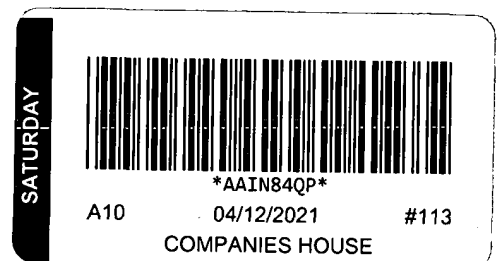


Company registered number: 12303256

British Steel Limited

Annual Report and Financial Statements
for the period from 7 November 2019 to 31 December 2020



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Company Information

Directors

X Cao
A W M J Deelen (*resigned 31/03/2021*)
X F Han
D P Hargreaves
R Holcroft
H Li
W Zhang

Company Secretary

D P Hargreaves

Registered Office

Brigg Road
Scunthorpe
DN16 1XA

Independent Auditor

Mazars LLP
Chartered Accountants & Statutory Auditor
Tower Bridge House
St Katharine's Way
St Katharine's & Wapping
London
E1W 1DD

Principal Bankers

Santander UK plc
2 Triton Square
Regent's Place
London
NW1 3AN

Strategic Report

Introduction

The directors have the pleasure of presenting their Strategic Report together with the audited accounts of British Steel Limited ('BSL' or 'the Company') for the period from 7 November 2019 (the date of incorporation) to 31 December 2020.

The Company has chosen to present the financial statements in accordance with FRS 101, a framework for entities who apply the presentation, recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but also ensure compliance with any relevant legal requirements applicable to it.

Ownership

BSL is a wholly owned subsidiary of Jingye Steel (UK) Holding Limited ('JSUK' or 'the Group'), and its activities are managed as an integral part of the parent's operations. The ultimate parent company is Jingye Group Co Ltd, an unlisted company incorporated in China.

Principal Activities

The principal activities of the Company are the manufacture and sale of steel long products. The Company produces its product via the process of basic oxygen steelmaking at its integrated steelworks in the UK at Scunthorpe, before rolling at one of its four rolling mills located in Scunthorpe, Teesside, Skinningrove, or at the group subsidiary in the Netherlands, FN Steel.

The Company organises its commercial activities by major product group with offerings in Sections, Rods, Rail and Special Profiles as well as cast billets and slabs. The Company owns two distribution centres for construction steels located in both Teesside and Lisburn (Northern Ireland).

Strategic Activities

On 9 March 2020, Jingye Steel (UK) Ltd, a wholly owned subsidiary of JSUK, acquired the assets of SLB2020 Limited (formerly known as British Steel Limited, a wholly owned subsidiary of British Steel Holdings Limited) for a total consideration of £24.1M.

On acquisition, the Company commenced a wide-ranging investment programme to improve the performance of the business, helping it to become more sustainable and enabling investments necessary to secure its long-term future. Continued implementation of the investment plan will aim to drive annual steel volumes of 3.1M tonnes with forecast revenue generation of £1.6B and EBITDA of £172M by 2025 with British Steel expected to regain its position as a leading European steel producer. Under the guidance of the Jingye Group, management have successfully navigated the Company through challenging market conditions following the coronavirus outbreak and Brexit uncertainty.

The Company reacted quickly to the COVID-19 pandemic to ensure robust measures were put in place to safeguard the health and wellbeing of employees, whilst maintaining safe operations in order to protect customers, suppliers and communities. Employees in office-based and technical roles adapted to working from home, whilst social distancing and other safety measures were put in place to ensure critical manufacturing operations could continue. Capacity was reduced only briefly through a pause in production at the Skinningrove Mill and Lisburn (Irish Service Centre). However, employees quickly returned to work as the Company was able to adapt to the difficult market conditions by shifting sales towards tactical markets where demand was less affected. The retention of production capacity also meant the Company was well placed to move quickly ahead of competitors and react to a recovery in demand as was seen from the last quarter of 2020.

The United Kingdom's withdrawal from the European Union at 11pm GMT on 31 January 2020 has had only limited impact on the strategic activities of the business as the Company benefits from an allocation of quotas which serves to support the current and future levels of export sales predicted in its forward business plan.

Business Review

Throughout the first period of trading, BSL has seen month-on-month improvement in profitability, despite the business challenges created by COVID-19.

Market conditions remained relatively flat through 2020 with limited variability in underlying raw material and steel prices. In respect of product demand, UK construction and rail remained relatively strong, but business margins were adversely impacted by significant reductions in automotive demand with a corresponding impact on activity levels for the Scunthorpe Rod Mill. Alternative tactical sales were recruited to partially offset the shortfall in automotive demand, but the weaker product-mix had adverse impacts on business profitability. Throughout the summer period, the Special Profiles Mill in Skinningrove was furloughed for two three-week periods associated with depressed customer demand, but all other mills continued operation throughout COVID-19, albeit with lower levels of production.

Strategic Report (CONTINUED)

The month-on-month improvement referred to above was due to a combination of factors. These included growth in UK Section market, a doubling of the Company's market share therein, and mix-driven increased steel margins at Skinningrove and Teesside Beam Mill. Additional benefits were driven by a gradual normalisation of sales volume as market conditions continued to improve, coupled with a steady recovery in automotive demand from September 2020 onwards.

From an operations perspective, renegotiation of onerous long-term contracts and employment cost reductions linked to the acquisition and insourcing of key strategic contracts, including the port facility at Immingham in July 2020, led to a reduction in operating expenditure costs, helping progress improvement in business profitability.

From November 2020, there were significant movements in global commodity prices that have put significant upwards pressure on steel prices. This, combined with strong global construction stimulus, has allowed further growth in the business sales volumes. Benefits from this effect will be seen in the 2021 trading performance, with the outlook for steel remaining bullish for the remainder of 2021.

BSL revenue was £844M in the period with an operating loss before exceptional items of £140M. An exceptional gain on bargain purchase arising on business combination of £410M has been credited to operating costs. Net finance charges of £2.2M also arose in the period with favourable exchange rate movements on dollar-denominated liability balances of £0.8M. Taxation was a current period credit of £27M in 2020.

The Company result for the period after taxation and exceptional items was a profit of £295M.

Financing

In 2020, BSL benefitted from access to an external asset-backed receivable lending facility of £50M supplied by Secure Trust Bank. Jingye International (HK) Holdings Company Limited provided a further £220m committed lending facility to the Group, maturing in 2025 of which £154.7M was drawn in 2020 to support the build-up of working capital following commencement of trading. The associated loan notes are listed on the International Stock Exchange (TISE).

Cash Flow

Net cash inflow in the period was £22M. This comprised an underlying trading loss of £140M combined with £143M of shareholder funding in the year and movement on working capital. Adverse movements in accounts receivable balances associated with commencement of trading were offset by wind down of inventory balances included as part of the purchase consideration.

The working capital to turnover ratio (excluding the impact of arrangements with JSUK Group companies) was 63%, with most of the working capital held in inventory and receivables.

Capital Expenditure

Since acquisition, total capital expenditure (not including capitalised leases) has been circa £38M. Spend in FY20 was restricted by COVID-19 due to the limited ability to plan and coordinate large projects with international contractors. As restrictions on movement improve, growth-capex is forecast at £123M in 2021. Key projects completed in 2020 are a £42.5M lease and license arrangement agreed with Associated British Ports to resume control of Immingham Bulk Terminal. A new state-of-the-art environmental system was also installed at the Scunthorpe site, with additional investment recently announced to create a further processing and inspection facility at Skinningrove.

Balance Sheet

BSL net assets as at 31 December 2020 were £295M.

Net debt (excluding intercompany arrangements) was £nil and intercompany loans were £143M. Cash and cash equivalents amounted to £22M. Further details on borrowings can be found in note 17.

Brexit

The UK remains the Company's key market and the introduction of quotas is likely to consolidate further BSL's leading market position by limiting competition of EU exporters. Under Jingye ownership, the Company has sought to grow its UK presence in order to mitigate any potential impact of Brexit; for example, by successfully increasing Sections UK market share. Whilst there have been additional administrative requirements caused by Brexit, these have been successfully managed in order to ensure continuous supply to customers. On the supplier side, Brexit has had limited impact as raw materials are mainly sourced from outside of the EU.

Strategic Report (CONTINUED)

Principal Risks and Uncertainties

The other principal risks and uncertainties affecting the Company include health, safety, environmental and other compliance matters, employees, climate change, financing, cyber-attacks on information or operational technology, trading in the global steel market (including the impact of Brexit), long-term competitiveness, performance and operations, exchange rates and access to raw materials and energy. Further information and discussion on these principal risks and uncertainties are included in the JSUK 2020 Annual Report and Financial Statements.

Key Performance Indicators

The business monitors a wide range of indicators to assess performance. These include injury performance, production and sales volumes, margins by product group, inventory, and a wide variety of production statistics including yield and plant availability.

The key performance indicators (KPIs) monitored by the Board are as follows:

KPI	2020
Profit/(loss) before tax per tonne	-£69
Recordable injuries per million hours worked	4.74
Lost Time Injury Frequency Rate (LTIF) per million hours worked	2.11
Liquid steel production (<i>annualised</i>)	2.6mt
CO ₂ intensity per tonne of liquid steel on 1, 2 and 3 emissions	2.047tCO ₂ /t

Employees

Health and safety

Safety is a top priority, as evidenced by the stringent safeguards we have adopted and maintained throughout the pandemic. A week after our new business was launched on 9 March 2020, the UK went into lockdown and our overall goal was keeping our people safe. Hundreds of our employees, predominantly in office-based roles, started working from home - something most of them are continuing to do. However, the complex nature of our operations and demand for our products meant we had to maintain manufacturing operations. To protect our colleagues on-site, we introduced a range of stringent safeguards which we have continued to adapt in line with the latest guidance from the UK Government and the NHS. We have worked hard to ensure our people follow the safeguards and our owners delivered a huge quantity of personal protective equipment (PPE) from China, which we also shared with the medical and care communities in North Lincolnshire and Teesside. Our focus on coronavirus controls led to us helping develop the rules for manufacturing with the Department for Business, Energy and Industrial Strategy. We also worked with Make UK to help form industry rules-sets, which then became our BHSI 2020 instruction. This was deemed best practice by the HSE and was shared with many businesses and industries in the area. To maintain safeguards and the health and wellbeing of our people, we conducted (and continue to conduct) audits and checks to ensure our controls are followed.

In addition to COVID-19 protocols, we strive to continually improve our safety performance and we are currently focused on five key subjects – Leadership and Accountability; Risk Assessment; Incident Process; Planned General Inspection; Management of Work.

Employee numbers

As at 31 December 2020, staff numbers were 4,407 (average for the 2020 period, as per note 5 'Employee costs': 3,449). We continue to recruit in line with our strategic plan with a focus on British Steel employment rather than utilising external contractors.

Employment policies

Our people are our greatest asset, and our employment values and policies are built upon the way we approach our work - with pride, passion and performance. While our business was launched in March 2020, our policies are well-developed having also been acquired on 9 March 2020 and subsequently developed and improved under Jingye ownership. A key component of our policies is two-way conversation between the Company, our people and the trade unions. This ensures our colleagues, and their health, safety and wellbeing, are the central considerations in our decision-making processes.

The Company's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their aptitudes and abilities, and employs them where suitable work can be found. The requirements of job applicants and existing members of staff who have a disability are reviewed to ensure that reasonable adjustments are made to enable them to perform as well as possible during the recruitment process and while employed. All reasonable measures are taken to ensure that disabled employees are given the opportunity and facilities to participate fully in the workplace, in training and in career development, and promotion opportunities. In addition, every effort is made to find appropriate alternative jobs for those who have become disabled while working for the business.

Strategic Report (CONTINUED)

We are an equal-opportunities employer, committed to ensuring fairness and equality for all our people, regardless of their background or role within our business. We believe in the value that every one of our team members brings and look to support them in their personal development journeys, whatever direction their career takes them.

We continue to invest in our employees' careers by providing a huge range of training and development activities. Under the ownership of the Jingye Group, we have also adopted a much more flexible approach to working which, again, has the safety and wellbeing of our people at its heart. Our policies were adopted in March 2020 and have developed throughout the pandemic, not only to safeguard our colleagues but to provide them with longer-term flexibility and support in their working lives.

BSL continues to transform as a business under Jingye Group and our employment policies will continue to evolve to meet the changing needs of the Company and our people.

Pension arrangements

Pension arrangements for employees in the UK are provided by way of a defined contribution scheme. The principal defined contribution pension scheme in the Company as at 31 December 2020 is the British Steel Limited Pension Plan. Further details on these schemes are provided in note 21.

Gender Pay

Government regulations require all large employers to publish information on their gender pay gap between the average earnings of men and women. The gender pay gap is not the same as equal pay. Equal pay ensures that men and women receive the same pay for carrying out the same or equivalent work. The gender pay gap is a simple average figure for all employees within the UK workforce, regardless of what job they do. Historically, the manufacturing industry primarily attracted male applicants. Around 90% of our current employees are male, which increases to approximately 99% in our production environments. We're actively encouraging the recruitment and development of more women into this industry and our business.

We intend to publish our first Gender Pay Gap Report within the next 12 months.

Modern Slavery Act

In accordance with section 54 (Transparency in Supply Chains) of the Modern Slavery Act 2015, the Company is required to publish a statement setting out the steps it is taking to prevent modern slavery in business and supply chains. This statement will be issued by BSL and published on our website (www.britishsteel.co.uk).

Research and Development

The Company's research programme has two main aspects. Firstly, through a dedicated research hub at the British Steel R&D Centre in Sheffield's Advanced Manufacturing Park, and secondly, utilising distributed research across the business as a whole. Both research avenues work in concert and research various projects for product and process development.

Financial Risk Management

BSL financial risk management is based upon sound economic objectives and good corporate practice. The Company's main financial risks are related to the availability of funds to meet its business needs, movement in exchange rates, and commodity costs. Derivative and other financial instruments are used to manage any exposures where it is considered appropriate.

Future and Subsequent Events

In July 2021, the Company signed a commodity sales and repurchase financing arrangement with Trafigura, covering iron ore fines, coal and coke held at the Immingham port facility. The limit on this facility is US\$40M.

Section 172, Companies Act 2006

This report sets out how the directors have had regard to the matter set out in section 172(1)(a) to (f) when performing their duties under section 172 of the Companies Act 2006. This requires directors to act in the way they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing, so have regard (amongst other matters) to:

- the likely consequences 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 the environment,
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company.

Strategic Report (CONTINUED)

The BSL Board is responsible for control and oversight of the Company's affairs, for setting strategic priorities, supporting stakeholder engagement, including communication with JSUK's ultimate parent company in China, Jingye Steel. As is usual in large companies, the Board delegates authority for day-to-day management of BSL to an executive committee led by the Chief Executive Officer, which sets, approves and manages the execution of business strategy.

The BSL Board promotes high standards of corporate governance throughout the organisation and holds scheduled and ad-hoc meetings to consider matters relevant to the Group. Board meetings were held during the period ended 2 January 2021, with additional executive committee meetings held regularly. Due to COVID-19, these meetings were held electronically via Microsoft Teams rather than physically in person, and decisions were also made by circulation where appropriate. New directors inducted into the Company are made aware of their directorship duties, including section 172(1) of the Companies Act 2006. The Board is conscious of the impact its business decisions have on stakeholders as well as the wider impact on society. The Board recognises that, given the complexity of the Company, not all decisions taken will align with all stakeholder interests. Accordingly, the BSL Board has taken decisions in the year that it believes best support the Company's strategic objectives.

The likely consequences of any decision in the long term

Each year, the BSL Board approves an annual plan for the Company and monitors its implementation throughout the year through detailed review of operational and financial performance. The Board also observes external factors, including the steel industry outlook and global and economic market conditions. For the period ended 31 December 2020, the Board has had to consider and respond to the impact of COVID-19 on the business annual plan and review assumptions throughout the year.

As set out in the delegated authority framework, the Board reviews proposals for the allocation of capital expenditure to support the annual plan and future sustainability of the Company. The Board takes into consideration guidance received from its parent company, JSUK, and has sought to align capital allocation within the cash flows generated, while ensuring capital expenditure for safety compliance and essential maintenance received the highest priority. The Board also reviews proposals for contracts greater than five years and other material items. As set out in the Statement of Corporate Governance Arrangements on page 9 of this annual report, any Board proposal is required to include detailed criteria to inform directors in their decision making.

The Board is mindful of the Company's decarbonisation objectives and considers it in strategic decisions where relevant.

The interests of the Company's employees

Disclosures in relation to BSL employees are set out in this report and in the Statement of Corporate Governance Arrangements on page 9 of this annual report.

The Board has regard to the interests of employees in its decision making and engages with employees and employee representatives as appropriate. The Board recognises the importance of attracting, retaining and motivating employees to deliver strategic objectives, and prioritises the health, safety and wellbeing of its workforce.

In the reporting period, the COVID-19 pandemic resulted in a new way of working for many employees who were either furloughed or working remotely. Engagement with employees has increased to ensure that, even though employees may be isolated, they do not feel alone or excluded and there has been enhanced communication throughout the organisation including videos, emails and bringing teams together online.

The Company took advantage of the Government's Coronavirus Job Retention Scheme for two 3-week periods at the Skinningrove Special Profiles mill.

The need to foster the Company's business relationships with suppliers, customers and others

The Board has oversight over all stakeholder relationships and has regard to these relationships in its decision making.

Through the Chief Executive Officer, and the commercial and procurement functions, the Company develops strong processes to manage and enhance relationships with suppliers, customers and others. This includes understanding their evolving needs and new trends in order that BSL can adapt to meet those needs.

Further information can be found in this Strategic Report and in the Statement of Corporate Governance Arrangements under 'Stakeholder relationships and engagement' on page 10 of this annual report.

The impact of the Company's operations on the community and the environment

The Board is aware of the impact of steel manufacturing on the environment and the communities in which the Company operates and reviews environmental performance against BSL goals. A key ambition is that the Company should be carbon-neutral by 2050. More details on the BSL decarbonisation objective can be found in the Strategic Report of the JSUK Annual Report and Financial Statements.

As a major employer, BSL acts as a cornerstone for local businesses. The Company also supports several community initiatives. Further details can be found in the JSUK Strategic Report.

Strategic Report (CONTINUED)

The desirability of the Company making a reputation for high standards of business conduct

The Board is committed to maintaining the BSL's reputation and a high standard of business conduct in all its business dealings.

The Company expects honesty, integrity and transparency in all aspects of its business dealings from employees, contractors and other partners. The Board reviews and approves control measures and frameworks to uphold ethical principles and high standards of corporate and personal conduct. BSL has in place a number of compliance policies including competition, anti-bribery and corruption, gifts and hospitality, responsible procurement, anti-slavery and human trafficking, and data privacy. The Company also requires senior management and relevant employees to undertake mandatory compliance training and assessments.

The need to act fairly between members of the Company

The Board aims to act with fairness and integrity in all of its dealings and considers all shareholders when making decisions for the overall good of the Company.

Approval of Strategic Report

The Strategic Report for the Company has been prepared in accordance with, and in reliance upon, applicable English and Welsh company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by the law.

Approved by the Board on 02-Dec-2021

and signed on its behalf by:


Wei Zhang (02 Dec 2021 22:21 GMT)

W Zhang
Director

Directors' Report

The Board

The directors of the Company are listed on page 1.

X Cao, X F Han, D P Hargreaves, R Holcroft, H Li and W Zhang held office as directors of the Company throughout the financial period and up to the date of signing these financial statements.

A W M J Deelen resigned as a director of the Company on 31 March 2021.

Directors Indemnity

The Company's articles of association provide, subject to the provisions of UK legislation, that the Company may indemnify any director or former director of the Company in respect of any losses or liabilities he or she may occur in connection with any proven or alleged negligence, default, breach of duty or breach of trust in relation to the Company (including by funding any expenditure incurred or to be incurred by him or her). In addition, directors and officers of the Company and its subsidiaries are covered by directors' and officers' liability insurance.

Dividends

The directors do not recommend that a dividend be paid, and no dividends were paid or proposed during the year.

Political Donations

The Company does not make any donations to political parties and none were made during the year.

Statement as to disclosure of information to the Company's auditors

Each director in office at the date of this Directors' Report confirms that:

- a) so far as the directors are aware there is no relevant audit information of which the Company's auditors are unaware; and
- b) the directors have taken all the relevant steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent Auditors

Mazars LLP have indicated their willingness to be reappointed as auditors to the Company for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an AGM.

Going Concern

The directors have assessed the future funding requirements of the Company and have compared these funding requirements to the level of borrowing facilities which are assumed to be available. The Company is part of the Jingye Steel (UK) Holding Ltd ("JSH") group which benefits from working capital support provided by the parent company of JSH, Jingye International (HK) Holdings Company Limited.

The Company and Group are funded by both long-term and short-term debt facilities with the shareholder, the former structured as debt listed on The International Stock Exchange (TISE) maturing in 2025 with Jingye International (HK) Holdings Company Limited. In addition, the Company and Group have access to external asset backed working capital financing facilities with counterparties with long-term relationships with the Company and Group.

When assessing going concern, the directors have considered a range of possible scenarios including significant deteriorations in market conditions with adverse impacts on both product margins and volumes. Under each of these scenarios, the directors believe the Group and Company can be self-sufficient under current facility arrangements but recognise any recall of short-term shareholder funding, for which there is no formal extension agreement, would challenge the Company and Group-liquidity position.

Directors' Report (CONTINUED)

In March 2020, the Company first started to experience the negative effects of the COVID-19 pandemic on the demand for its steel products. The Company responded to the financial consequences of the reduced steel demand caused by the pandemic by utilising available government support measures, taking short-term actions to conserve cash, and reducing or deferring spend including on capital expenditure projects. In the final quarter of the 2020 financial period, demand for the Company's steel products rebounded strongly which, along with significant increases in steel selling prices towards the end of the period, enabled the Company to finish the 2020 financial period strongly. In the first half of 2021, the steel market has continued to perform strongly with steel selling prices at record highs and the outlook for the rest of the financial year is significantly ahead of the Company's previous forecast. Nevertheless, the steel industry is cyclical and with no guarantee that steel selling prices will stay at this elevated level for a sustained period of time, it is expected that the steel market will return to trend levels in the medium-term.

Considering these factors, the directors of British Steel Limited, which include senior executives of the Jingye Group, have reasonable expectations that the Company has adequate resources to continue operating for the foreseeable future, but conclude there is a material uncertainty caused by a reliance on an uncommitted shareholder lending facility which may cast significant doubt on the ability of the Company to continue as a going concern.

The directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of adjustments required if the Company were unable to continue as a going concern.

Statement of Corporate Governance Arrangements

As a member of the Jingye Group, the Company runs its business in a manner consistent with a set of core values covering how we deliver value to our shareholder and the wider community and how we interact with our stakeholders, including our shareholder, employees, customers and suppliers. We have not applied a specific corporate governance code during this financial period. The Board is currently reviewing its corporate governance arrangements before deciding, in conjunction with its shareholder, whether it would be beneficial to formally adopt a specific corporate governance code such as the Wates Principles. Our corporate governance arrangements are as follows:

Purpose and leadership

The British Steel Board is responsible for oversight functions and, in consultation with the shareholder, sets the overall strategy of the Company and monitors performance. The Board delegates authority for day-to-day management of the British Steel Group's affairs to the British Steel Executive Committee.

The Board, in collaboration with the employees of the business, are engaged in a consultation process to establish the Company's vision and mission statement. Our values will guide and inform everything we do and reflect our principles as a business.

Board members hold regular meetings with senior management to monitor Company performance and the effectiveness of the Company's overall strategy.

Board composition

The Board comprises six directors with an appropriate balance of skills, experience and knowledge for the sector in which the Company operates. Each director has clear responsibility for separate parts of the business. The size and structure of the Board is appropriate for the Company.

The Board are supported by an Executive Committee, which through the financial period comprised the Chief Executive Officer, Chief Financial Officer, Chief Commercial and Procurement Director, Chief Operations Officer, HR Director, Legal and Compliance Director, Chief Marketing Officer and Finance Director.

The directors hold regular operational meetings with their respective leadership teams and attend the Executive Committee meetings on a monthly basis to monitor business performance and agree required actions.

Directors' responsibilities

The Board seeks to ensure that the necessary financial, operational and human resources are in place for the Company to meet its objectives, review management performance and ensure obligations to shareholders and other stakeholders are understood and met. All directors have a clear understanding of their roles and have access to the Legal Director for advice on their responsibilities and regulatory matters. During the financial period, all directors have received up-to-date training from the Legal Director on their directors' duties and responsibilities.

The Board and Executive Committee receive regular and timely information on all key aspects of the business, including health and safety statistics, operational and financial performance, strategic matters, compliance and risk matters, stakeholder engagement, commercial and technical updates and market conditions. Authority to Commit (ATC) papers setting out proposals for approval are required to include background, rationale and business case, options, financial analysis, risk assessment and timelines to help inform directors with their decision making.

Directors' Report (CONTINUED)

Health, Safety and Environment (HSE) matters are reviewed by a HSE Committee, chaired by the HSE Director and attended by the Chief Operating Officer (who is also a director). The Chief Operating Officer reports to the Board and Executive Committee on health and safety performance at each of its scheduled meetings and on the actions being taken to improve performance.

The Company is currently undertaking a review of its delegated authority framework following changes in senior management roles. Once this review is complete, the delegated authority framework should ensure that decision-making is taken at appropriate levels of the organisation, including Board-reserved matters.

Opportunity and risk

The Board is responsible for generating long-term sustainable success for the Company by setting its strategic direction in consultation with the shareholder. Following the acquisition of the British Steel business by the Jingye Group in March 2020, the Company commenced a transformation programme focusing on long-term financial stability and sustainable value growth. The directors and Executive Committee monitor the progress and implementation of the transformation programme.

In connection with this transformation programme, the directors have consulted with the Company's shareholder to formulate a detailed 10-year business plan. This long-term business plan focusses on four key areas (production growth; asset investment and environmental commitments; cost reduction; decarbonisation strategy) to promote the long-term success of the Company.

The principal risks and uncertainties affecting the Company and mitigating actions taken in respect of them are set out in the Strategic Report of the Jingye Steel (UK) Holding Ltd 2020 Annual Report and Consolidated Financial Statements. The Company operates risk management processes across its departments, with each business unit maintaining and updating a detailed risk register for its area, to assist the directors' understanding of the key risks for the Company and help ensure that systems and controls are operating effectively. The Company is currently reviewing its risk management processes with a plan to adopt an enterprise risk management (ERM) framework.

Remuneration

The Company seeks to provide competitive remuneration packages that will attract and retain executives of the calibre required to take forward the Company's strategy. Remuneration comprises a base salary, competitive benefits package and bonus structure based on individual performance targets and overall Company performance. External benchmarking of remuneration is undertaken periodically to ensure alignment with good practice and the market.

Stakeholder relationships and engagement

The Board recognises the importance of effective communication with its stakeholders in order to deliver its purpose, values, vision, mission and strategy and ensure protection of relationships, reputation and brand. Stakeholders include its shareholder, customers, suppliers, employees and employee-representatives, pensioners, banks, Government bodies, and the local communities in which the Company operates.

Information disclosed in the parent company Strategic Report

In accordance with section 414C of the Companies Act 2006, the directors have chosen to disclose the following information in the JSUK Group Strategic Report:

- Principal risks and uncertainties
- Business review
- Factors likely to affect the Group's future development, performance and position
- Policies on employment of disabled persons, employee involvement, communication, consultation, recruitment and training
- Details on how the Group engages with its employees
- Streamlined energy & carbon reporting emissions information
- Research & development activities
- An indication of exposure to price, credit, liquidity and cash flow risk

Approved by the Board on 02-Dec-2021 and signed on its behalf by:



Wei Zhang (02 Dec 2021 22:21 GMT)

W Zhang
Director

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

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

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they 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 auditors are aware of that information.

Approved by the Board on 02-Dec-2021

and signed on its behalf by:


Wei Zhang (02-Dec-2021 22:21 GMT)

W Zhang
Director

Independent Auditor's Report to the Members of British Steel Limited

Opinion

We have audited the financial statements of British Steel Limited (the 'Company') for the period ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 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.

Material uncertainty related to going concern

We draw attention to note 1 on page 17 in the financial statements. As stated in note 1, the Company is part of the Jingye Steel (UK) Holding Ltd ("JSH") group which benefits from working capital support provided by the parent company of JSH, Jingye International (HK) Holdings Company Limited. The Company and the JSH group are funded by both long-term and short-term debt facilities with the shareholder, the former structured as debt listed on The International Stock Exchange (TISE) maturing in 2025 with Jingye International (HK) Holdings Company Limited. In addition, the Company has access to external asset backed working capital financing facilities with counterparties with long-term relationships with the JSH group. When assessing going concern of the Company, the directors have considered a range of possible scenarios including significant deteriorations in market conditions with adverse impacts on both product margins and volumes. Under each of these scenarios the directors believe the Company can be self-sufficient under current facility arrangements but recognise any recall of short-term shareholder funding, for which there is no formal extension agreement, would challenge the Company's liquidity position.

As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, 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.

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 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of British Steel Limited (CONTINUED)

Matters on which we are required to report by exception

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

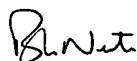
Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit 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.



Robert Neate (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House,
St Katharine's Way,
London
E1W 1DD

02-Dec-2021

Statement of Comprehensive Income
for the period from 7 November 2019 to 31 December 2020

	Note	2020 £'000
Revenue	2	843,864
Operating costs	3	(573,782)
Operating profit		270,082
EBITDA before gain on bargain purchase		(123,741)
Gain on bargain purchase arising on business combination	3, 7	409,945
EBITDA		286,204
Depreciation	3	(16,122)
Operating profit		270,082
Finance income	8	1
Finance costs	9	(2,235)
Profit before taxation		267,848
Tax on profit	10	27,137
Profit for the financial period	7	294,985
Other comprehensive income:		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		-
Total comprehensive income for the period		294,985
Profit and total comprehensive income attributable to:		
Equity holders of the Company		294,985
Total comprehensive income for the period		294,985

All references to 2020 in these financial statements, the accounting policies, and the related notes 2 to 25 refer to the accounting period from 7 November 2019 to 31 December 2020, or as at 31 December 2020, as appropriate.

All results derive from continuing operations.

The notes on pages 17 to 32 form an integral part of the financial statements.

Statement of Financial Position
as at 31 December 2020

	Note	2020 £'000
Assets		
Non-current assets		
Intangible assets	11	1,704
Property, plant and equipment	12	179,657
Right-of-use assets	13	48,699
Trade and other receivables	15	3,352
		233,412
Current assets		
Inventories	14	281,557
Trade and other receivables	15	200,848
Cash and cash equivalents		21,857
		504,262
Liabilities		
Current liabilities		
Trade and other payables	16	(142,436)
Borrowings	17	(65)
Lease liabilities	18	(7,660)
Current tax liabilities		(40,150)
Provisions for liabilities and charges	20	(200)
		(190,511)
Net current assets		313,751
Non-current liabilities		
Borrowings	17	(142,945)
Lease liabilities	18	(39,706)
Deferred tax liabilities	19	(28,956)
Provisions for liabilities and charges	20	(40,571)
		(252,178)
Net assets		294,985
Equity		
Called up share capital	22	-
Retained earnings	23	294,985
Equity attributable to owners of the Company		294,985
Total equity		294,985

The notes on pages 17 to 32 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on
signed on its behalf by:

2021 and


Wei Zhang (D: 2, 2021 22:21 GMT)

W Zhang
Director

British Steel Limited
Company registration no. 12303256

02-Dec-2021

Statement of Changes in Equity
for the period from 7 November 2019 to 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
At 7 November 2019	-	-	-
Profit for the period	-	294,985	294,985
Other comprehensive income	-	-	-
Total comprehensive income	-	294,985	294,985
At 31 December 2020	-	294,985	294,985

Total equity is wholly attributable to the owners of the Company

The notes on pages 17 to 32 form an integral part of the financial statements.

Notes to the Financial Statements for the period from 7 November 2019 to 31 December 2020

1 Accounting policies

Basis of preparation

British Steel Limited ("the Company") is a private company, limited by shares, incorporated and domiciled in the United Kingdom. The registered number is 12303256 and the registered address is Administration Building, Brigg Road, Scunthorpe, DN16 1XA, United Kingdom.

The functional and presentational currency of the Company is pounds sterling ("sterling"), since this is the currency in which most of the Company's transactions are denominated.

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The following relevant exemptions from the requirements of the IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- i. IFRS 7 Financial Instruments: Disclosures;
- ii. Paragraphs 91 to 99 of IFRS 13 Fair Value Measurement, in relation to the disclosure of valuation techniques and inputs used for fair value measurements of assets and liabilities;
- iii. Paragraph 38 of IAS 1 Presentation of Financial Statements' comparative information requirements in respect of certain assets (including intangible assets and property, plant and equipment);
- iv. IAS 7 Statement of Cash Flows;
- v. IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in relation to the disclosure of standards not yet effective; and
- vi. IAS 24 Related Party Disclosures' requirements to disclose related party transactions with Jingye UK group companies.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments measured at fair value through profit and loss in accordance with the Companies Act 2006.

The Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The directors have assessed the future funding requirements of the Company and have compared these funding requirements to the level of borrowing facilities which are assumed to be available. The Company is part of the Jingye Steel (UK) Holding Ltd ("JSH") group which benefits from working capital support provided by the parent company of JSH, Jingye International (HK) Holdings Company Limited.

The Company and Group are funded by both long-term and short-term debt facilities with the shareholder, the former structured as debt listed on The International Stock Exchange (TISE) maturing in 2025 with Jingye International (HK) Holdings Company Limited. In addition, the Company and Group have access to external asset backed working capital financing facilities with counterparties with long-term relationships with the Company and Group.

When assessing going concern, the directors have considered a range of possible scenarios including significant deteriorations in market conditions with adverse impacts on both product margins and volumes. Under each of these scenarios, the directors believe the Group and Company can be self-sufficient under current facility arrangements but recognise any recall of short-term shareholder funding, for which there is no formal extension agreement, would challenge the Company and Group-liquidity position.

In March 2020, the Company first started to experience the negative effects of the COVID-19 pandemic on the demand for its steel products. The Company responded to the financial consequences of the reduced steel demand caused by the pandemic by utilising available government support measures, taking short-term actions to conserve cash, and reducing or deferring spend including on capital expenditure projects. In the final quarter of the 2020 financial period, demand for the Company's steel products rebounded strongly which, along with significant increases in steel selling prices towards the end of the period, enabled the Company to finish the 2020 financial period strongly. In the first half of 2021, the steel market has continued to perform strongly with steel selling prices at record highs and the outlook for the rest of the financial year is significantly ahead of the Company's previous forecast. Nevertheless, the steel industry is cyclical and with no guarantee that steel selling prices will stay at this elevated level for a sustained period of time, it is expected that the steel market will return to trend levels in the medium-term.

Notes to the Financial Statements (CONTINUED)

Considering these factors, the directors of British Steel Limited, which include senior executives of the Jingye Group, have reasonable expectations that the Company has adequate resources to continue operating for the foreseeable future, but conclude there is a material uncertainty caused by a reliance on an uncommitted shareholder lending facility which may cast significant doubt on the ability of the Company to continue as a going concern.

The directors continue to adopt the going concern basis in preparing the financial statements and the financial statements do not include any of adjustments required if the Company were unable to continue as a going concern.

New standards and interpretations applied

The following new international accounting standards ('IAS') and new IFRSs have been adopted in the current period:

		<i>Effective Date*</i>
IAS 1 & IAS 8 (Amendments)	New materiality definition	1 January 2020
IAS 1 (Amendments)	Updated references to Conceptual Framework	1 January 2020
IFRS 3 (Amendments)	Updated definition of a business	1 January 2020
IFRS 16 (Amendments)	COVID-19-Related Rent Concessions	1 June 2020**
IFRS 7, IFRS 9 & IAS 39 (Amendments)	Interest rate benchmark reform	1 January 2020

* Periods commencing on or after

** The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

The Company has early-adopted the IFRS 16 amendment for COVID-19-Related Rent Concessions from 1 June 2020. The amendments to the above Standards, including the early adoption of the IFRS 16 amendment, did not have a material impact on the Company's financial statements.

Use of estimates and critical accounting judgements

The preparation of accounts in accordance with FRS 101 requires management to make estimates and assumptions that affect the:

- i. reported amounts of assets and liabilities;
- ii. disclosure of contingent assets and liabilities at the date of the accounts; and
- iii. reported amounts of income and expenses during the period.

Actual results could differ from these estimates. The most significant techniques for estimation are described in the accounting policies below.

Critical accounting judgements are the key sources of estimation or uncertainty in applying the Company's accounting policies. They arise in relation to provisions created for rationalisation and related costs, environmental remediation and legal claims, recoverability of loan receivables, classification of exceptional items, the discount rate used to calculate lease liabilities in respect of right-of-use assets, and impairment of property, plant and equipment and intangible assets. Each of these areas relies upon a number of estimates and judgements which are subject to uncertainty and which may lead to an adjustment within the next financial year.

Provisions

Estimates in calculating provisions for rationalisation and related costs, environmental remediation and legal claims are based on previous experience and third-party advice and are reassessed on a regular basis. Judgment is required in assessing the likely costs and timing of these costs. Please see note 20 'Provisions for liabilities and charges'.

Amounts owed by/to Group undertakings

The Company has a number of loan balances, both receivables and payables, with other entities within the JSH Group. Judgment is required in determining whether loan balances are recoverable. In line with Company policy on receivables in general, where indications exist that loan receivables may not be recoverable, including an assessment of events occurring after the balance sheet date, then appropriate provisions are charged to the Statement of Comprehensive Income to write down the receivables to the recoverable amount in line with the requirements of IFRS 9. Please see notes 15 'Trade and other receivables', 16 'Trade and other payables', 17 'Borrowings'.

Notes to the Financial Statements (CONTINUED)

Exceptional items

Judgment has been exercised by the Company when interpreting the requirement to present separately exceptional items, that is items of income and expense which, because of the nature and expected frequency of the events giving rise to them, merit separate presentation to allow users of the accounts to better understand the elements of financial performance in the period, to facilitate future comparison with prior periods and to assess better trends in financial performance. Care is taken by the directors to ensure that judgement is applied consistently on an annual basis. Please see note 7 '*Gain on bargain purchase arising on business combination*'.

Discount rates

The Company has applied judgement in determining the discount rate used to calculate the present value of lease liabilities. A judgement has been made that the rate implicit in the lease is not readily determinable and as such, the incremental borrowing rate has been used. The incremental borrowing rate has been calculated using the existing borrowings of the Company, with adjustments made to reflect the terms of leases including duration, economic environment, type of asset and security. The weighted average incremental borrowing rate applied in the period was 4.41%. Please see note 18 '*Lease liabilities*'.

Assessment of impairment of non-current assets

A significant part of the Company's capital is invested in property, plant and equipment and intangible assets. Determining whether these assets are impaired requires an estimation of value in use of the cash generating unit ('CGU') to which the asset relates. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or groups of assets. For the Company these are usually taken to be individual hubs/businesses, although these are combined or split into base entities, where deemed appropriate, to reflect the specific economic risks or operational interdependence of particular locations and operations. Value in use calculations require an estimation of future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The present value is most sensitive to changes in the discount rate used in the value in use models, the forecast profitability of the Company, and the expected impact of decarbonisation (including carbon taxes) on the Company. In respect of impairment of investments in the Company accounts, judgement is required around the relevant enterprise value of the Company's investments. The directors do not consider there to be any indication that non-current assets are impaired.

The detailed accounting policies for each of these areas are outlined here below.

1.1 Government grants

Grants related to expenditure on property, plant and equipment are credited to the Statement of Comprehensive Income over the useful lives of qualifying assets. Grants related to revenue are credited to the Statement of Comprehensive Income in line with the timing of when costs associated with the grants are incurred. Total grants received less the amounts credited to the Statement of Comprehensive Income at the end of the reporting period are included in the Statement of Financial Position as deferred income.

1.2 Insurance

Insurance premiums in respect of insurance placed with third parties are charged to profit and loss in the period to which they relate.

1.3 Interest

Interest income is accrued on a time-basis, by reference to the principal outstanding and at the effective interest rate applicable.

Interest expense is expensed as incurred. Discounts or premiums and expenses on the issue of debt securities are amortised over the term of the related security and included within interest expense. Unamortised amounts are shown in the balance sheet as part of the outstanding balance of the related security. Premiums payable on early redemptions of debt securities, in lieu of future interest costs, are written off as interest expense when paid.

1.4 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the quoted rates of exchange ruling at the end of each reporting period. Statement of Comprehensive Income items and cash flows are translated into sterling at the average rates for the reporting period. In order to hedge its exposure to certain foreign exchange transactions risks, the Company enters into forward contracts. In preparing the financial statements, transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. The impact of revaluations of foreign currency receivables and payables is included within operating costs.

Notes to the Financial Statements (CONTINUED)

1.5 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. The detailed accounting treatment for such items can differ, as described in the following sections.

(i) Financial assets

All regular-way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured at amortised cost. Where the Company transfers substantially all the risks and rewards of ownership of a financial asset, the financial asset is derecognised, and any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities.

(ii) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on trade receivables. The amount of the expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The measurement of expected credit losses is a function of the probability of default, the loss given default (i.e., the magnitude of the loss in the event of a default), and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

(iii) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit and loss (FVTPL).

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or is (iii) designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

(iv) Derivative financial instruments

In the ordinary course of business, the Company uses certain derivative financial instruments to protect itself from business risk which arises from its exposure to foreign exchange fluctuations.

Derivatives are initially accounted for and measured at fair value from the date the derivative contract is taken out. Following this, at each subsequent reporting period-end the derivative is remeasured at its current fair value.

1.6 Property, plant and equipment

Property, plant and equipment is recorded at cost on acquisition less accumulated depreciation and any recognised impairment loss. Cost includes professional fees and, for assets constructed by the Company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. This includes borrowing costs capitalised in respect of qualifying assets in accordance with the Company's policy. Amounts incurred in connection with capital projects that are not directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended (which the Company refers to as 'commissioning costs' and which includes expenses such as initial operating losses incurred while technical deficiencies on new plant are rectified, and incremental operating costs that are incurred while the new plant is operating at less than full capacity) are written off to the profit and loss as incurred. Assets under construction are depreciated from the date on which they are ready for their intended use.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit and loss.

Included in property, plant and equipment are loose plant and tools which are stated at cost less amounts written off related to their expected useful lives and estimated scrap value and spares, against which impairment provisions are made where necessary to cover slow-moving and obsolete items.

Subsequent costs are included in the carrying value of an asset when it is probable that additional future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other repairs and renewals are charged to the profit and loss as incurred.

Notes to the Financial Statements (CONTINUED)

1.7 Depreciation, amortisation and impairment of property, plant and equipment and intangible assets

Depreciation or amortisation is provided to write off, on a straight-line basis, the cost of property, plant and equipment and other intangible assets, including those held under leases as defined by IFRS 16, to their residual value. These charges commence from the dates the assets are available for their intended use and are spread over their estimated useful economic lives or, in the case of right-of-use assets, over the lease period if shorter. The estimated useful lives of assets and residual values are reviewed regularly and, when necessary, revised. Accelerated depreciation or amortisation is provided where an asset is expected to become obsolete before the end of its normal useful life or if events or changes in circumstances indicate that an impairment loss needs to be recognised, as discussed below. No further changes are provided in respect of assets that are fully written down but are still in use. The estimated useful lives for the main categories of property, plant and equipment are:

	<i>Life (years)</i>
Land and buildings	25-50
Fixture and fittings	15-25
Plant and equipment	4-25

Land is not depreciated.

As stated in note 1.6, assets under construction are not depreciated until the assets are available for their intended use.

Environmental licences are not amortised, as they retain their nominal value.

At each reporting period-end, the Company reviews the carrying amounts of its property, plant and equipment and other intangible assets to determine whether there is any indication that the carrying amount of assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. Other intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, based on the Company's long-term weighted average cost of capital (WACC), which also recognises the comparative WACCs of its European peers with appropriate adjustments for the risk associated with the relevant units. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense in the profit and loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income in the profit or loss immediately.

1.8 Intangible assets

Patents, trademarks, environmental licences (i.e., emission rights), and software are included in the balance sheet as intangible assets where they are clearly linked to long-term economic benefits for the Company. In this case, they are measured initially at fair value on acquisition or purchase cost and then amortised on a straight-line basis over their estimated useful lives. All other costs on patents, trademarks, environmental licences, and software are expensed in the profit and loss as incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Costs incurred on individual developmental projects are recognised as intangible assets from the date that all the following conditions are met:

- i. completion of the development is technically feasible;
- ii. it is the intention of the Company to complete the intangible asset and either use or sell it;
- iii. it is evident that the intangible asset will generate probable future economic benefits;
- iv. adequate technical, financial, and other resources to complete the development and to either use or sell the intangible asset are available; and
- v. it is possible to reliably measure the expenditure attributable to the intangible asset during its development.

Costs are no longer recognised as an asset when the project is complete and available for its intended use, or if these criteria no longer apply. The approach to amortisation and impairment of other intangible assets is described in 1.8 above.

Where development activities do not meet the conditions for recognition as an asset, any associated expenditure is treated as an expense in the profit and loss in the period in which it is incurred.

Notes to the Financial Statements (CONTINUED)

Where the Company purchases emission rights from an emission trading scheme, it recognises these as an intangible asset, and values the asset at cost. No amortisation is recognised, provided that the Company intends to utilise the asset to settle emission rights liabilities.

1.9 Inventories

Inventories of raw materials are valued at the lower of cost and net realisable value. Cost is generally determined using the "first in, first out" (FIFO) method. Inventories of partly processed materials, finished products, and consumables stores are individually valued at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution. Provisions are made to cover slow-moving and obsolete items based on historical experience of utilisation on a product-category basis, which involves individual businesses considering their local product lines and market conditions.

1.10 Retirement benefit costs

A defined contribution pension plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Payments in settlement of obligations for contributions to defined contribution retirement benefit schemes are charged as an expense in the profit and loss account in the periods during which services are rendered by employees.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company does not participate in a defined benefit pension scheme.

1.11 Provisions

Provisions for rationalisation and related measures, environmental remediation and legal claims are recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. This involves a series of management judgements and estimates that are based on experience of similar events and third-party advice where applicable. Where appropriate and relevant, provisions are discounted to take into consideration the time-value of money.

1.12 Revenue

The Company's revenue is derived from the single performance obligation to transfer steel products under arrangements in which the transfer of control of the products and the fulfilment of the Company's performance obligation occur at the same time.

Revenue from the sale of goods is recognised when the Company has transferred control of the goods to the buyer and the buyer obtains the benefits from the goods, the potential cash flows and the amount of revenue (the transaction price) can be measured reliably, and it is probable that the Company will collect the consideration to which it is entitled to in exchange for the goods.

The Company manufactures and sells a range of steel products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The steel is often sold with volume discounts based on aggregate sales over a certain period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are normally made with a credit term of 60 days, which is consistent with market practice. Any obligation to provide a refund is recognised as a provision.

A receivable is recognised when the goods are delivered, as this is the point in time that the consideration is unconditional as only the passage of time is required before the payment is due.

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company does not adjust any of the transaction prices for the time-value of money.

Notes to the Financial Statements (CONTINUED)

1.13 Taxation

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

The tax currently payable is based on taxable profit for the accounting period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries, joint ventures, and associates where the Company is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Both current and deferred tax items are calculated using the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. This means using tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

1.14 Leases

At inception, the Company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Where a tangible asset is acquired through a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are presented as a separate line on the face of the statement of financial position.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

Right-of-use assets acquired as part of business combinations are initially measured at cost adjusted for favourable or unfavourable lease terms when compared with market terms.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful economic life of the underlying asset. The estimated useful lives of the right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments which depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the cost of any options that the Company is reasonably certain to exercise, such as the lease payments in an optional renewal period or penalties for early termination of a lease.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a modification to or a reassessment of the lease, including when there is a change in: lease payments arising from a change in an index or rate; the Company's estimate of the amount expected to be payable under a residual value guarantee; and the Company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to nil.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease payments are allocated between principal and finance costs. Finance costs are charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements (CONTINUED)

1.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2 Revenue

The directors consider the manufacture and sale of steel throughout the world to be the Company's only material line of business.

	2020 £'000
Sale of goods	843,864

An analysis of revenue by destination is shown below:

	2020 £'000
United Kingdom	484,239
Europe	248,769
Rest of the world	110,856
	843,864

3 Operating costs

	Operating items before gain on bargain purchase and depreciation £'000	Gain on bargain purchase £'000	Depreciation £'000	Total £'000
Costs by type:				
Raw materials and consumables	529,609	-	-	529,609
Maintenance costs	92,915	-	-	92,915
Other external charges (including fuel, utilities, hire charges and carriage costs)	219,312	-	-	219,312
Employment costs	126,455	-	-	126,455
Depreciation	-	-	16,122	16,122
Other operating items	(686)	(409,945)	-	(410,631)
	967,605	(409,945)	16,122	573,782

4 Expenses and auditors' remuneration

Operating profit has been arrived at after charging/(crediting):

	2020 £'000
Depreciation of property, plant and equipment (note 12)	11,597
Depreciation of right-of-use assets (note 13)	4,525
Impairment losses recognised on inventories (note 14)	58,725
Impairment losses recognised on trade receivables (note 15)	230
Loss on disposal of property, plant and equipment	693
Net exchange rate gain	(817)
Research and development expensed as incurred	196

Notes to the Financial Statements (CONTINUED)

The remuneration paid to Mazars LLP, the Company's external auditors, was as follows:

	2020 £'000
Fees payable for the audit of the Company's inaugural financial statements	323
Total audit fees	323
Other services	-
Total non-audit fees	-
Total fees	323

5 Employee costs

	2020 £'000
Wages and salaries	107,413
Social security costs	10,871
Defined contribution pension costs	8,171
	126,455

The average monthly number of employees during the period, including executive directors, was:

	2020 No.
Sales	82
Operations	3,118
Administration	249
	3,449

6 Emoluments of directors

The remuneration of the directors, who are the key management personnel of the Company, was as follows:

	2020 £'000
Short-term employee benefits	612
Post-employment benefits	15
	627

Short-term employee benefits include employers' national insurance contributions paid by the Company of £97,315.

Four out of seven directors received no remuneration from this Company during the financial period for their services to this Company. One director is remunerated by Hebei Jingye High-Quality Steel Technology Co. Ltd, and three directors are remunerated by Jingye Iron and Steel Co. Ltd for their services, and it is considered that the amount receivable in respect of qualifying services to this Company is £nil.

The number of directors for whom retirement benefits are accruing under the defined contribution pension scheme is three, comprising of three directors who are paid by the Company.

The management remuneration of the highest-paid director was £324,385.

Notes to the Financial Statements (CONTINUED)

7 Gain on bargain purchase arising on business combination

On 9 March 2020, Jingye Steel (UK) Ltd, a wholly owned subsidiary of JSUK, acquired the assets of SLB2020 Limited (formerly known as British Steel Limited), a wholly owned subsidiary of British Steel Holdings Limited for a cash consideration of £24.1M.

The Company received independent third-party advice in respect of the fair value of a number of net asset items acquired, as set out below:

	2020 £'000
Environmental licences	1,704
Property, plant and equipment	149,646
Right-of-use assets	19,789
Inventories	271,333
Receivables	174,086
Cash	10,296
Payables	(1,011)
Borrowings	(36,094)
Lease liabilities	(19,589)
Deferred tax liabilities	(96,243)
Provisions	(39,878)
Fair value of net assets acquired	434,039
Consideration	24,094
Gain on bargain purchase	409,945
Loss incurred by the Company since the date of acquisition	(114,960)
Profit for the financial period	294,985

The gain on bargain purchase has been wholly and immediately recognised in comprehensive income, in accordance with IFRS 3 Business Combinations.

Since the acquisition date of 9 March 2020, the amount of revenue included in the Statement of Comprehensive Income for the period is £843.9M.

8 Finance income

	2020 £'000
Interest receivable on bank deposits	1

9 Finance costs

	2020 £'000
Interest payable on leases	1,211
Interest payable on loans from Group undertakings (note 17)	1,021
Interest payable on other loans and payables	3
	2,235

10 Taxation

(a) Analysis of tax credit in period:

	2020 £'000
Current tax:	
UK corporation tax on profits for the period	40,150
Total current tax charge	40,150
Deferred tax (note 19):	
Origination and reversal of temporary differences	(67,287)
Total deferred tax credit	(67,287)
Total income tax credit	(27,137)

Notes to the Financial Statements (CONTINUED)

Corporation tax is calculated at 19% of the estimated assessable profit for the period.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

(b) *Factors affecting tax credit for period:*

Income tax credit for the period can be reconciled to accounting profit as follows:

	2020 £000
Profit before tax	267,848
Corporation tax at 19%	50,891
<i>Effect of:</i>	
Expenses not deductible for tax purposes	847
Income not taxable	(77,890)
Research and development expenditure credit (RDEC)	(848)
Group relief (claimed)	(137)
Total income tax credit	(27,137)

11 Intangible assets

	Environmental licences £000
Cost	
At 7 November 2019	-
Additions at cost	1,704
At 31 December 2020	1,704
Accumulated impairment losses and amortisation	
At 7 November 2019	-
Amortisation	-
At 31 December 2020	-
Carrying amount	
At 31 December 2020	1,704
At 7 November 2019	-

12 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Spares £000	Under construction £000	Total £000
Cost					
At 7 November 2019	-	-	-	-	-
Net book value of additions arising from business combinations	49,618	99,025	-	1,003	149,646
Additions at cost	4,205	29,013	7,842	1,241	42,301
Disposals	(1,049)	(4,030)	(551)	-	(5,630)
At 31 December 2020	52,774	124,008	7,291	2,244	186,317
Accumulated depreciation and impairment					
At 7 November 2019	-	-	-	-	-
Charge for period	1,250	10,347	-	-	11,597
Eliminated on disposals	(1,049)	(3,888)	-	-	(4,937)
At 31 December 2020	201	6,459	-	-	6,660
Carrying amount					
At 31 December 2020	52,573	117,549	7,291	2,244	179,657
At 7 November 2019	-	-	-	-	-

Notes to the Financial Statements (CONTINUED)

13 Right-of-use assets

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 7 November 2019	-	-	-
Acquired as part of a business combination	2,192	17,597	19,789
Additions	32,977	458	33,435
At 31 December 2020	35,169	18,055	53,224
Accumulated depreciation and impairment			
At 7 November 2019	-	-	-
Depreciation charge	1,274	3,251	4,525
At 31 December 2020	1,274	3,251	4,525
Carrying amount			
At 31 December 2020	33,895	14,804	48,699
At 7 November 2019	-	-	-

The Company leases land and buildings, plant, office equipment, machinery and vehicles for use within the business.

Land and buildings are leased for terms ranging from 3 to 15 years. A number of land and buildings leases contain options to extend the lease. Management has determined whether these options are reasonably certain to be exercised to determine the lease term at inception. A number of land and buildings leases also contain clauses whereby the rent is reviewed on certain dates to align the amount with open market rental rates.

Plant is leased for a term of 5 years, office equipment for an average of 2 years and machinery and vehicles for an average of 3 years. A number of vehicle leases contain options to terminate the lease, and management has determined whether they are reasonably certain to exercise these options when assessing the lease term. Office equipment leases contain options to purchase the assets at the end of the lease. Management have also assessed whether these options are reasonably certain to be exercised.

14 Inventories

	2020 £000
Raw materials and consumables	126,211
Work in progress	113,973
Finished goods	41,373
	281,557

Included within inventories is £nil expected to be recovered in more than 12 months.

Raw materials, consumables and changes in finished goods and work in progress included in operating costs in the period amounted to £529.6M. The write-down of inventories to net realisable value amounted to £58.7M.

There is no material difference between the value of inventories included in the Statement of Financial Position and its replacement cost.

Notes to the Financial Statements (CONTINUED)

15 Trade and other receivables

	2020 £000
Trade receivables	134,289
Less: impairment provision	(230)
Net trade receivables	134,059
Prepayments	1,170
Other receivables	35,373
Derivative financial instruments	9,194
Amounts owed by Group undertakings	24,404
	204,200
Due within one year	200,848
Due after more than one year	3,352
	204,200

Amounts due after more than one year consist of £3.4M of amounts owed by Group undertakings.

Amounts owed by Group undertakings are unsecured, interest-free, have no fixed date of repayment and are repayable on demand.

Movement in the trade receivables impairment provision

	2020 £000
At 7 November 2019	-
Impairment losses recognised	(230)
Amounts written off as uncollectable	-
At 31 December 2020	(230)

The directors consider that the carrying amount of trade and other receivables of the Company approximates to fair value.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of impairment provision for doubtful receivables, estimated by the Company's management based on prior experience and forward-looking assessments of the economic environment in accordance with IFRS 9 'Financial Instruments'.

The Company has no significant concentration of credit risk, with exposure spread over many counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. In addition, the Company holds a credit insurance policy.

16 Trade and other payables

	2020 £000
Trade payables	31,041
Social security and other taxes	3,878
Accrued expenses	99,628
Other creditors	7,555
Amounts owed to Group undertakings	334
	142,436
Due within one year	142,436
Due after more than one year	-
	142,436

Amounts owed to Group undertakings are repayable on demand, unsecured and bear interest at 7%.

Notes to the Financial Statements (CONTINUED)

17 Borrowings

	2020 £000
Loan from parent company	142,945
Loan from subsidiary of ultimate parent company	65
	143,010
Due within one year	65
Due after more than one year	142,945
	143,010
<i>Contractual maturities of borrowings including future interest:</i>	
On demand or within one year	67
In the second year	-
In the third to fifth years inclusive	187,973
In more than five years	-
Total contractual cash flows	188,040
Future finance charges	(45,030)
Present value of contractual cash flows	143,010

The loan from parent company bears interest at 7% per annum and is repayable in full in 2025.

Liquidity risk

The Company's objectives when managing liquidity are:

- to safeguard the Company's ability to meet expected and unexpected payment obligations at all times; and
- to maximise the Company's profitability

The fair value of the Company's borrowings is not considered to be materially different from the carrying amounts.

18 Lease liabilities

Lease liabilities are classified based on the amounts that are expected to settle within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £000
Due within one year	7,660
<i>Due between one and five years</i>	<i>20,853</i>
<i>Due after more than five year</i>	<i>18,853</i>
Due after more than one year	39,706
Lease liabilities	47,366

The movements in the lease liabilities during the period are as follows:

	2020 £000
At 7 November 2019	-
Acquired as part of a business combination	19,589
Additions	32,771
Interest	1,211
Repayments	(6,205)
At 31 December 2020	47,366

The impact of leases on the financial performance of the Company in the period is summarised below:

	2020 £000
Depreciation expense on right-of-use assets	4,525
Interest expense on lease liabilities	1,211
Lease expense for short-term leases	70
Total expense for the period	5,806

Notes to the Financial Statements (CONTINUED)

The cash outflows in respect of leases are equal to the repayments made in the period for lease liabilities plus the lease expense in relation to short-term leases, being a total of £6,274k. The weighted average discount rate applied to lease liabilities is 4.41%.

19 Deferred tax liabilities

	Advanced Capital Allowance £000	Environmental licences £000	Inventories £000	Total £000
At 7 November 2019	-	-	-	-
Amounts arising from business combinations	(23,846)	(324)	(72,073)	(96,243)
Release related to the current period	914	-	66,373	67,287
At 31 December 2020	(22,932)	(324)	(5,700)	(28,956)

The UK deferred tax liability as at 31 December 2020 was calculated at 19%.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly and increase the deferred tax liability by £7.2M.

20 Provisions for liabilities and charges

	Environmental £000	Other £000	Total £000
At 7 November 2019	-	-	-
Amounts arising from business combinations	39,678	200	39,878
Provisions made	893	-	893
At 31 December 2020	40,571	200	40,771
Included in current liabilities	-	200	200
Included in non-current liabilities	40,571	-	40,571
	40,571	200	40,771

Environmental provision

This primarily represents the cost inclusive of landfill tax of disposing waste by-products at the Scunthorpe site. Due to the nature of this provision, the timing of any settlement is uncertain.

Other provisions

The Darlington property lease contains a clause whereby the Company has an obligation to carry out certain tenant's works. The directors are currently in discussion with the lessor to waive the requirement for these works to be carried out, in return for a one-off payment of £0.2M, which will be payable in 2021. A corresponding restoration provision of £0.2M is recognised applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

21 Pensions and post-retirement benefits

Defined contribution pension plan

The Company operates a defined contribution pension plan for all qualifying employees. The plan is administered by Legal & General. A minimum of 5% of salary is paid by the employee; Company contributions are capped at 3%.

The total cost charged to income of £8.2M represents contributions payable to the plan by the Company.

22 Called up share capital

	2020 £'000
Allotted, issued and fully paid	
One £1 ordinary share	-

The sole shareholder of the Company is Jingye Steel (UK) Holding Ltd (see note 24).

Notes to the Financial Statements (CONTINUED)

23 Reserves

Retained earnings

Retained earnings represent the accumulated profits and losses of the Company.

24 Ultimate and immediate parent company

The Company is a wholly owned subsidiary undertaking of Jingye Steel (UK) Holding Ltd, the immediate parent company, a company incorporated in England and Wales.

The Company's ultimate parent company and controlling party is Jingye Group Co Ltd, a company incorporated in China, the accounts of which are neither consolidated nor publicly available.

The largest and smallest Group in which the results of the Company are consolidated is that headed by Jingye Steel (UK) Holding Ltd.

The directors consider Jingye Group Co Ltd to be the ultimate controlling party of the Company.

25 Events after the balance sheet date

Since the outbreak of the COVID-19 pandemic, there has been on-going widespread disruption in the UK and consequently for the Company. As the pandemic has continued to have a negative impact on the UK economy after the accounting period end this event has been classified as a non-adjusting post balance sheet event.

There were no other significant events since the balance sheet date which may have a material effect on the financial position or performance of the Company.