

Company Registration No. 03331364

ArcelorMittal Tailored Blanks Birmingham Limited

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



ArcelorMittal Tailored Blanks Birmingham Limited

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ArcelorMittal Tailored Blanks Birmingham Limited

Officers and professional advisers

Directors

M Bertrand Jacquier
K Nikolaas Van Der Borgh (Resigned 01.10.2020)
M Olivier Milon (Appointed 01.10.2020)

Company Secretary

Emma Swann

Registered Office

ArcelorMittal Tailored Blanks Birmingham Ltd.
Cakemore Road
Rowley Regis
West Midlands
B65 0QL
United Kingdom

Bankers

Barclays Bank Plc
Snow Hill One
Birmingham
B46GN

Auditor

Deloitte LLP
Statutory Auditor
Four Brindleyplace
Birmingham
B1 2HZ
United Kingdom

ArcelorMittal Tailored Blanks Birmingham Limited

Strategic report

The Directors present their strategic report and the audited financial statements for the year ended 31 December 2019 as required by section 414C of the Companies Act 2006.

Principal activity

The Company is part of the specialised business unit for tailored blanks business in the ArcelorMittal group of companies. ArcelorMittal Tailored Blanks Birmingham Limited ('AMTB Birmingham') is the UK entity of the Belgium based parent company ArcelorMittal Tailored Blanks NV.

AMTB Birmingham produces products that improves the performance of car parts in vehicles. These products are flat steel sheets of different thickness, grades and coatings, some of these blanks, so called laser-welded blanks, are made by welding together flat steel sheets of different thicknesses, grades and coatings. These products offer an optimal combination of strength and ductility, as well as reducing vehicle costs. They also reduce the weight of vehicles and improve safety by enhancing crash performance. AMTB Birmingham is a leading producer of tailored blanks and laser-welded blanks.

The company is committed to adopting the philosophy of the group, namely sustainability, quality and leadership. These aims describe how the company aims to 'transform tomorrow'. They are simple and taken one by one, not unique in themselves. It is the combination, and the way they are applied that makes AMTB Birmingham's brand values unique.

Sustainability

The Company are guiding the evolution of steel to secure the best future for the industry for generations to come. The Company's commitment to the world around us extends beyond the bottom line, to include the people in whom the Company invest and the communities it supports. This long-term approach is central to the Company's business philosophy.

Quality

The Company look beyond today to envision the steel of tomorrow. Quality outcomes depend on quality people. The Company seek to attract and nurture the best people to deliver superior solutions to all its customers.

Leadership

The Company promotes bold thinkers with a clear vision for the future of steel: the fabric of life. The Company is proud of its achievements and its entrepreneurial spirit, which is responsible for elevating AMTB Birmingham to the forefront of the industry.

Business review

The business continues to be committed to providing excellent customer service and quality. Turnover has reduced in 2019 mainly due to a reduction in UK car manufacturing. Despite the reduction in sales, capital investments of £317,794 were made in 2019 which will contribute to the sustainability of the site and the ability to retain our position in the UK market. The Company had net assets of £12,856,816 as at 31 December 2019 (31 December 2018 £11,905,398).



ArcelorMittal Tailored Blanks Birmingham Limited

Strategic report (continued)

The company's Key Financial Performance indicators during the year were as follows:

	2019	2018	% Variance 2019/18
Turnover	34,876,627	47,144,693	(26)%
Profit before Tax	1,196,580	1,284,357	(7)%
Operating profit	1,263,758	1,359,701	(7)%
Shareholder Funds	12,856,815	11,905,398	8%
Tonnes Sold	34.0k	50.0k	(32)%
Welded Parts (Quantity)	1.7m	2.0m	(18)%
Number of Employees	96	105	(9)%

The above indicators are the main KPIs chosen by the directors to drive the company. The decrease in turnover of 26% is due to a slowdown of activity of the UK automotive industry. This decrease has also impacted directly our tonnes sold (32%), parts welded (18%), and our number of employees (9%).

The Company operates under a transfer pricing agreement with its parent company ArcelorMittal Tailored Blanks NV. The agreement entitles the Company to sell all of its stock to its parent company at an agreed transfer price.

Transfer pricing is based on the Company's cost plus a 2-4% mark up, this will provide guaranteed profits for the company in the future.

Health and safety

Our journey to zero accidents

The Directors of the Company are committed to providing a safe and healthy working environment. Therefore, it follows that the Directors are striving to provide a workplace free of injuries and fatalities. The Company uses lost time injury frequency rate (LTIFR) as a key results metric. Unfortunately, in 2019 one employee suffered a lost time injury, this followed a period of 6 years with no lost time injuries.

The Company implemented fatality prevention standards in 2013. An H&S program, 'Take Care' launched in 2017 in ArcelorMittal and AMTB Birmingham, has continued in 2019 and has increased employees H&S awareness.

The company provides occupational health programmes to all its employees, including eye and hearing checks. Each year the Company runs health week and safety day to train and promote the safety and well-being of its entire staff.

The Company is operating and is certified to the standard - OHSAS 18001.

Environment

As part of ArcelorMittal group, the company is part of the Climate Action report, in which ArcelorMittal group announces its ambition to significantly reduce CO2 emissions globally and be carbon neutral in Europe by 2050.

The Company remains committed to reducing its impact on the environment.

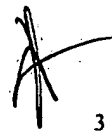
Vision: we continuously reduce and prevent nuisance and harm from our operations and throughout the lifecycle of our products and services. We totally control our emissions and by-products. The communities in which we operate consider AM plants as demonstrating continuously responsible citizenship.

Objectives: ensure full compliance with the ArcelorMittal environmental policy and local standards and minimise our consumptions in terms of energy and waste.

Targets:

- Zero environmental incidents
- Zero neighbourhood complaints
- Zero deviations from local regulations
- CSR: develop annual activities involving our society / neighbourhood

The Company is operating and is certified to the standard - ISO 14001:2015



ArcelorMittal Tailored Blanks Birmingham Limited

Strategic report (continued)

Operational review

The Directors are committed to providing operational excellence in the Company and ensuring the plant performs to the high standards required for customer satisfaction. The Company continues to focus on scrap and cost reduction, delivering excellent product quality and service.

Employee diversity and inclusion

The directors aim to be fair, reasonable and professional in all dealings with employees at all times. The company promotes a thriving workforce where everybody is treated equally and respected for the contribution that they make.

Employee relations and engagement

The company places considerable value on employees. Communication is a key part of the company's employee engagement strategy and we consult with all our employees to inform them about issues that may affect them, e.g. safety, company performance through various forums including an established Works Council.

Arrangements are in place for employee training and development, involvement in health and safety and continuous improvement.

The table below shows the current performance on absenteeism:

	2019	2018	Target
Absenteeism rate	2.50%	2.13%	1.20%

Absenteeism has increased however the absenteeism rate is in line with the industry average.

Principal risks and uncertainties

Cash flow risk

This is reduced due to the transfer price policy agreement in place (the risk has been passed on to the parent company ArcelorMittal Tailored Blanks Limited NV). The company has an exchange rate risk; however, this is managed through the group's treasury service.

Credit risk

The Company's credit risk is migrated as the debt is from the parent company.

Liquidity risk

The Company has access to internal funding via the group treasury department and submits appropriate cash requirements when necessary. If further funding is required, this is then approved by a planning requirement that will determine the cash flow status where additional capital / loan will be needed.

Operational Risk

The significant-consequence risk is major equipment breakdown. This risk is mitigated through a programme of preventative maintenance and business continuity plans (contingency plans) including subcontract manufacturing and/or production at other ArcelorMittal Tailored Blanks facilities.

Market risk

The company is regularly assessing the eventual impacts of Brexit and, the company has built action plans to mitigate the various risks that could occur, especially in the supply chain. Safety stocks has been increased to protect customers and avoid disruption in the supply chain.

COVID-19

Due to the shutdown of the UK automotive industry during quarter 2, sales volume during 2020 has been significantly impacted. The transfer pricing policy in place will ensure there will be minimal impact on the profit margin in the financial years ending 31 December 2020 and 2021.

The Company availed the furlough scheme as provided by the government, however this assistance was subsequently repaid in February 2021.

ArcelorMittal Tailored Blanks Birmingham Limited

Strategic report (continued)

COVID-19 (continued)

The Company has implemented many safeguards: the site is 'COVID-19 secure' in accordance with Government guidelines, homeworking has been adopted where possible and the risk has been mitigated to tolerable level.

The uncertainty surrounding COVID consequences with respect to public health measures and global economic forecasts continues into 2021. The business and the parent company have set a prudent sales plan, budget and maintain a continuous review of the situation.

Future developments

The aim for 2021 will be to maintain a stable supply chain to customers and continue to invest in strategic product introduction. In 2020 the business implemented a headcount reduction to secure significant cost saving initiatives to further improve the competitiveness of the UK business.

The business has a solid foundation and track record in its field of supplying the UK automotive market with competitive advanced steel solutions. With its advantages of integration, collaboration and support of the parent company, the Company will continue to provide quality products for its customers.

Approved by the board and signed on its behalf by



M Bertrand Jacquier
Director

19 May 2021

ArcelorMittal Tailored Blanks Birmingham 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 activity of the company is the manufacture of tailored welded blanks and metal products for a range of industrial applications as detailed on page 2.

Going Concern

The company's forecast for the 12-month period following the report date shows monthly positive operating profit considering the transfer pricing agreement (cost plus 3% markup) until end of 2021 and the best estimate of future results based on past experience in the first six months of 2022. The company holds a cash pooling account with ArcelorMittal Treasury SNC. As at the year-end 31 December 2019 the balance with ArcelorMittal Treasury SNC was £3.4m. This has moved to £3.9m as at end April 2021. The Company has adequate financial resources and is expected to continue to generate positive cash flows on its own account for the foreseeable future based on the cost-plus transfer pricing policy as described in the Business review section of the Strategic report on page 2. The transfer pricing policy also mitigated the COVID-19 financial consequences, due to a minimal impact on the profit margin. The directors believe that the Company is well placed to manage its business and liquidity risks successfully.

Therefore, the Directors believe that there are sufficient resources available to support normal operations during the going concern period. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis of accounting.

However, as of the report date, the company's only customer is ArcelorMittal Tailored Blanks NV (a fellow group company of wider ArcelorMittal group) with whom the company has a transfer pricing agreement (cost plus 3% markup) for the sale of goods. This agreement can be modified or withdrawn without any notice. As such, there is a material uncertainty which may cast significant doubt as to the company's ability to continue as a going concern and therefore, that it may be able to realise its assets and discharge its liabilities in the normal course of business.

The impact of COVID-19 in 2020 and 2021 has been detailed on page 4 of the Strategic Report.

Results and Dividend

The company made a profit after taxation for the year ended 31 December 2019 of £951,417 (2018 £1,021,222). No dividends will be distributed for the year ended 31 December 2019 (2018 £nil) and no dividends have been proposed after the year end.

Directors

The Directors who served throughout the year and subsequently, were as follows:

M Bertrand Jacquier

K Nikolaas Van Der Borcht (Resigned 01.10.2020)

M Olivier Milon (Appointed 01.10.2020)

Supplier's Payment Policy

The company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors at 31 December 2019 were equivalent to 43 (2018 33) days purchases, based on the average daily amount invoiced by suppliers during the year.



ArcelorMittal Tailored Blanks Birmingham Limited

Directors' report (continued)

Auditor

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

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

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

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Financial risk management objectives and policies

Cash flow risk

This is reduced due to the transfer price policy agreement in place (the risk has been passed on to the parent company ArcelorMittal Tailored Blanks Limited NV). The company has an exchange rate risk, however this can be managed through the group's treasury service.

Credit risk

The Company's credit risk is migrated as the majority of the debt is from the parent company.

Liquidity risk

The Company has access to internal funding via the group treasury department and submits appropriate cash requirements when necessary. If further funding is required, this is then approved by a planning requirement that will determine the cash flow status where additional loan will be needed.

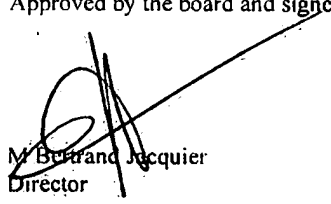
Future developments

As stated on page 5 in the Strategic Report.

Events after the balance sheet date

With exception of COVID-19, repayment of furlough and restructuring resulting in redundancies of £422,000 which had been detailed on page 4 of the Strategic Report, there have been no significant post balance sheet events.

Approved by the board and signed on its behalf by:


M. Bertrand Jacquier
Director

19 May 2021

ArcelorMittal Tailored Blanks Birmingham 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.

Independent auditor's report to the members of ArcelorMittal Tailored Blanks Birmingham Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ArcelorMittal Tailored Blanks Birmingham 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 profit 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 profit and loss account;
- the balance sheet
- the statement of changes in equity and
- 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 Financial Reporting Council's (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.

Material uncertainty related to going concern

We draw attention to Note 1b of the financial statements which refers to the transfer pricing agreement (cost plus 3% markup) the company has with its only customer is ArcelorMittal Tailored Blanks NV for the sale of goods. The agreement however can be modified or withdrawn without any notice. As stated in note 1b, these events or conditions, along with the other matters as set forth in note 1b to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

ArcelorMittal Tailored Blanks Birmingham Limited

Independent auditor's report to the members of ArcelorMittal Tailored Blanks Birmingham Limited (continued)

Other information (continued)

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.

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 FRC'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.

ArcelorMittal Tailored Blanks Birmingham Limited

Independent auditor's report to the members of ArcelorMittal Tailored Blanks Birmingham Limited (continued)

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.

DocuSigned by:

Emre Saka

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Emre Saka (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
20 May 2021

ArcelorMittal Tailored Blanks Birmingham Limited

Profit and loss account

For the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	34,876,627	47,144,693
Cost of sales		(29,371,332)	(41,325,485)
Gross profit		5,505,295	5,819,208
Administrative expenses		(4,241,537)	(4,459,507)
Operating profit		1,263,758	1,359,701
Interest payable and similar expenses	4	(67,178)	(75,344)
Profit before taxation	5	1,196,580	1,284,357
Tax on profit	8	(245,163)	(263,135)
Profit for the financial year		951,417	1,021,222

All results are derived from continuing operations.

There are no other items of comprehensive income or loss in the current or prior years other than those included in the profit and loss account.

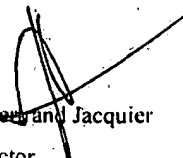
ArcelorMittal Tailored Blanks Birmingham Limited

Balance sheet

As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	9	-	68,059
Tangible assets	10	7,288,438	7,679,514
		<u>7,288,438</u>	<u>7,747,573</u>
Current assets			
Stocks	11	3,362,238	4,194,154
Debtors	12	2,197,429	3,458,204
Cash at bank and in hand		3,539,007	771,530
		<u>9,098,674</u>	<u>8,423,888</u>
Creditors: amounts falling due within one year	13	<u>(3,414,393)</u>	<u>(4,167,617)</u>
Net current assets		<u>5,684,281</u>	<u>4,256,271</u>
Total assets less current liabilities		<u>12,972,719</u>	<u>12,003,844</u>
Creditors: amounts falling due after more than one year			
Provisions for liabilities	14	<u>(115,903)</u>	<u>(98,446)</u>
Net assets		<u>12,856,816</u>	<u>11,905,398</u>
Capital and reserves			
Called-up share capital	15	10,000,000	10,000,000
Profit and loss account		<u>2,856,816</u>	<u>1,905,398</u>
Shareholders' funds		<u>12,856,816</u>	<u>11,905,398</u>

The financial statements of ArcelorMittal Tailored Blanks Birmingham Limited (registered number 03331364) were approved by the board of directors and authorised for issue on 19 May 2021. They were signed on its behalf by:


M Bertrand Jacquier
Director

ArcelorMittal Tailored Blanks Birmingham Limited

Statement of changes in equity

For the year ended 31 December 2019

	Called-up share Capital	Profit and loss account	Total
	£	£	£
At 1 January 2018	10,000,000	884,176	10,884,176
Profit and total comprehensive income for the financial year	-	1,021,222	1,021,222
At 31 December 2018	<u>10,000,000</u>	<u>1,905,398</u>	<u>11,905,398</u>
Profit and total comprehensive income for the financial year	-	951,417	951,417
At 31 December 2019	<u>10,000,000</u>	<u>2,856,815</u>	<u>12,856,815</u>

ArcelorMittal Tailored Blanks Birmingham Limited

Notes to the financial statements

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.

a) General information and basis of accounting

ArcelorMittal Tailored Blanks Birmingham Limited ('the Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the 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 5.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pound sterling because that is the currency of the primary economic environment in which the Company operates. Numbers have been rounded to the nearest pound.

The Company 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. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, and in presentation of a cash flow statement, remuneration of key management personnel and related party transactions.

The financial statements of the company are consolidated into the group financial statements of ArcelorMittal Tailored Blanks NV, a company registered in Sluispark Offices, Verlorenbroodstraat 122 b4, 9820 Merelbeke, Belgium. ArcelorMittal Tailored Blanks NV is the smallest group preparing consolidated financial statements including this entity for the year ended 31 December 2019.

ArcelorMittal S.A. is the ultimate controlling party of the company and is the largest group preparing consolidated financial statements including this entity for the year ended 31 December 2019.

Copies of the ArcelorMittal S.A consolidated financial statements may be obtained from the Company Secretary, ArcelorMittal S.A, Boulevard d'Avranches 24-26, LU-1160 Luxembourg (G.D.).

b) Going concern

The company's forecast for the 12-month period following the report date shows monthly positive operating profit considering the transfer pricing agreement (cost plus 3% markup) until end of 2021 and the best estimate of future results based on past experience in the first six months of 2022. The company holds a cash pooling account with ArcelorMittal Treasury SNC. As at the year-end 31 December 2019 the balance with ArcelorMittal Treasury SNC was £3.4m. This has moved to £3.9m as at end April 2021. The Company has adequate financial resources and is expected to continue to generate positive cash flows on its own account for the foreseeable future based on the cost-plus transfer pricing policy as described in the Business review section of the Strategic report on page 2. The transfer pricing policy also mitigated the COVID-19 financial consequences, due to a minimal impact on the profit margin. The directors believe that the Company is well placed to manage its business and liquidity risks successfully.

Therefore, the Directors believe that there are sufficient resources available to support normal operations during the going concern period. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis of accounting.

However, as of the report date, the company's only customer is ArcelorMittal Tailored Blanks NV (a fellow group company of wider ArcelorMittal group) with whom the company has a transfer pricing agreement (cost plus 3% markup) for the sale of goods. This agreement can be modified or withdrawn without any notice. As such, there is a material uncertainty which may cast significant doubt as to the company's ability to continue as a going concern and therefore, that it may be able to realise its assets and discharge its liabilities in the normal course of business.

The impact of COVID-19 in 2020 and 2021 has been detailed on page 4 of the Strategic Report.

ArcelorMittal Tailored Blanks Birmingham Limited

1. Accounting policies (continued)

c) Intangible assets

Intangible fixed assets are measured at cost less accumulative amortisation and any accumulative impairment losses. Intangible assets are amortised in equal annual instalments over the period during which the Company is expected to benefit. This period is three years. Provision is made for any impairment.

The rates of amortisation are as follows:

Computer software 33% per annum.

Amortisation is expensed to administration expenses in the profit and loss account.

d) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings 50 years

Plant and machinery 5-25 years

Fixtures and fittings 5 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Land is not depreciated and assets under construction are not depreciated until they are brought into use.

e) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

f) 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 statement of financial position 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. Debt instruments are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

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, 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.

Interest income from financial instruments is recognised using the effective interest method. Finance cost on borrowings is treated as an expense in the profit and loss account.

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1. Accounting policies (continued)

g) Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out). Provision is made for obsolete, slow-moving or defective items where appropriate.

h) 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 profit or 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.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

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.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

i) Taxation

Current tax, including UK corporation tax and foreign 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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

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1. Accounting policies (continued)

i) Taxation (continued)

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

j) Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

k) Employee benefits

The Company recognises a cost equal to their contribution payable for the period in their profit or loss account. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

l) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see above); and
- exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

m) Leases

The Company as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

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

There are no critical accounting judgements that may have a significant risk of causing a material adjustment to the amounts recognised.

Key source of estimation uncertainty - impairment of property, plant and equipment

Determining whether the Company's investments in property, plant and equipment have been impaired requires estimations of the property, plant and equipment's values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the property, plant and equipment and suitable discount rates in order to calculate present values. The carrying amount of property, plant and equipment at the balance sheet date was £7,288,438 with no impairment loss recognised in 2019 or 2018.

Key source of estimation uncertainty - impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate present value. The carrying amount of intangible assets at the balance sheet date was £Nil with no impairment loss recognised in 2019 or 2018.

3. Turnover

The Company operates in one business segment only. Turnover relates wholly to the sale of goods.

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

	2019 £	2018 £
Turnover from the sales of good:		
United Kingdom	34,876,627	47,144,693
	<u>34,876,627</u>	<u>47,144,693</u>

4. Interest payable and similar expenses

	2019 £	2018 £
Interest payable to group companies	(67,178)	(75,344)
	<u>(67,178)</u>	<u>(75,344)</u>

In 2019, interest payable to group companies relates to interest payable to group companies for overdraft in cash pooling. In 2018, interest payable to group companies for overdraft in cash pooling.

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5. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2019 £	2018 £
Depreciation of tangible fixed assets (note 10)	708,870	706,565
Operating lease rentals	99,827	138,089
Foreign exchange loss/(gain)	32,920	(442,821)
Amortisation of intangible assets (note 9)	68,059	77,078
Cost of stock recognised as expense	26,761,865	37,937,884
Stock provision	296,074	219,800

6. Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual financial statements were £7,328 (2018: £7,328) there were no non-audit services provided.

7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2019 Number	2018 Number
Production	73	78
Quality	5	7
Administration	18	20
	<u>96</u>	<u>105</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	3,423,898	3,886,786
Social security costs	309,499	318,436
Other pension costs	155,892	136,684
	<u>3,889,289</u>	<u>4,341,906</u>

Directors' emoluments are paid by the parent company, ArcelorMittal Tailored Blanks NV.

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8. Tax on profit

The tax charge comprises:

	2019 £	2018 £
Current tax on profit/loss		
UK corporation tax	(227,706)	(240,823)
Adjustments in respect of prior years		
UK corporation tax	-	(2,633)
Total current tax	(227,706)	(243,456)
Deferred tax		
Origination and reversal of timing differences	(17,457)	(22,331)
Adjustments in respect of prior periods	-	2,652
Effect of tax rate change on opening balance	-	-
Total deferred tax	(17,457)	(19,679)
Total tax on profit	(245,163)	(263,135)

The standard rate of tax applied to reported profit is 19.00% (2018 19.00%). The UK corporation tax rate was 20% to 31 March 2017 and then 19% thereafter

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2019 £	2018 £
Profit before tax	1,196,580	1,284,357
Tax on profit at standard UK corporation tax rate of 19.00% (2018 19.00%)	(227,350)	(244,028)
Effects of:		
- Fixed asset differences	(18,963)	(18,963)
- Expenses not deductible for tax purposes	(904)	(2,790)
- Losses carried back	-	-
- Timing differences	13,636	11,582
- Change in unrecognised deferred tax assets	-	-
- Adjustments to tax expense in respect of previous periods	(11,582)	(8,936)
Total tax charge for period	(245,163)	(263,135)

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9. Intangible fixed assets

	Computer Software £
At 1 January 2019	673,470
Additions	-
At 31 December 2019	673,470
Amortisation	
At 1 January 2019	605,411
Charge for the year	68,059
At 31 December 2019	673,470
Net book value	
At 31 December 2019	-
At 31 December 2018	68,059

10. Tangible fixed assets

	Freehold Land and buildings £	Plant and machinery £	Fixtures and fittings £	Assets under construction £	Total £
Cost or valuation					
At 1 January 2019	3,582,363	11,047,048	244,820	1,010,667	15,884,898
Additions	-	-	-	317,794	317,794
Transfers	12,362	195,573	-	(207,935)	-
At 31 December 2019	3,594,725	11,242,621	244,820	1,120,526	16,202,692
Depreciation					
At 1 January 2019	390,853	7,638,112	176,419	-	8,205,384
Charge for the year	91,649	582,365	34,856	-	708,870
At 31 December 2019	482,502	8,220,477	211,275	-	8,914,254
Net book value					
At 31 December 2019	3,112,223	3,022,144	33,545	1,120,526	7,288,438
At 31 December 2018	3,191,510	3,408,936	68,401	1,010,667	7,679,514

At 31 December 2019 the net book value of freehold land and buildings includes land of £740,567 (2018 £740,567). Freehold and leasehold land and buildings were not valued to fair value at 31 December 2019 and are held at cost.

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11. Stocks

	2019 £	2018 £
Raw materials and consumables	2,874,158	3,537,790
Work in progress	488,080	656,364
	<u>3,362,238</u>	<u>4,194,154</u>

Stocks relate to steel coil and steel blanks. There are no finished goods, once a stock item is classified as finished it is immediately sold to the parent company. There is no material difference between the value of stocks at the balance sheet date and their replacement costs.

12. Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Amounts owed by group undertakings	1,896,214	3,302,371
Trade debtors	218,234	103,264
Prepayments	65,242	52,569
Accrued income	17,739	-
	<u>2,197,429</u>	<u>3,458,204</u>

Amounts due from parent undertakings are unsecured, do not carry any interest and repayable on demand.

13. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	181,243	823,044
Amounts owed to fellow group undertakings	2,152,016	2,400,633
Corporation tax	76,323	16,549
Other taxation and social security	19,737	40,127
VAT payable	614,486	482,384
Accruals	370,588	404,880
	<u>3,414,393</u>	<u>4,167,617</u>

Amounts due to fellow group undertakings are unsecured, do not carry any interest and repayable on demand.

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14. Provisions for liabilities

	Deferred taxation £
At 1 January 2019	98,446
Expensed to profit and loss account	17,457
	<u>115,903</u>
At 31 December 2019	<u>115,903</u>

Deferred tax

Deferred tax is provided as follows:

	2019 £	2018 £
Accelerated capital allowances	115,903	98,446
Provision for deferred tax	<u>115,903</u>	<u>98,446</u>

On 3 March 2021 the UK government announced an intention to increase the UK corporation tax rate to 25% with effect from 1 April 2023. If enacted this will impact the value of our UK deferred tax balances, and the tax charged on UK profits generated in 2023 and subsequently. We have yet to determine the impact of these proposed changes.

During the year beginning 1 January 2020, the net reversal of £4,631 for deferred tax assets and liabilities is expected to increase the corporation tax charge for the year by £9,004. This is due to capital allowances estimated to be lower than depreciation on qualifying assets.

15. Called-up share capital and reserves

	2019 £	2018 £
Allotted, called-up and fully-paid 10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>

The Company has one class of ordinary shares which carry no right to fixed income.

16. Financial commitments

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

	Operating leases 2019 £	2018 £
Payments fall due:		
Within one year	50,394	57,772
Between one and five years	49,433	80,659
After five years	-	-
	<u>99,827</u>	<u>138,431</u>

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17. Employee benefits

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 31 December 2019 was £155,892 (2018: £136,684).

18. Related party disclosure

Exemption has been claimed under Financial Reporting Standard 102 Section 33 "Related party disclosures" regarding the disclosure of group transactions and transactions with associated companies on the basis that the company is a wholly owned subsidiary of a parent who prepares consolidated financial statements which are publicly available.

19. Ultimate parent company

The financial statements of the company are consolidated into the group financial statements of the immediate parent company, ArcelorMittal Tailored Blanks NV, registered in Sluispark Offices, Verlorenbroodstraat 122 b4, 9820 Merelbeke, Belgium. ArcelorMittal Tailored Blanks NV is the smallest group preparing consolidated financial statements including this entity for the year ended 31 December 2019.

Copies of the ArcelorMittal Tailored Blanks NV consolidated financial statements may be obtained from the Company Secretary, ArcelorMittal Tailored Blanks NV, Sluispark Offices, Verlorenbroodstraat 122 b4, 9820 Merelbeke, Belgium.

ArcelorMittal S.A., registered in Boulevard d'Avranches 24-26, LU-1160 Luxembourg (G.D.), is the ultimate parent company and ultimate controlling party of this company and is the largest group preparing consolidated financial statements including this entity for the year ended 31 December 2019.

Copies of the ArcelorMittal S.A. consolidated financial statements may be obtained from the Company Secretary at the registered address, ArcelorMittal S.A, Boulevard d'Avranches 24-26, LU-1160 Luxembourg (G.D.).

20. Post balance sheet event

With exception of COVID-19, repayment of furlough and restructuring resulting in redundancies of £422,000 which has been detailed on page 5 of the Strategic Report, there have been no significant post balance sheet events.

