

ArcelorMittal Kent Wire Limited

Annual Report and Financial Statements

for the year ended 31st December 2022

Registered number: 02153671

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ArcelorMittal Kent Wire Limited

Annual Report and financial statements for the year ended 31 December 2022

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ArcelorMittal Kent Wire Limited

Annual report and financial statements for the year ended 31 December 2022

Officers and professional advisers

Directors

U Braun
P Taylor
J Posekardt

Company Secretary

L Abbott

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

E&Y
Statutory auditor
1 More London Place
London s
SE1 2AF

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 generated a pre-tax profit of £12,883,137 (2021 – profit before tax of £16,128,197). The business maintained its core trading activities in the supply of steel reinforcement products to the UK construction industry during 2022. 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 11% year on year, despite the fall in sales volumes, as the increase in raw material prices was reflected in higher average selling prices across the whole of the business.

Going concern

Kent Wire Limited made an after-tax profit of £9,602,996 in the year and has net current assets of £18,162k at the balance sheet date. The company also 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. Included in the assessment is the cash held on deposit with a fellow subsidiary undertaking, ArcelorMittal Treasury Limited. ArcelorMittal Treasury Limited performs a group-wide treasury function. The Company has a sufficient right to access this cash held on deposit with Treasury. As at 31 December 2022, £0k of the Treasury facility was drawn down. 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.

Environmental matters

The company takes responsibility on environmental matters very seriously and continues to reduce its carbon footprint towards its ultimate objective of becoming net carbon zero. In order to achieve this objective, the company invests in latest innovations, responsible sourcing and better working practices. Achievements in 2022 include the use of over 98% recycled steel, the sourcing of 100% renewable energy and where possible using water as a means of shipment of its finished products. The company's fleet vehicles are all purely electric as well. Along with these achievements ArcelorMittal Kent Wire Limited parent company ArcelorMittal Hamburg GmbH continued its research and development program of hydrogen energy in the manufacture of its steel which once complete will further enhance the company's drive towards net zero in the years ahead. The company returned to purchasing raw material from its normal supply chain, which positively impacted its environmental intensity ratio measure when compared to that of the previous year as well as being more in line with levels seen in 2020. The vast majority of its raw material is still transported via the sea, which is one of the cleanest ways to ship large quantities over distance.

ArcelorMittal Kent Wire Limited

Strategic report (continued)

Key performance indicators

The key financial highlights are as follows:

		2022	2021	2020	2019
Turnover	(£'000)	80,090	72,173	35,496	44,465
Turnover growth	(%)	11	103	(20)	1
Turnover per FTE	(£'000)	715	744	399	483
Gross profit margin	(%)	27	33	14	10
Profit/(Loss) before tax	(£'000)	12,883	16,128	329	(673)

Turnover has increased by 11% to £80,090k (2021 - £72,173k).

Gross profit margin decreased to 27% (2021 – 33%) which flowed through to a profit before tax of £12,883,137 (2021 – profit before tax £16,128,197) as raw material prices caught up with the initial sales price increases seen in 2021.

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 mitigates these risks 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.

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.

ArcelorMittal Kent Wire Limited

Strategic report (continued)

Future developments and events after the balance sheet date

For 2023 and beyond the directors had anticipated a return to more normalised levels of production and demand, as the shortage of supply issues are resolved and the demand for contract work subsides. Subsequent global events however have impacted heavily on the company's operating costs as these have been driven by the rise in inflation and the cost-of-living crisis in general.

A subsequent provision of £690,273 for an ongoing tax investigation has been reflected in the financial statements.

Approved by the Board and signed on its behalf by:



L Abbott
Company secretary

13th Dec, 2023

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

ArcelorMittal Kent Wire Limited

Directors' report (continued)

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 2022.

Section 172 statement

The Board of Directors of ArcelorMittal Kent Wire Limited consider, both individually and together, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members and stakeholders as a whole and, in doing so have regard to;

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

Examples of these in 2022 include the, continued focus on Take Care training to further promote Health and Safety in operating practices, ongoing engagement with local resident groups, the sourcing of 100% renewable electrical energy and the ongoing Code of Business Conduct training for all employees.

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 4.

Energy and Emissions Reporting

Qualification and reporting methodology

We have gathered data in compliance with the requirements of UK CARES Sustainable Constructional Steel Scheme and BRE's BES 6001 to which the company holds accreditation. The methodology for data gathering is also carried out in accordance with ISO 14040:2006 and ISO 14044:2006.

Intensity measurement

The chosen intensity measurement ratio is the percentage of total gross emissions in metric tonnes CO₂e per production tonnes.

Comparable information

The intensity ratio decreased in 2022 to 1.23% (tCO₂e/t), (2021 3.83%). This was due to the resumption of purchasing raw material from its normal supply chain via vessels, which were unavailable for significant parts of 2021.

	2022	2021	2020
Total Energy Consumption – Used for Emissions Calculation (kWh)	4,201,735	3,835,325	2,707,722
Transportation of Raw Materials, Scope 1 (tCO ₂ e)	685	2,496	587
Internal Transportation, Scope 1	36	65	65
Business Travel, Scope 1	22	14	12
Total Gross Reported Emissions (tCO ₂ e)	743	2,575	664
Intensity ratio: Percentage of emissions per production tonne (tCO ₂ e / t)	1.23	3.83	1.35

Energy consumption is purchase from 100% renewables and therefore is excluded from the Intensity ratio calculation.

ArcelorMittal Kent Wire Limited

Directors' report (continued)

Dividends

The directors recommend the payment of a dividend to the parent company in 2022 of £5.25m representing £3.50 per share (2021 - £nil). There was a proposed final dividend payment in 2023 as well.

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

Ernst & Young LLP have expressed their willingness to continue in office as auditor of the company and accordingly, a resolution to reappoint Ernst & Young 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.

ArcelorMittal Kent Wire 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 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.

Approved by the Board and signed on its behalf by:



P Taylor
Director

13th Dec , 2023

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

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kent Wire Limited for the year ended 31 December 2022 which comprise of Profit and Loss Account, the Balance Sheet and Statement of changes in equity and the related notes 1 to 21, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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,

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

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 7, 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.

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

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
- FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Kent Wire 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.

DocuSigned by:
Ernst & Young LLP
3C2579850244A3...

Oxana Dorrington (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London, United Kingdom

Date: 13 December 2023

ArcelorMittal Kent Wire Limited

Statement of comprehensive income for the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	80,089,796	72,172,517
Cost of sales		(58,562,583)	(48,165,909)
Gross profit		21,527,213	24,006,608
Distribution costs		(2,825,087)	(2,315,806)
Administrative expenses		(6,063,220)	(5,872,066)
Other operating income		605,017	766,689
Other Income/(expense) – Government Job Retention Scheme		-	(141,732)
Operating profit		13,243,923	16,443,693
Interest receivable	9	113,722	14,885
Interest payable and similar charges	9	(474,507)	(330,381)
Profit before taxation	5	12,883,137	16,128,197
Tax on Profit	10	(3,280,141)	(3,045,139)
Profit for the financial year		9,602,996	13,083,058

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 14 – 23 form part of the financial statements.

ArcelorMittal Kent Wire Limited

Balance sheet as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	1,501,881	2,049,750
Investments	12	10,000	10,000
		<u>1,511,881</u>	<u>2,059,750</u>
Current assets			
Stocks	13	17,085,567	17,193,507
Debtors	14	25,689,572	31,172,071
Cash at bank and in hand		1,553,379	3,278,258
		<u>44,328,518</u>	<u>51,643,837</u>
Creditors: amounts falling due within one year	15	<u>(26,166,161)</u>	<u>(38,382,345)</u>
Net current assets/ (liabilities)		<u>18,162,357</u>	<u>13,261,492</u>
Total assets / (liabilities)		<u>19,674,237</u>	<u>15,321,242</u>
Capital and reserves			
Called up share capital	17	1,500,000	1,500,000
Revaluation reserve	17	247,634	330,179
Profit and loss account	17	17,926,604	13,491,063
Total shareholders' funds		<u>19,674,238</u>	<u>15,321,242</u>

The accompanying notes on pages 14 – 23 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 13th Dec, 2023.

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 2022

	Note	Called-up share capital £	Profit and loss account £	Revaluation reserve £	Total £
1 January 2021		<u>1,500,000</u>	<u>325,460</u>	<u>412,724</u>	<u>2,238,184</u>
Profit and total comprehensive income for the financial year			13,083,058		13,083,058
Reserves transfer			82,545	(82,545)	
31 December 2021		<u>1,500,000</u>	<u>13,491,063</u>	<u>330,179</u>	<u>15,321,242</u>
Profit and total comprehensive income for the financial year			9,602,996		9,602,996
Reserves transfer			82,545	(82,545)	-
Dividends paid on equity shares			(5,250,000)		(5,250,000)
31 December 2022		<u>1,500,000</u>	<u>17,926,604</u>	<u>247,634</u>	<u>19,674,238</u>

Reserve transfers to the Profit and Loss account derive from the one-off revaluation of fixed assets following the introduction of FRS 102 reporting standards in 2015.

ArcelorMittal Kent Wire Limited

Notes to the financial statements for the year ended 31 December 2022

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 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 made an after-tax profit of £9,602,996 in the year and has net current assets of £18,162k 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. Included in the assessment is the cash held on deposit with a fellow subsidiary undertaking, ArcelorMittal Treasury Limited. ArcelorMittal Treasury Limited performs a group-wide treasury function. The Company has a sufficient right to access this cash held on deposit with Treasury. 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 will continue to be available for a period of not less than 12 months from signing these financial statements. As at 31 December 2022, £nil of the Treasury facility was drawn down. At the point of signing of the financial statements, the entity has a sufficient cash balance and has £nil drawn down from the Treasury facility. The Directors of the company have prepared forecasts to December 2023 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.

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
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 FRS 102 reporting standards. The resulting revaluation reserve is transferred to the profit and loss reserve, in equal instalments over the remainder of the lease.

ArcelorMittal Kent Wire Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

1. Accounting policies (continued)

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.

ArcelorMittal Kent Wire Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

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. 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 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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Notes to the financial statements (continued) for the year ended 31 December 2022

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.

3. 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 as at 31 December 2022 and while, as described above, there are numerous estimates made by the directors, none are considered sufficiently material to require separate disclosure.

ArcelorMittal Kent Wire Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

4. Turnover

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

	2022 £	2021 £
Turnover:		
Sale of goods:		
United Kingdom	80,089,796	72,172,517
Overseas	-	-
	<u>80,089,796</u>	<u>72,172,517</u>

The directors consider that the company only has one class of business, being the sale of goods of £80,089,796 (2021 - £72,172,517).

5. Profit/(loss) before taxation

	2022 £	2021 £
Profit/(loss) before taxation is stated after charging:		
Depreciation of tangible fixed assets:		
Owned assets (note 10) - depreciation charge for the year	547,870	547,871
Rentals under operating leases	1,752,950	2,070,459
(Gain)/Loss on foreign exchange	1,779	(6,956)
	<u>2,302,599</u>	<u>2,611,374</u>

Rentals under operating leases charges of £480,664 incurred during the year (2021 - £693,253), were recharged directly to the company's subsidiary Total Ship Services Limited.

6. Auditor's remuneration

Fees payable to Ernst & Young LLP and their associates for the audit of the company's annual financial statements were £15,220 (2021 - £14,342). There were no non-audit services.

ArcelorMittal Kent Wire Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

7. Staff numbers and costs

	2022 No.	2021 No.
Average monthly number of persons employed (including directors):		
Directors	3	3
Administration	21	23
Sales	3	3
Production	85	68
	<u>112</u>	<u>97</u>
	£	£
Their aggregate remuneration comprised (including directors):		
Wages and salaries	5,049,294	3,960,958
Social security costs	566,141	416,747
Pension costs	190,951	88,931
	<u>5,806,386</u>	<u>4,466,636</u>

The Company operates a defined contribution pension scheme. The total cost charged to the profit and loss for the year was £190,951 (2021 - £88,931). At the year end, there was an accrued amount outstanding of £25,835 (2021 - £14,246).

8. Directors' remuneration and transactions

During the year, one director (2021 - one) received remuneration for his services to the company. He received emoluments of £158,028 (2021 - £131,463). 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 £9,960. Contributions made on behalf of the director in the year were £9,960 (2021 - £9,764). 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.

9. Finance costs (net)

Interest receivable and similar charges

	2022 £	2021 £
Intercompany	(113,722)	(14,885)

Interest payable and similar charges

	2022 £	2021 £
Bank charges	474,507	330,381
Late Filing Penalties	-	-
	<u>474,507</u>	<u>330,381</u>
Finance costs (net)	<u>360,786</u>	<u>315,496</u>

ArcelorMittal Kent Wire Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

10. Tax on profit

The tax charge comprises:

	2022 £	2021 £
Current tax on profit		
United Kingdom corporation tax charge	2,533,595	3,149,986
Prior year adjustment	-	-
Tax provision	690,273	-
Total current tax	3,223,868	3,149,986
Deferred tax		
Deferred taxation (note 15) – origination and reversal of timing differences	56,273	(104,847)
Total tax charge	3,280,141	3,045,139

As at the year end date, the main rate of corporation tax was 19%. The Finance Act 2021, which received Royal Assent in June 2021 announced the main rate of Corporation Tax would increase to 25% from April 2023. As the change was substantially enacted prior to 31 December 2022, they have been reflected in these financial statements.

The tax assessed for the year is higher than (2021: lower than) that resulting from applying the standard rate of corporation tax in the UK 19% (2021 – 19%). The differences are explained below:

	2022 £	2021 £
Profit before tax	12,883,137	16,128,196
Tax on profit at standard UK corporation tax rate of 19% (2021 – 19%)	2,447,796	3,064,357
Effects of:		
Expenses not deductible for tax purposes	5,116	10,038
Effect of capital allowance in excess of depreciation	80,683	75,591
Origination of temporary deferred tax differences	(51,330)	(107,603)
Reversal of temporary deferred tax differences	107,603	2,756
Adjustments to tax charge in respect of previous years	690,273	-
Group relief	(70,841)	-
Group relief payment / (receipt)	70,841	-
Total tax charge for year	3,280,141	3,045,139

ArcelorMittal Kent Wire Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

11. Tangible fixed assets

	Short-term leasehold property £	Plant and Machinery £	Office equipment and fixtures £	Total £
Cost				
At 1 January 2022	3,012,692	3,135,618	189,072	6,337,382
Disposals			(144,494)	(144,494)
At 31 December 2022	3,012,692	3,135,618	44,578	6,192,888
Accumulated depreciation				
At 1 January 2022	2,150,695	1,947,865	189,072	4,287,632
Charge for the year	254,749	293,122	-	547,870
Disposals			(144,494)	(144,494)
At 31 December 2022	2,405,444	2,240,986	44,578	4,691,007
Net book value				
At 31 December 2022	607,248	894,632	-	1,501,881
At 31 December 2021	861,997	1,187,753	-	2,049,750

12. 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 2022, Total Ship Services Limited has a loss after-tax of £346,476 (2021 profit after tax - £24,741) and net assets of £83,712 (2021 net assets - £430,187).

Subsidiary undertakings

	£
Cost	
At 1 January 2022 and 31 December 2022	10,000

ArcelorMittal Kent Wire Limited

Notes to the financial statements (continued) for the year ended 31 December 2022

13. Stocks

	2022 £	2021 £
Raw materials and consumables	7,195,213	11,561,612
Work-in-progress	1,386,818	684,153
Finished goods and goods for resale	8,503,535	4,947,742
	<u>17,085,567</u>	<u>17,193,507</u>

14. Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Amounts owed by other group undertakings	11,910,252	12,849,910
Trade debtors	12,768,174	17,637,743
Amounts owed by subsidiary	190,369	191,801
Prepayments and accrued income	364,650	385,014
Corporation Tax	404,797	-
Deferred tax (note 16)	51,330	107,603
	<u>25,689,572</u>	<u>31,172,071</u>

The amounts owed by other group undertakings represents an intergroup loan facility. All amounts are unsecured, interest free and repayable on demand.

15. Creditors: amounts falling due within one year

	2022 £	2021 £
Other loans	15,812,763	17,421,438
Group loan	-	-
Trade creditors	1,388,991	2,596,240
Trade amounts owed to immediate parent company	-	5,154,696
Amounts owed to subsidiary company	264,803	-
Other amounts owed to other group undertakings	6,299,365	7,138,482
Corporation tax	-	1,832,659
VAT	378,889	3,303,588
Other taxes and social security	227,382	251,590
Accruals and deferred income	1,103,696	683,652
Tax provision	690,273	-
	<u>26,166,162</u>	<u>38,382,345</u>

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.

The amounts owed to group undertakings include an intergroup loan facility, trade balances from the immediate parent company and the provision of services from the other group undertakings. All amounts outstanding are unsecured and payable on demand.

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Notes to the financial statements (continued) for the year ended 31 December 2022

16. Deferred tax

	£
Balance as at 1 January 2022	107,603
Reversal of timing differences for the year	(56,273)
Balance as at 31 December 2022	<u>51,330</u>

	2022 £	2021 £
The amounts of deferred tax provided in the accounts are as follows:		
Accelerated capital allowances in advance of depreciation	144,830	175,379
Other timing differences	(93,500)	(67,776)
	<u>51,330</u>	<u>107,603</u>

As at the year-end date, the main rate of corporation tax was 19%. The Finance Act 2021, which received Royal Assent in June 2021 announced the main rate of Corporation Tax would increase to 25% from April 2023. As the change was substantially enacted prior to 31 December 2022, they have been reflected in these financial statements.

17. Called up share capital and reserves

	2022 £	2021 £
Authorised, called up, allotted and fully paid:		
1,500,000 (2021 – 1,500,000) ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>

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 FRS 102 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.

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Notes to the financial statements (continued) for the year ended 31 December 2022

18. Financial commitments

Operating lease commitments

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

	2022		2021	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Leases expiring:				
Within one year	2,120,560	496,876	1,913,309	435,400
Between one and five years	4,241,120	395,318	5,659,445	563,387
After five years	-	-	-	-
	<u>6,361,680</u>	<u>892,194</u>	<u>7,572,754</u>	<u>998,787</u>

19. 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.

20. Ultimate parent company and controlling party

The directors consider that the immediate parent company is ArcelorMittal Hamburg GmbH, Dradenastrasse 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.

21. Post balance sheet events

A provision of £690,273 has been recognised for an ongoing tax investigation which has subsequently given rise to a present obligation from a past event. Since the reporting date multiple proposals have been received from HMRC, meaning a provision can now be reliably estimated. The provision stated is based on the latest and final proposal received. The investigation is approaching its final stages, as the company look to settle on this matter.