively promoting major infrastructure and construction projects to help the economy, the Company's order book continues to grow and its prospects for 2020 are looking much healthier. The financial impacts of Brexit and Covid-19 cannot be estimated at this time.

Approved by the Board and signed on its behalf by:

S L Collins
Company secretary

29th Sept , 2020

**Registered office:**
Forest House
Northside Three
Chatham Docks
Chatham
Kent
ME4 4SR

## ArcelorMittal Kent Wire Limited

## Directors' report

The Directors present their annual report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 December 2019.

**Principal activities**

The principal activities of the company during the year continued to be that of wire fabric production for the use in the construction industry and the supply of rebar prefabricated items.

**Financial risk management objectives and policies**

Details of risk management objectives and policies form part of the Strategic Report on page 2.

**Future developments and events after the balance sheet date**

Details of future developments and events that have occurred since the balance sheet date can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

**Dividends**

The directors do not recommend the payment of a dividend to the parent company in 2019 (2018 - £nil). There are no proposed divided payments during 2020.

**Directors**

The directors who served during the year and subsequent to the year end were as follows:

U Braun
P Taylor
J Posekardt

**Directors' indemnities**

The company has qualifying third party indemnity provision for the benefit of its directors (individually insured for £1m under the global policy) which were made during the year and remain in force at the date of this report.

**Auditor**

Deloitte LLP have expressed their willingness to continue in office as auditor of the company and accordingly, a resolution to reappoint Deloitte LLP as auditor will be proposed at the forthcoming Annual General Meeting.

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

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

Approved by the Board and signed on its behalf by:

P Taylor
Director
29th Sept 2020

**Registered office:**
Forest House
Northside Three
Chatham Docks
Chatham
Kent
ME4 4SR

## 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments 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.

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

# Independent auditor's report to members of ArcelorMittal Kent Wire Limited

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of ArcelorMittal Kent Wire Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

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

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

### Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

### Other information

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

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

We have nothing to report in respect of these matters.

# Independent auditor's report to members of ArcelorMittal Kent Wire Limited (continued)

## Report on the audit of the financial statements (continued)

**Responsibilities of directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

## Report on other legal and regulatory requirements

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

**Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

**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.

Kim Burge.

Kim Burge, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Crawley, United Kingdom

29 September 2020

# ArcelorMittal Kent Wire Limited

## Statement of comprehensive income
## For the year ended 31 December 2019

| | Note | 2019<br>£ | 2018<br>£ |
|---|---|---|---|
| **Turnover** | 3 | 44,464,977 | 43,913,289 |
| Cost of sales | | (40,026,330) | (39,139,910) |
| **Gross profit** | | 4,438,647 | 4,773,379 |
| Distribution costs | | (2,207,010) | (2,414,051) |
| Administrative expenses | | (3,769,264) | (3,285,564) |
| Other operating income | | 903,648 | 251,497 |
| **Operating loss** | | (633,979) | (674,739) |
| Dividend received | | 250,000 | 630,000 |
| Finance costs (net) | 8 | (289,415) | (259,370) |
| **Loss before taxation** | 4 | (673,394) | (304,109) |
| Tax on loss | 9 | 143,615 | (51,314) |
| **Loss for the financial year** | | (529,779) | (355,423) |

All the results derive from continuing operations.

There are no further or other recognised comprehensive income or losses for the current and preceding financial year other than as stated in the profit and loss account and as a result no separate statement of other comprehensive income is given.

The accompanying notes on pages 11 – 20 form part of the financial statements.

# ArcelorMittal Kent Wire Limited

## Balance sheet
## At 31 December 2019

| | Note | 2019 £ | 2018 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 10 | 3,145,492 | 3,474,164 |
| Investments | 11 | 10,000 | 10,000 |
| | | 3,155,492 | 3,484,164 |
| **Current assets** | | | |
| Stocks | 12 | 7,551,726 | 12,079,811 |
| Debtors | 13 | 10,409,922 | 8,632,007 |
| Cash at bank and in hand | | 349,462 | 894,388 |
| | | 18,311,110 | 21,606,206 |
| **Creditors:** amounts falling due within one year | 14 | (19,427,259) | (22,483,952) |
| **Net current liabilities** | | (1,116,149) | (877,746) |
| **Total assets less current liabilities** | | 2,039,343 | 2,606,418 |
| Provisions for liabilities | 15 | (53,239) | (90,535) |
| **Net assets** | | 1,986,104 | 2,515,883 |
| **Capital and reserves** | | | |
| Called up share capital | 16 | 1,500,000 | 1,500,000 |
| Revaluation reserve | 16 | 495,269 | 577,813 |
| Profit and loss account | 16 | (9,165) | 438,070 |
| **Total shareholders' funds** | | 1,986,104 | 2,515,883 |

The accompanying notes on pages 11 – 20 form part of the financial statements.

The financial statements of ArcelorMittal Kent Wire Limited (registered number 02153671) were approved by the board of directors and authorised for issue on 29th Sept , 2020.

They were signed on its behalf by:

P Taylor
Director

## ArcelorMittal Kent Wire Limited

# Statement of changes in equity
## For the year ended 31 December 2019

| | Note | Called-up share capital £ | Profit and loss account £ | Revaluation reserve £ | Total £ |
|---|---|---|---|---|---|
| **At 31 December 2017** | | 1,500,000 | 710,948 | 660,358 | 2,871,306 |
| Loss and total comprehensive expense for the financial year | | - | (355,423) | - | (355,423) |
| Reserves transfer | 16 | - | 82,545 | (82,545) | - |
| **31 December 2018** | | 1,500,000 | 438,070 | 577,813 | 2,515,883 |
| Loss and total comprehensive expense for the financial year | | - | (529,779) | - | (529,779) |
| Reserves transfer | 16 | - | 82,544 | (82,544) | - |
| **31 December 2019** | | 1,500,000 | (9,165) | 495,269 | 1,986,104 |

Reserve transfers to the Profit and Loss account derive from the one-off revaluation of fixed assets following the introduction of FRS102 reporting standards in 2015.

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

1. **Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

**General information and basis of accounting**

ArcelorMittal Kent Wire Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The Company is a private company limited by shares and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

ArcelorMittal Kent Wire Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. ArcelorMittal Kent Wire Limited is consolidated in the financial statements of its parent ArcelorMittal Hamburg GmbH, which may be obtained at 19 Rue de Liberte, L – 2930, Luxembourg, see note 19. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement, remuneration of key management personnel, related party transactions and presentation of consolidated financial statements. The company has taken advantage of its exemption in making a s172 disclosure.

The functional currency of ArcelorMittal Kent Wire Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

**Going concern**

Kent Wire Limited has a net current liabilities of £1,116,149 at the balance sheet date. The company has the facility to borrow up to £3.5m through the group's Treasury division in order to finance its operations and also forms part of the Group's debt factoring arrangement, which it joined during 2014. The company is dependent on the continued support of its parent company ArcelorMittal Hamburg GmbH for the provision of credit terms on the intercompany liability arising from the purchases of wire mesh coil and other products and access to the Group's Treasury facility. The Directors of the company have obtained confirmation from ArcelorMittal Hamburg GmbH that extended credit terms will continue to be granted on the intercompany liability and access to Groups Treasury facility for a period of not less than12 months from signing these financial statements. As at 31 December 2019, £1.2m of the Treasury facility was drawn down. At at the point of signing the company has cash and cash equivalents of £3.1m and has drawn down £2.3m from the Treasury facility. The Directors of the company have prepared forecasts to December 2021 and have considered realistic downsides to confirm that the business has adequate resources to continue its operations for the following twelve months and into the foreseeable future. The financial impact of Covid-19 was felt at the end of quarter one in 2020 and into quarter two, by the end of quarter two business activities returned to more normal levels.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, net of any depreciation and provision for impairment.

Depreciation is calculated to write off the cost, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rates and methods are as follows:

| | |
|---|---|
| Short-term leasehold property | - over the period of the lease |
| Plant and machinery | - straight line over 12 years, or period of lease if shorter |
| Office equipment and fixtures | - straight line over 4 years |

**Revaluation of plant and machinery**

The Company revalued its plant and machinery assets following the introduction of FRS102 reporting standards. The resulting revaluation reserve is transferred to the profit and loss reserve, in equal instalments over the remainder of the lease.

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

**1. Accounting policies (continued)**

**Financial instruments**

The Company uses derivative financial instruments to reduce its exposure to foreign exchange risk. As at 31 December 2019, the Company had no such instrument outstanding (2018 – nil).

**Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, the significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**Impairment of assets**

*Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss as described below.

*Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

*Financial assets*

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

**Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

**Stocks and work in progress**

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is based on estimated selling price, less any further costs of realisation.

Work in progress is valued at the lower of cost and net realisable value. Cost consists of direct materials, labour and attributable overheads. Net realisable value is based on estimated selling price, less any further costs of realisation.

## 1. Accounting policies (continued)

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling on the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Differences arising due to exchange fluctuations have been charged or credited in the profit and loss account.

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Turnover**

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are delivered to the customer.

**Leases and hire purchase contracts**

Operating lease rentals are charged to income in equal annual amounts over the lease term.

**Pension costs**

The company makes contributions into employees' personal pension schemes as part of their remuneration packages. Contributions are charged to the profit and loss account on an accruals basis.

## 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, 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***
The directors have reviewed the judgements in regards to revenue recognition and other areas of the financial statements but concluded there were no material judgements that require separate disclosure.

***Key sources of estimation uncertainty***
The directors have reviewed the estimates at 31 December 2019 and while, as described above, there are numerous estimates made by the directors, none are considered sufficiently material to require separate disclosure.

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

## 3. Turnover

**An analysis of the Company's turnover by geographical market is set out below:**

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Turnover:** | | |
| Sale of goods: | | |
| United Kingdom | 44,369,831 | 43,888,657 |
| Overseas | 95,146 | 24,632 |
| | 44,464,977 | 43,913,289 |

The directors consider that the company only has one class of business, being the sale of goods of £44,685,777, (2018 - £43,913,289).

## 4. Loss before taxation

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Loss before taxation is stated after charging:** | | |
| Depreciation of tangible fixed assets: | | |
| Owned assets (note 10) - depreciation charge for the year | 543,799 | 515,074 |
| Rentals under operating leases | 1,588,073 | 1,775,411 |
| Loss on foreign exchange | 5,932 | 66,087 |

Rentals under operating leases charges of £777,478 incurred during the year (2018 - £1,168,664), were recharged directly to the company's subsidiary Total Ship Services Limited.

## 5. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual financial statements were £13,459 (2018 - £13,453). There were no non audit services.

## 6. Staff numbers and costs

| | 2019 No. | 2018 No. |
|---|---|---|
| **Average monthly number of persons employed (including directors):** | | |
| Directors | 3 | 3 |
| Administration | 18 | 17 |
| Sales | 4 | 4 |
| Production | 67 | 70 |
| | 92 | 94 |

| | 2019 £ | 2018 £ |
|---|---|---|
| **Their aggregate remuneration comprised (including directors):** | | |
| Wages and salaries | 3,240,505 | 3,161,444 |
| Social security costs | 324,582 | 340,885 |
| Pension costs | 96,972 | 75,104 |
| | 3,662,059 | 3,577,433 |

The Company operates a defined contribution pension scheme. The total cost charged to the profit and loss for the year was £96,972, (2018 - £75,104). At the year end, there was an accrued amount outstanding of £13,966, (2018 - £12,400).

## 7. Directors' remuneration and transactions

During the year, one director (2018 - one) received remuneration for his services to the company. He received emoluments of £129,613, (2018 - £124,586). The company does not operate its own pension scheme, however during the year the director requested the Company to transfer part of his remuneration to his personal pension, therefore at the end of the year there was an accrued lump sum of £9,764. Contributions made on behalf of the director in the year were £9,480 (2018 - £nil). The two other directors received emoluments directly from the parent company ArcelorMittal Hamburg GmbH. They did not receive any remuneration in respect of their qualifying services to the company.

## 8. Finance costs (net)

| | 2019 £ | 2018 £ |
|---|---|---|
| **Interest payable and similar expenses** | | |
| Intercompany interest expenses on borrowing facility | 40,552 | 51,110 |
| Bank charges | 248,863 | 208,260 |
| | 289,415 | 259,370 |

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

## 9. Tax on loss

**The tax (credit)/charge comprises:**

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **Current tax on loss** | | |
| United Kingdom corporation tax credit | (106,319) | (17,327) |
| Prior year adjustment | - | 96,569 |
| **Total current tax** | (106,319) | 79,242 |
| **Deferred tax** | | |
| Deferred taxation (note 15) – origination and reversal of timing differences | (37,296) | (27,928) |
| **Total tax (credit) / charge** | (143,615) | 51,314 |

The Finance (No 2) Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and was substantively enacted on 15 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

The tax assessed for the year is lower than (2018: higher than) that resulting from applying the standard rate of corporation tax in the UK 19% (2018 – 19%). The differences are explained below:

| | 2019 | 2018 |
|---|---|---|
| | £ | £ |
| **(Loss)/profit before tax** | (673,394) | (304,109) |
| Tax on (loss) / profit at standard UK corporation tax rate of 19% (2018 – 19%) | (127,945) | (57,781) |
| Effects of: | | |
| Expenses not deductable for tax purposes | 6,913 | 11,962 |
| Effect of capital allowance in excess of depreciation | 61,014 | 55,193 |
| Group relief surrendered | 1,199 | 92,999 |
| Movement on deferred tax | (37,296) | (27,928) |
| Adjustments to tax charge in respect of previous years | - | 96,569 |
| Total non-taxable income | (47,500) | (119,700) |
| **Total tax credit / charge for year** | (143,615) | 51,314 |

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

## 10. Tangible fixed assets

| | Short-term leasehold property £ | Plant and Machinery £ | Office equipment and fixtures £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2019 | 2,933,620 | 2,999,563 | 189,072 | 6,122,255 |
| Additions | 79,072 | 136,055 | - | 215,127 |
| At 31 December 2019 | 3,012,692 | 3,135,618 | 189,072 | 6,337,382 |
| **Accumulated depreciation** | | | | |
| At 1 January 2019 | 1,386,448 | 1,072,571 | 189,072 | 2,648,091 |
| Charge for the year | 254,749 | 289,050 | - | 543,799 |
| At 31 December 2019 | 1,641,197 | 1,361,621 | 189,072 | 3,191,890 |
| **Net book value** | | | | |
| At 31 December 2019 | 1,371,495 | 1,773,997 | - | 3,145,492 |
| At 31 December 2018 | 1,547,172 | 1,926,992 | - | 3,474,164 |

## 11. Investments

| Subsidiary undertakings | Country of incorporation or principal business address | Principal activity | Holding | % |
|---|---|---|---|---|
| Total Ship Services Limited | England and Wales | Ships agency services provider within Chatham Docks | Ordinary shares | 100 |

Total Ship Services Limited registered office:
Forest House, Northside Three, Chatham Docks, Chatham, Kent ME4 4SR.

In the year ended 31 December 2019, Total Ship Services Limited has a loss after-tax of £21,471 (2018 profit after tax - £507,137) and net assets of £284,237 (2018 net assets - £555,708).

**Subsidiary undertakings**

| | £ |
|---|---|
| **Cost** | |
| At 1 January 2019 and 31 December 2019 | 10,000 |

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

## 12. Stocks

| | 2019 £ | 2018 £ |
|---|---|---|
| Raw materials and consumables | 2,944,664 | 5,274,975 |
| Work-in-progress | 588,579 | 520,562 |
| Finished goods and goods for resale | 4,018,483 | 6,284,274 |
| | 7,551,726 | 12,079,811 |

## 13. Debtors

| | 2019 £ | 2018 £ |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade debtors | 9,771,257 | 8,079,027 |
| Amounts owed by subsidiary | 184,815 | 318,827 |
| Corporation tax | 123,646 | 17,327 |
| Prepayments and accrued income | 330,204 | 216,826 |
| | 10,409,922 | 8,632,007 |

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

## 14. Creditors: amounts falling due within one year

| | 2019 £ | 2018 £ |
|---|---|---|
| Other loans | 9,484,211 | 8,920,070 |
| Trade creditors | 2,176,000 | 1,008,917 |
| Amounts owed to immediate parent company | 2,643,778 | 8,140,170 |
| Amounts owed to other group undertakings | 3,318,905 | 2,528,314 |
| VAT | 914,697 | 1,121,686 |
| Other taxes and social security | 151,372 | 130,119 |
| Accruals and deferred income | 738,296 | 634,676 |
| | 19,427,259 | 22,483,952 |

Other loans represent the of sale receivables under a factoring arrangement. Only sales that are fully credit insured are able to be sold through this facility.

Amounts owed to group undertakings are unsecured, interest free and are payable on demand.

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

## 15. Provisions for liabilities

| | Deferred tax £ |
|---|---|
| Balance at 1 January 2019 | 90,535 |
| Debit for the year | (37,296) |
| Balance at 31 December 2019 | 53,239 |

| | 2019 £ | 2018 £ |
|---|---|---|
| **The amounts of deferred tax provided in the accounts are as follows:** | | |
| Accelerated capital allowances in advance of depreciation | (64,080) | 97,697 |
| Other timing differences | 117,319 | (7,162) |
| | 53,239 | 90,535 |

The Finance (No 2) Act 2016, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and was substantively enacted on 15 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

## 16. Called up share capital and reserves

| | 2019 £ | 2018 £ |
|---|---|---|
| **Authorised, called up, allotted and fully paid:** | | |
| 1,500,000 (2018 – 1,500,000) ordinary shares of £1 each | 1,500,000 | 1,500,000 |

The company has one class of ordinary shares which carry no rights to fixed income.

The revaluation reserve derived from the revaluation of plant and machinery assets on transition to FRS102 in 2015 is transferred to the profit and loss reserve, in equal instalments over the remainder of the site lease.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

## 17. Financial commitments

### Operating lease commitments

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Land and Buildings £ | Other £ | Land and Buildings £ | Other £ |
| **Leases expiring:** | | | | |
| Within one year | 1,775,371 | 273,952 | 1,808,175 | 335,782 |
| Between one and five years | 4,515,731 | 121,980 | 5,211,575 | 119,640 |
| After five years | 1,120,634 | 4,240 | 2,160,134 | 29,692 |
| | 7,411,736 | 400,172 | 9,179,884 | 485,114 |

# Notes to the financial statements (continued)
# For the year ended 31 December 2019

**18. Related party transactions**

The company has taken advantage of the exemption available under FRS 102 section 33 Related Party Disclosures not to disclose transactions with other members of the group, where the parties to the transaction are wholly owned members of the group extended to wholly owned subsidiary companies, where the consolidated financial statements are publicly available. Accordingly, no disclosure has been made of transactions with group companies.

**19. Ultimate parent company and controlling party**

The directors consider that the immediate parent company is ArcelorMittal Hamburg GmbH, Dradenaustrase 33, 21129 Hamburg, which is incorporated in Germany. The ultimate parent company and controlling party is ArcelorMittal SA, which is incorporated in Netherlands. Copies of the group accounts are available from ArcelorMittal SA the largest and smallest group preparing consolidated accounts, 19 Rue de Liberte, L – 2930, Luxembourg.

**20. Post balance sheet events**

The end of quarter one 2020 saw the arrival of the Covid-19 virus to the United Kingdom and through the following months the company undertook a significant change in its working practices, in order to safeguard the wellbeing of its employees as well as those of the wider community. During the pandemic the company was able to maintain a continuance of its operations though at a lower level than normal. By the end of the second quarter volumes had returned close to pre-pandemic levels. The financial impact of Covid-19 however cannot be estimated at this time.