

Company registered number: 12303256

British Steel Limited

Annual Report and Financial Statements
for the year from 1 January 2023 to 31 December 2023

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Contents

Company Information	1
Strategic Report	2
Directors' Report	9
Directors' Responsibilities Statement	12
Independent Auditor's Report to the Members of British Steel Limited	13
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Notes to the Financial Statements	20

Company Information

Directors	X Cao X F Han D P Hargreaves H Li W Zhang Z An
Company Secretary	D P Hargreaves
Registered Office	Brigg Road Scunthorpe DN16 1XA
Independent Auditor	MHA Chartered Accountants & Statutory Auditor 2 London Wall Place London EC2Y 5AU
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 year ended 31 December 2023.

Ownership

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

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

The Company continued its 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. Implementation of the investment plan will improve the integrity of the asset base while controlling CO₂ emissions. During the year the Company continued to invest in its new billet caster, upgraded mast service centre at Skinningrove as well as modernised IT infrastructure and heavy end upgrades.

On 6 November 2023, plans were announced for significant investment to become a clean, green and sustainable business by adopting electric arc furnace steelmaking. Under these proposals, the Company would build new facilities for steel making and casting as well as upgrading the business's existing rolling mills with the aim of becoming carbon neutral by 2050.

The Company continues to prioritise the health and wellbeing of employees whilst also maintaining safe operations in order to protect customers, suppliers and communities. A positive culture of risk management is promoted by the Board and addressed through continuous improvement and rigorous staff training. Existing environmental commitments continue to be met and drive the long-term strategy.

Business Review

Trading conditions in 2023 were challenging, with falling commodity and steel prices impacting margins. Energy prices remained above historic levels, albeit softening from the highs in 2022.

Operational performance in 2023 was significantly impacted by poor stability of the Company's blast furnaces, with extended outages resulting in low production and sales volumes. These periods of single blast furnace operation, combined with the inability to implement commensurate reductions in fixed costs drove a significant deterioration in trading EBITDA.

The Company decided to retire the aging Queen Victoria blast furnace in December 2023, having commenced preparations to restart the Queen Bess blast furnace earlier in the year. Queen Bess commenced production in January 2024, returning the business to a two blast furnace operation.

Key Performance Indicators

Liquid steel production in the year ended at 1.7M tonnes (2022: 2.0M) following planned retirement of the Queen Victoria blast furnace and commencement of production at Queen Anne, and revenues decreased to £1.2bn (2022: £1.7bn) reflecting lower volumes. Trading performance deteriorated to a total loss excluding impairments for the financial year of £191.6M (2022: £152.3M). The Company accepted a requirement for impairments to non-current assets of £32.0M in 2023 and £214.7M in 2022, recognising the long-term embedding of high energy prices and the anticipated retirement of existing primary steelmaking facilities.

The Company's result for the year after taxation and exceptional items was a loss of £227.0M (2022: £367.0M), but despite these challenging conditions the Company continued to invest £103M in capital projects to support the business transformation and remains committed to its long-term decarbonisation strategy and restructuring plans. To this end discussions continue with the UK Government to seek support for the transition to low embodied carbon steel making which is a vital part of securing a long-term sustainable future for the business.

Strategic Report (CONTINUED)

Financing

In 2023, BSL benefitted from access to an external asset-backed receivable lending facility of £50M supplied by Secure Trust Bank plc. Jingye International (HK) Holdings Company Limited provided a further £220m committed lending facility to the JSUK Group, maturing in March 2025, with alternative Group funding expected to be extended. The Company repaid a sale and repurchase commodity finance arrangement with Power Rich Resources Limited, a related party, and obtained £236m support from the Jingye Group with £136m in short-term uncommitted lending facilities and £100m investment in ordinary share capital. The Company adopts a blend of short-term and long-term funding to maintain an optimum cost of capital. Structural or capital investment is funded through long-term financing arrangements, whereas bridging and trade finance is generally short-term to maintain flexibility and minimise the cost of debt.

Cash Flow

Net cash outflow in the period was £22M (2022: £44M inflow). This comprised an underlying trading loss of £231.2M (2022: £408.4M loss) combined with £81M (2022: £266M) of shareholder/related party funding in the year and movement on working capital.

The working capital turnover ratio (excluding the impact of arrangements with JSUK Group companies and related parties) for 2023 is 3.7 (2022: 3.1), with most of the working capital held in inventories and receivables.

Capital Expenditure

Expenditure continued on significant strategic projects in 2023, including a new billet caster and new special profiles service centre at the Skinningrove site. Additional further expenditure was incurred upgrading the Scunthorpe Rod Mill. This was combined with significant investment to support primary steelmaking and improve efficiency and reliability.

Total capital expenditure in the year has been circa £103M (2022: £143M).

Balance Sheet

BSL net liabilities as at 31 December 2023 were £250M (2022: £123M).

Net debt (excluding intercompany/related party arrangements) was £32M (2022: -£11M) and intercompany/related party loans were £711M (2022: £630M). Intercompany debt with Jingye Steel UK Holdings Limited was £277M (2022: £244M). Related party debt with Hebei Jingye Cut Deal Co Ltd and Power Rich Resources Limited was £434M (2022: £387M). Cash and cash equivalents amounted to £33M (2022: £55M). Further details on borrowings can be found in note 18.

Raw Materials and Energy

Exposure to energy shortages and price increases are a present risk, due to disruption caused by conflict in Eastern Europe and sanctions on Russian businesses and products. These risks are closely monitored, and the Company continues to target measures to reduce its energy requirements and unit energy cost. See further discussion below under 'principal risks and uncertainties'.

Principal Risks and Uncertainties

The other principal risks and uncertainties affecting the Company include health, safety, environmental and other compliance matters, workforce, climate change, financing, cyber-attacks on information or operational technology, trading in the global steel market, long-term competitiveness, performance and operations, exchange rates and access to raw materials and energy.

Health, safety, environmental and other compliance matters

Risk

The priority of the Company at all times is the health, safety and wellbeing of staff and contractors. Available capital expenditure funding is therefore prioritised to this area. The Company is subject to numerous laws, regulations and contractual commitments relating to health, safety, the environment and regulatory compliance in the countries in which it operates. The risk of substantial costs, liabilities and damage to reputation related to these laws and regulations are an inherent part of the business.

Mitigation

The Company has policies, systems and procedures in place aimed at ensuring compliance and there is a strong commitment from the Board and Executive Committee to continuously improve health and safety performance, enforce compliance and to minimise the impact of operations on the environment. The Company deploys a positive culture of managing health, safety and environmental (HSE) risks. We continually strive to improve our safety performance by focusing on the five key subjects of leadership and accountability, risk assessment, incident process, planned general inspection and management of work. This includes the escalation of these risks to an HSE committee and conducting audits and other checks to ensure controls are adhered to. A key focus of operations and procurement is to minimise environmental impacts by selecting raw materials on environmental credentials as well as quality in order to minimise landfill tonnages and to identify external opportunities for use/sale of by-products. The Company is in increasing contact with local communities closest to its manufacturing operations to explain the measures taken to reduce emissions and avoid environmental nuisance and to listen to their concerns regarding the Company's activities.

Strategic Report (CONTINUED)

Principal Risks and Uncertainties (*continued*)

Workforce

Risk

Maintaining a critical mass of engineers and other specialist functions remains a challenge within the Company due to the demand for these skills in the locations in which the business operates.

Mitigation

Strategic collaborations continue with universities, schools and talent programmes for graduates, apprentices and experienced hires to improve quality and retention as well as business continuity.

Climate change

Risk

The transition to low carbon steelmaking includes technological, policy and market risks. In addition, increased emission trading systems unit costs and future reductions in CO2 allowance present a further financial risk.

Mitigation

Recognising the need for environmental sustainability, the Company has ensured that the vast majority of capital projects in its 10-year plan seek to drive efficiencies across the steel manufacturing process and contribute to the reduction of emissions.

Financing

Risk

The Company is funded in part through asset-backed lending and shareholder loans. Operating within the specified covenants remains a risk for the business.

Mitigation

The Company maintains routine short- and medium-term financial statement forecasting, including analysis of forward covenant tests. Forecast requirements continue to be closely monitored and downside sensitivities are undertaken regularly to ensure the adequacy of the facilities.

Digital resilience

Risk

The cyber environment in which British Steel (BSL) operates requires continuous scanning of threats and constant review of controls to prevent increasing risk exposure. British Steel is committed to having the right cyber security standards and practices to ensure the Company is equipped to defend itself from cyber incidents.

Mitigation

A cyber security forum with representation from both the information technology and the process control environment has been established to evaluate security controls and practices. Technology solutions are continually being upgraded to stay current with the increased threat levels, and user-awareness campaigns are regularly run to reinforce the message with regard to cyber risk.

Trading in the global steel market

Risk

Financial performance is heavily influenced by the global steel market and economic and political factors particularly in the UK, Europe and the United States of America. British Steel continues to experience a rise in imports in core markets against a backdrop of long term declining demand. Whilst measures are in place to support UK producers, safeguards are based on historical import levels when demand was higher than today and the measures do not address prices. The Company continues to engage with the Trade Remedies Authorities for review and implementation of measures.

Mitigation

British Steel's commercial strategies continue to focus on core markets and key sectors whilst also identifying export opportunities. The Company continues to utilise tariff rate quota allocations which, in the main, serves the current level of exports and orderbook. The Company will continue to monitor and engage with emerging legislation and trade measures as required.

Long-term competitiveness

Risk

Manufacturing facilities are based mainly in the UK, which is a relatively high-cost area, where growth in demand for steel products is slower than in developing parts of the world. Increasing raw material costs and competing materials challenge the long-term competitiveness of the Company's products.

Mitigation

The ambitious capital investment programme will significantly improve competitive capability by unlocking additional sales capacity, improving asset reliability and reducing costs. Furthermore, the Company is undertaking a number of initiatives including cost reduction measures and business-specific improvement plans. Recent delivered benefits under these schemes include renegotiation of onerous contracts and various strategic insourcing initiatives.

Strategic Report (CONTINUED)

Principal Risks and Uncertainties (continued)

Performance and operations

Risk

Whilst the Company seeks to increase differentiated/premium business, which is less dependent on steel market price movements, it still retains focus on improving its operations, consistency and measures to protect against unplanned interruptions and property damage.

Mitigation

Best practice in asset management, enhancing technical knowledge and skills, improving process safety, targeted capital expenditure and focused risk management remain priorities for the business.

Exchange rates

Risk

The Company derives most of its revenue in the UK and Europe, with the majority of its receipts in British pounds sterling (GBP) and Euros (EUR). Major raw material purchases are denominated largely in US dollars. As a result, the Company is impacted by the relationship between GBP, the Euro and the US dollar (USD). In general, a strengthening of sterling reduces the sterling value of export revenues from the UK and improves the relative competitiveness of steel producers in countries with weaker currencies, enabling them to discount prices in the UK market. In contrast, a strengthening of sterling reduces the sterling cost of the Company's raw materials, which are purchased predominantly in US dollars.

Mitigation

The Company closely monitors the exchange rates on its key currencies of GBP, USD and EUR, but has not engaged to date in large-scale currency hedging programmes.

Raw materials and energy

Risk

The Company has limited access to captive iron ore and coal supplies. Therefore access to and pricing of raw materials supplies depends, to a large extent, on worldwide supply and demand relationships, notably for iron ore, metallurgical coal, coke and scrap. Exposure to raw material shortages has not been a high risk historically. Supply disruption of raw materials beyond existing buffer stocks could arise, either from quarantine of the vessels if they come from high risk countries, or disruption and restrictions in the country of origin of raw materials.

Mitigation

Within the Company transformation programme, opportunities are being sought with suppliers to extract more value from contracts by strengthening partnerships, negotiating better payment terms and leveraging the buying power of the wider Jingye group in order to lower the cost of consumables and operating supplies. The workstream also investigates opportunities in the supply chain, for example, by reducing inbound freight costs. Exposure to energy shortages and price increases are partially mitigated by the implementation of self-generation of electricity and by initiatives to improve energy efficiency, which continue to make significant progress. The UK government also continues to support energy intensive industries such as steel with a range of measures such as the price cap and energy rebates. The Company has also diversified supply lines with raw materials resourced from North America, South America, Europe and Australasia.

Other 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	2023	2022
Loss before tax per tonne	-£138	-£203
Loss before tax and impairment per tonne	-£116	-£102
All injuries per million hours worked	23.90	22.50
Lost Time Injury Frequency Rate (LTIF) per million hours worked	1.90	1.70
Liquid steel production	1.7mt	2.0mt
CO ₂ intensity per tonne of liquid steel on 1, 2 and 3 emissions	2.382tCO ₂ /t	2.246tCO ₂ /t

Loss before tax per tonne is a key indicator of investor return. All injuries and lost injury time are also monitored closely as a key indicator for employee wellbeing. Liquid steel production and CO₂ intensity are measured as key indicators of plant productivity and environmental liabilities.

Strategic Report (CONTINUED)

Employees

Health and safety

The safe operation of all our sites is a top priority for the Company. We continue to work closely with the Competent Authorities to continually improve and mature our processes for both Occupational and Process Safety. To maintain safeguards and the health and wellbeing of our people, we conducted (and continue to conduct) audits and checks to ensure our systems and controls are followed. The Company reviewed its Management of Change (MOC) process and developed and deployed a refreshed and improved system across all the Business.

We actively strive to continually improve our safety performance and we remain focused on five key subjects – Leadership and Accountability; Risk Assessment; Incident Process; Planned General Inspection; Management of Work. These key topics remain at the heart of our Health and Safety Management system.

Employee numbers

As at 31 December 2023, staff numbers were 4,226 (2022: 4,481). The average for the year (as per note 6 'Employee costs') was 4,271 (2022: 4,463). We continue to recruit in line with our strategic plan with a focus on BSL 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. A key component of our approach is two-way conversation between the Company, and our people and trade unions. This ensures our colleagues, and their health, safety and wellbeing, are the central considerations in our decision-making processes.

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.

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.

We continue to invest in our employees' careers by providing a range of training and development activities. We have also adopted a flexible approach to working which, again, has the safety and wellbeing of our people at its heart. We have invested in a proactive and strong framework that supports our people to help themselves and to help others from a mental wellness perspective.

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 2023 is the British Steel Limited Pension Plan. Further details on these schemes are provided in note 22.

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 are actively encouraging the recruitment and development of more women into this industry and our business. The British Steel gender pay gap report is published online (see www.britishsteel.co.uk).

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 is published on our website (www.britishsteel.co.uk).

Strategic Report (CONTINUED)

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. Additionally, the business engages suitably qualified external consultants to ascertain and claim R&D tax credit (RDEC) on qualifying work undertaken by the Company's R&D centre and the wider business.

Financial Risk Management

BSL financial risk management is based upon sound economic objectives and good corporate practice. The Company's main financial risks are as follows:

- *Price Risk:* The Company manages price risk by procuring raw materials on a floating price basis and minimising physical inventory to align the price point of raw materials with committed sales orders.
- *AR Risk Management:* The Company's policy is not to trade uninsured, with exceptions decided by the finance director and chief commercial officer. The Company has a 95% coverage policy via Allianz Trade.
- *Cashflow Management:* Day-to-day cash flow is managed via a rolling daily cash flow forecasting process, a 13-week STCF combined with a period indirect cash flow requirement assessment. Weekly liquidity reviews are conducted with the Jingye Group CFO.
- *FX Hedging:* FX hedging is deployed on instructions from the Group. Where possible, a natural hedge is used by selling in USD. The main exposure is on the USD/EUR currency pair.
- *Liquidity Risk:* Liquidity risk is not relevant as most products are made to order. The Company has an aged stock write-down process for any stock that may take time to liquidate.

Future Developments

Subsequent trading performance has remained challenging for the business, with losses continuing into 2024. Queen Victoria was taken out of service in December 2023, at the end of her campaign, with the newer Queen Bess blast furnace being brought into service to replace her.

The shareholder continues to support the business in its long-term decarbonisation aspirations following unveiling of plans, on 6 November 2023, for significant investment to become a clean, green and sustainable business by adopting electric arc furnace steelmaking. Under these proposals, the Company would build new facilities for steel making and casting as well as upgrading the business's existing rolling mills. Progress continued throughout 2024 and active discussions with UK government continue to assess a number of options.

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.

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 Group Co Ltd. 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 board meetings as required to consider matters relevant to the JSUK Group. Board meetings were held during the year ended 31 December 2023, with additional executive committee meetings held regularly. These meetings were held both electronically via Microsoft Teams and 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.

Strategic Report (CONTINUED)

Section 172, Companies Act 2006 (continued)

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. 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 pages 10-11 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 pages 10-11 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.

Certain employees continue to work from home. 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 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 11 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 will 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.

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

The Board is committed to maintaining 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

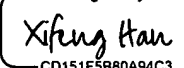
The Board aims to act with fairness and integrity in all of its dealings and considers all shareholders when making decisions for the overall good of the Company.

Approval of Strategic Report

The Strategic Report for the Company has been prepared in accordance with, and in reliance upon, 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 26 February 2025 and signed on its behalf by:

DocuSigned by:


X F Han
Director

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Director

Directors' Report

The Board

The directors of the Company are listed on page 1.

X Cao, X F Han, D P Hargreaves, 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.

Z An was appointed as a director of the Company on 21 June 2024.

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 incur 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 (2022: £nil).

Political Donations and Political Expenditure

The Company does not make any political or charitable donations and none were made during the year (2022: £nil).

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

MHA 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 financial statements have been prepared on a going concern basis which the directors consider appropriate for the following reasons.

The Company has made a loss before tax in the year ended 31 December 2023 of £231.2M (2022: £408.4M) after impairment of property, plant and equipment of £32.0M (2022: £202.9M) and with losses continuing into 2024. The Company is funded mainly through debt facilities provided by entities under the control of Jingye Group and had a total amount of debt outstanding of £735.7M (see note 18) at the year ended 31 December 2023 (2022: £630.2M), which currently has a repayment due date of 9 March 2025, with alternative Group funding expected to be extended. The Company had net liabilities at the year-end of £249.8M (2022: £122.8M).

The directors have considered a range of trading scenarios including further deteriorations in market conditions and increases in energy prices combined with reductions to production volumes. Risks remain of further volatility in the wholesale energy market and deterioration in the global steel market as conflict in the Ukraine continues and geopolitical uncertainty, high inflation and tightening monetary policy continues into 2024.

The transition to low embodied carbon steel making will require UK Government support and negotiations continue in this regard. In the event of continued losses, the Company would require further funding support from the wider Jingye Group. The directors have received a confirmation from Jingye Group confirming their ability and willingness to provide financial support, should it be required, for at least twelve months from the date these financial statements were signed, as is necessary to enable British Steel Limited to meet its financial liabilities as they fall due and continue to trade, and that this support will be available regardless of the outcome of any current on-going negotiations in regards to government support. They have also confirmed that they will not seek repayment of the amounts owed by the Company to the Jingye Group until such time as the Company is able to repay these amounts without compromising its ability to continue to trade and to meet its liabilities as they fall due.

The directors consider that Jingye Group are able to provide this support based on their understanding of the Company's financial position and performance.

Directors' Report (CONTINUED)

Going Concern (*continued*)

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. However, as at the date of approval of these financial statements there are no legally binding agreements in place in relation to the remittance of further funds on maturity of existing debt facilities between 2025 and 2028, and therefore no guarantee that the funds will be available in the timescale required, nor that existing loans and financing already lent from the parent company will not be recalled. Furthermore, the immediate parent company, Jingye Steel (UK) Holdings Ltd., currently has not prepared and issued the audited financial statements for the financial years ended 31 December 2022 and 2023, although these are in progress. Therefore, there is a risk that Companies House may take action to strike off the Parent company for non-filing of the accounts, which could impact the group support being forthcoming. These matters indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern. At the date of approval the parent company does not intend to seek repayment of outstanding debt in the next twelve months.

Post balance sheet events

Please refer to page 7 of the Strategic Report ('Future Developments') and note 27 'Events after the balance sheet date'.

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.

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, Production Director, HR Director, Legal and Compliance Director, Chief Marketing Officer, Finance Director, SHEQ Director and IT Director.

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

The Company is committed to the ongoing professional development of the Board, and the directors embrace such opportunities and ensure that they have sufficient time to discharge their duties.

Regular evaluation of the Board helps individual directors to contribute effectively and serves to highlight the strengths and weaknesses of the Board as a whole. The Executive Committee acts on the recommendations of such evaluations, such an approach being an integral part of refreshment and succession planning.

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. All directors have received up-to-date training from the Legal Director on their directors' duties and responsibilities.

Directors' Report (CONTINUED)*Directors' responsibilities (continued)*

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.

Health, Safety and Environment (HSE) matters are reviewed by a HSE Committee, chaired by the HSE Director and attended by the Production Director. The Production Director 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.

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. 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 linked to 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 Company's Strategic Report

Financial risk management disclosures are included in the strategic report given their strategic importance.

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:

- Streamlined energy & carbon reporting emissions information
- Climate-related financial disclosures

As at date of this report, the group accounts of Jingye Steel (UK) Holdings Limited for the financial years ended 31 December 2022 and 2023 are still in the process of being prepared and will be available in due course.

Approved by the Board on 26 February 2025 and signed on its behalf by:

DocuSigned by:

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X F Han
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. 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 the Companies Act 2006).

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.

Approved by the Board on 26 February 2025 and signed on its behalf by:

DocuSigned by:

CD151F5B80A94C3...
X F Han
Director

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

Qualified opinion

We have audited the financial statements of British Steel Limited for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its loss 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 qualified opinion

We were unable to observe the counting of physical inventories of £45.8 million included within the inventories of £533.6 million as at 31 December 2021 and were unable to verify the existence and accuracy by alternative means. As the opening balance of these inventories is included in the determination of the operating costs for the year ended 31 December 2022, we were unable to reasonably conclude that the opening balance of inventories do not contain misstatements that may materially affect the results of operations of the Company for the year ended 31 December 2022 and the opening retained reserves. Our audit opinion on the financial statements for the year ended 31 December 2022, hence, was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures contained within the statement of comprehensive income.

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 qualified opinion.

Emphasis of matter

We draw your attention to note 1 of the financial statements and the exemptions taken in respect of disclosures which will be made in the consolidated financial statements of Jingye Steel (UK) Holdings Limited which are in the process of being prepared and which will be available in due course.

Material uncertainty related to going concern

We draw attention to Note 1 in the accounting policies, concerning the Company's ability to continue as a going concern. The matters explained in Note 1 indicate that the Company needs further future funding from its ultimate parent company and group as at the date of approval of these financial statements. Whilst the ultimate parent company has shown its intent to support the Company, there are no legally binding agreements in place in relation to the remittance of further funds nor that existing amounts lent to the Company will not be recalled and the existing loans from Parent and other related parties will be extended. Therefore, there is no guarantee that the funds will be available in the timescale required. There is also a risk that the Companies House may take action to strike off the Parent company for delays with filing its financial statements, which could impact the group support being forthcoming.

These events or conditions along with the matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt to the going concern basis of accounting included challenging the assumptions made by management in support of their assessment. We noted that the directors' assessment considered the company's liquidity, financial forecasts which cover a minimum of 12 months from the expected date of signing the financial statements, and the availability of any support from Jingye Group Co Ltd and its ability to provide such support. We reviewed the profit or loss and cash flow forecasts for the next 12 months. We also obtained the latest audited financial statements of Jingye Group Co Ltd and we communicated with its auditors to understand their assessment of Jingye Group's ability to provide support.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

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

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

As described in the basis for qualified opinion section of our report, we were unable to reasonably conclude that the opening balance of certain inventories amounting to £45.8 million as at 1 January 2022 do not contain misstatements that may materially affect the operating costs of the Company for the year ended 31 December 2022 and the opening retained reserves. Our opinion is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures in the Strategic Report and Directors' Report.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter referred to in the basis for qualified opinion section of our report, 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.

Matters on which we are required to report by exception

We draw your attention to the director's report and the exemptions taken in respect of the disclosures which will be made in the strategic report of Jingye Steel (UK) Holdings Limited which are in the process of being prepared and which will be available in due course.

Except for the matter referred to in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

In respect solely of the limitation on our work relating to inventories, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, 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.

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

Auditor 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 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 financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Company's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Company.
- We enquired of the directors and management concerning the Company's policies and procedures relating to:
 - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates particularly in determining value in use of non-current assets.

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

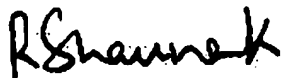
Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Company's board of directors meetings;
- audit procedures performed by the engagement team in connection with the risks identified included:
 - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
 - identifying and testing journals entries, including those post-trial balance adjustments on the financial statements and those posted by infrequent or unusual users;
 - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
 - challenging the assumptions and judgements made by management in its significant accounting estimates;
 - obtaining an understanding of how the Company complies with applicable laws and regulation requirements by discussions with management and internal legal representatives;
 - discussing with management and internal legal representatives, including consideration of known or suspected non-compliance with laws and regulations and fraud, agreeing to supporting correspondence from regulators and confirming such matters with external legal counsel where applicable;
 - members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
 - obtaining confirmations from third parties to confirm existence of a sample of transactions and year end balances; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the Company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company and Company's members as a body, for our work, for this report, or for the opinions we have formed.



Rakesh Shaunak FCA (Senior Statutory Auditor)
for and on behalf of MHA
Statutory Auditor

London, United Kingdom

27 February 2025

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).

Statement of Comprehensive Income
for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Revenue	2	1,259,703	1,732,566
Other operating income	3	72,060	23,140
Operating costs excluding impairment and expected credit loss	4	(1,495,990)	(1,923,626)
Impairment of non-financial assets	12	(36,902)	(202,870)
Expected credit loss	15	(3,412)	(180)
Operating costs	4	(1,536,304)	(2,126,676)
Operating loss		(204,541)	(370,970)
EBITDA		(154,126)	(143,919)
Impairment	12	(36,902)	(202,870)
Depreciation	4	(13,513)	(24,181)
Operating loss	5	(204,541)	(370,970)
Finance income	8	236	-
Finance costs	9	(26,886)	(37,383)
Loss before taxation		(231,191)	(408,353)
Tax credit	10	4,193	41,395
Loss for the financial year		(226,998)	(366,958)
Total comprehensive loss for the year		(226,998)	(366,958)
Profit and total comprehensive income attributable to:			
Equity holders of the Company		(226,998)	(366,958)
Total comprehensive loss for the year		(226,998)	(366,958)

All references to 2023 in these financial statements, the accounting policies, and the related notes 2 to 26 refer to the accounting period from 1 January 2023 to 31 December 2023, or as at 31 December 2023, as appropriate.

All references to 2022 in these financial statements, the accounting policies, and the related notes 2 to 26 refer to the accounting period from 1 January 2022 to 31 December 2022, or as at 31 December 2022, as appropriate.

All results derive from continuing operations. There was no item of other comprehensive income during the year (2022: nil).

The notes on pages 20 to 39 form an integral part of the financial statements.

Statement of Financial Position
as at 31 December 2023

	Note	2023 £'000	2022 £'000
Assets			
Non-current assets			
Intangible assets	11	1,869	1,704
Property, plant and equipment	12	148,789	117,370
Right-of-use assets	13	38,414	43,121
		189,072	162,195
Current assets			
Inventories	14	326,409	496,301
Trade and other receivables	15	228,888	235,248
Current tax asset	16	10,667	1,642
Cash and cash equivalents		33,219	54,943
		599,183	788,134
Liabilities			
Current liabilities			
Trade and other payables	17	(179,461)	(304,165)
Borrowings	18	(459,149)	(386,637)
Lease liabilities	19	(2,454)	(5,602)
		(641,064)	(696,404)
Net current (liabilities)/assets		(41,881)	91,730
Non-current liabilities			
Borrowings	18	(276,582)	(243,585)
Lease liabilities	19	(34,135)	(38,416)
Deferred tax liabilities	20	-	-
Provisions	21	(86,240)	(94,692)
		(396,957)	(376,693)
Net liabilities		(249,766)	(122,768)
Equity			
Called up share capital	24	100,000	-
Accumulated losses	25	(349,766)	(122,768)
Equity attributable to owners of the Company		(249,766)	(122,768)
Total deficit		(249,766)	(122,768)

The notes on pages 20 to 39 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 26 February 2025 and signed on its behalf by:

DocuSigned by:

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X F Han
 Director

British Steel Limited
Company registration no. 12303256

Statement of Changes in Equity
for the year from 1 January 2023 to 31 December 2023

	Called up share capital £'000	(Accumulated losses) / Retained earnings £'000	Total equity/(deficit) £'000
At 1 January 2022	-	244,190	244,190
Loss for the year	-	(366,958)	(366,958)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(366,958)	(366,958)
At 1 January 2023	-	(122,768)	(122,768)
Share capital issued	100,000	-	100,000
Loss for the year	-	(226,998)	(226,998)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(226,998)	(226,998)
At 31 December 2023	100,000	(349,766)	(249,766)

Total equity is wholly attributable to the owners of the Company

The notes on pages 20 to 39 form an integral part of the financial statements.

Notes to the Financial Statements for the year from 1 January 2023 to 31 December 2023

1 Accounting policies

Basis of preparation

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

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. Figures in the financial statements and the accompanying notes are shown in round thousands (£'000).

These financial statements have been prepared in accordance with Financial Reporting Standard 101, '*Reduced Disclosure Framework*' and the requirements of the Companies Act 2006.

The following relevant exemptions from the requirements of International Accounting Standards (IAS) have been applied in the preparation of these financial statements, due to consolidation at Jingye UK level, 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. The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- iv. The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- v. Paragraphs 38 and 134 to 136 of IAS 1, Presentation of Financial Statements' comparative information requirements in respect of certain assets (including intangible assets and property, plant and equipment), and also with regards to capital management disclosures;
- vi. IAS 7, Statement of Cash Flows; and
- vii. IAS 24, Related Party Disclosures' requirements to disclose related party transactions with JSUK Group and the wider Jingye Group companies and key management personnel.

The Company's financial statements will be included in the consolidated financial statements of Jingye Steel (UK) Holding Ltd, which are currently in the process of being prepared and audited before being filed with Companies House. The financial statements have been prepared under the historical cost convention as modified by derivative financial instruments that are measured at fair value through profit and loss.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider appropriate for the following reasons.

The Company has made a loss before tax in the year ended 31 December 2023 of £231.2M (2022: £408.4M) after impairment of property, plant and equipment of £32.0M (2022: £202.9M) and with losses continuing into 2024. The Company is funded mainly through debt facilities provided by entities under the control of Jingye Group and had a total amount of debt outstanding of £735.7M (see note 18) at the year ended 31 December 2023 (2022: £630.2M), which currently has a repayment due date of 9 March 2025, with alternative Group funding expected to be extended. The Company had net liabilities at the year-end of £249.8M (2022: £122.8M).

The directors have considered a range of trading scenarios including further deteriorations in market conditions and increases in energy prices combined with reductions to production volumes. Risks remain of further volatility in the wholesale energy market and deterioration in the global steel market as conflict in the Ukraine continues and geopolitical uncertainty, high inflation and tightening monetary policy continues into 2024.

The transition to low embodied carbon steel making will require UK Government support and negotiations continue in this regard. In the event of continued losses, the Company would require further funding support from the wider Jingye Group, which has sufficient cash reserves as at year end. The directors have received a confirmation from Jingye Group confirming their ability and willingness to provide financial support, should it be required, for at least twelve months from the date these financial statements were signed, as is necessary to enable British Steel Limited to meet its financial liabilities as they fall due and continue to trade, and that this support will be available regardless of the outcome of any current on-going negotiations in regards to government support. They have also confirmed that they will not seek repayment of the amounts owed by the Company to the Jingye Group until such time as the Company is able to repay these amounts without compromising its ability to continue to trade and to meet its liabilities as they fall due.

The directors consider that Jingye Group are able to provide this support based on their understanding of the Company's financial position and performance. Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. However, as at the date of approval of these financial statements there are no legally binding agreements in place in relation to the remittance of further funds on maturity of existing debt facilities between 2025 and 2028, and therefore no guarantee that the funds will be available in the timescale required, nor that existing loans and financing already lent from the parent company will not be recalled.

Notes to the Financial Statements (CONTINUED)

Going concern (continued)

Furthermore, the immediate parent company, Jingye Steel (UK) Holdings Ltd., currently has not prepared and issued the audited financial statements for the financial years ended 31 December 2022 and 2023, although these are in progress. Therefore, there is a risk that Companies House may take action to strike off the Parent company for non-filing of the accounts, which could impact the group support being forthcoming. These matters indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern. At the date of approval the parent company does not intend to seek repayment of outstanding debt in the next twelve months.

New standards and interpretations applied

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

		<i>Effective Date*</i>
IFRS 17	Insurance Contracts	1 January 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 1 (Amendments)	Disclosure of accounting policies	1 January 2023
IAS 8 (Amendments)	Definition of accounting estimates	1 January 2023

* periods commencing on or after

The amendments to the above Standards did not have a material impact on the Company's financial statements.

New standards and interpretations not applied

The International Accounting Standards Board (IASB) has issued the following new standards, which are relevant to the Company's reporting but have either not been applied as they have not been adopted for use under UK-adopted International Accounting Standards in the year ended 31 December 2023, or have an effective date after the date of these financial statements:

		<i>Effective Date*</i>
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
IAS 1 (Amendments)	Presentation of financial statements on non-current liabilities with covenants	1 January 2024
IAS 7 and IFRS 7 (Amendments)	Supplier Finance Arrangement	1 January 2024
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2024
IFRS 16 (Amendments)	Lease liability in a sale and leaseback	1 January 2024
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

* periods commencing on or after

Management have performed a review of the expected impact from the other standards and interpretations not applied as shown above. Management do not expect a material impact as a result of other new standards and interpretations not applied.

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 those estimates. The most significant techniques for estimation are described in the accounting policies below.

Judgements in applying the Company's accounting policies

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

Definition of cash generating units ('CGU')

A significant part of the Company's capital is invested in property, plant and equipment. Determining whether these assets are impaired requires an estimation of value in use of the CGU to which the asset relates. A CGU is smallest identifiable group of assets that generated cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In previous years these have usually been taken to be individual businesses, although these are combined or split into base entities where deemed appropriate to reflect the specific economic risks or operational inter-dependence of particular locations and operations based on the governance structure and lines of reporting. This process of defining CGUs requires the exercise of significant judgement.

Notes to the Financial Statements (CONTINUED)

Use of estimates and critical accounting judgements (*continued*)

Judgements involving sources of estimation uncertainty

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 environmental remediation and legal claims, recoverability of loan receivables, ECL of trade 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period end that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowance for expected credit losses, write-down, obsolescence and provisions

Estimates in calculating expected credit losses, write-down of inventories, 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 14 'Inventories', 15 'Trade and other receivables' and note 21 'Provisions'. Spares are not depreciated but are reviewed regularly for obsolescence, with the resulting loss or gain being shown in the accumulated depreciation and impairment section of the property, plant and equipment note to the financial statements. Environmental obligations in respect of blast furnace waste products are calculated based on their landfill disposal and transportation costs.

Property, plant and equipment

The Company estimates the useful lives of buildings and plant and equipment, based on the period over which the assets are expected to be available for use. The related estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation, and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. There were no changes in the estimated useful lives of property, plant and equipment in 2023 and 2022.

Amounts owed by/to Group undertakings, related parties and ultimate parent company

The Company has a number of loan balances, both receivables and payables, with other entities within the JSUK Group and the wider Jingye Group. Judgment is required in determining whether loan balances are recoverable. In line with the Company's 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 impairment allowance is recognised and charged to profit or loss in line with the requirements of IFRS 9. Please see notes 15 'Trade and other receivables', 17 'Trade and other payables', 18 'Borrowings'.

Discount rates for lease liabilities

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 since the adoption of IFRS 16 Leases was 4.41%. Please see note 19 'Lease liabilities'.

Assessment of impairment of non-current assets

A significant part of the Company's capital is invested in property, plant and equipment, right-of-use assets, and intangible assets. An impairment review is required under IAS 36 when an indicator of impairment exists. At 31 December 2023, management have assessed that an indicator of impairment for property, plant and equipment exists and have performed an impairment test. Further details are included in note 12 and note 1.7.

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 profit or loss over the useful lives of qualifying assets, except where those assets are impaired, in which event they are credited to profit or loss. Grants related to revenue are credited to the profit or loss in line with the timing of when costs associated with the grants are incurred. Total grants received less the amounts credited to the profit or loss 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 the profit or loss in the period to which they relate.

Notes to the Financial Statements (CONTINUED)

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 determined through the EIR method. Discounts or premiums and expenses on the issue of debt securities are amortised over the term of the related security through the EIR method 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 Translation of foreign currency denominated transactions

Foreign currency denominated transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates, or at the average exchange rates for a relevant period, as practicable. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

In order to hedge its exposure to certain foreign exchange transactions risks, the Company enters into forward contracts.

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 subsequently in their entirety at either amortised cost or fair value, depending on the classification the financial assets. 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 lifetime expected credit losses (ECL) for trade and third party receivables. The ECL on these assets are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

(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).

(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, with the fair value changes being presented within operating costs in the profit and loss.

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 or loss as incurred. Assets under construction are depreciated from the date on which they are available for their intended use.

Notes to the Financial Statements (CONTINUED)

1.6 Property, plant and equipment (continued)

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 or 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.

Included in property, plant and equipment are spares which are stated at estimated or actual purchase price or standard cost for own manufactured items, less amounts 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 or loss as incurred.

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

Depreciation or amortisation is provided to write off, on a straight-line basis, the cost of property, plant and equipment, 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 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 annually 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
Plant and equipment	4-25

Rolling mill rolls are depreciated based on the residual radius of the specific roll so that the charge directly correlates with wear and tear. Land and spares are not depreciated. Spares are held for immediate use in the operation of the business. These are not depreciated as they are not in active use until incorporated into the production facility and/or capital projects but are reviewed regularly for impairment due to long periods of non-consumption/usage which results in spares being obsolete, with the resulting loss or gain being shown in the accumulated depreciation and impairment section of the property, plant and equipment note to the financial statements.

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

At each reporting period-end, the Company reviews the carrying amounts of its property, plant and equipment 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) of 10% (2022: 10%). 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 immediately as an expense in the profit or loss.

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 immediately as income in the profit or loss.

1.8 Intangible assets

Environmental licences (i.e. emission rights) 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. Environmental licences are not amortised and have an indefinite life. They will be subject to annual impairment testing or more frequently where there is an indication of impairment. All other costs on environmental licences are expensed in the profit or 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:

Notes to the Financial Statements (CONTINUED)

1.8 Intangible assets (continued)

- 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 or loss in the period in which it is incurred. 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

The Company adopts a standard costing approach in its accounting processes to value its inventories. This is based on an estimated annual production volume along with a combination of historic and forecast information. Actual results differ from these estimates due to production levels, input material prices and consumption levels. Inventories are then revalued periodically, to take account of these deviations.

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. Allowance for obsolescence is 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; and also write-downs to net realisable value (NRV) where NRV is lower than cost, NRV being determined by prevailing market price. Inventories are valued at standard costs and are adjusted at period-end to reflect actual costs, with the purchase price and performance yield variances being absorbed into production.

1.10 Employee benefit costs

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 or loss 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.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

1.11 Provisions and contingencies

Provisions for 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.

Notes to the Financial Statements (CONTINUED)

1.11 Provisions and contingencies (continued)

In cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognised in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset not exceeding the amount of the related provision.

The Company uses the net liability approach to recognition and measurement of carbon allowances. Under this approach free allocated carbon allowances are recognised at a nominal amount (cost) and can be sold to secondary market as the need arises, and the entity will only recognise a liability once the actual emissions exceed the emission rights granted and still held. This method is the approach adopted by most participants of the EU ETS (Climate Policy Initiative Jan 2011). There are no specific reporting standards for carbon credits. British Steel adopts IFRS15 for recognition and disclosure. Proceeds from the sale of carbon credits are recognised as other income when control of the credits is transferred to the buyer through the secondary market and the Company has an irrecoverable right to the income.

1.12 Revenue

Revenue is measured based on the consideration specified in the contractual terms of trade with a customer. 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 at the point in time 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. As such, there are no contract assets recognised in relation to the right to consideration in exchange for goods or services that the Company has transferred to a customer.

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.

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in IFRS 15 and expenses such costs as incurred. The Company also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Company accounts for those costs in accordance with accounting policies related to those financial reporting standards (such as inventories). Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred.

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 Statement of Comprehensive Income 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.

Notes to the Financial Statements (CONTINUED)

1.13 Taxation (continued)

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 or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

R&D tax credits claimed under the Research & Development Expenditure Credit (RDEC) scheme are credited to the profit or loss in the financial period in which they are received.

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 the profit or 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 the 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.

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 from inception, and cash generated from receivables financing.

1.16 Equity

Called up share capital represents the nominal value of shares that have been issued. Retained (losses)/earnings represent all current and prior period results of operations as reported in the statement of comprehensive income, reduced by any amounts of dividends declared.

2 Revenue

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

All the revenues below are from performance obligations satisfied during the year, and there are no partially satisfied performance obligations as at year-end.

Notes to the Financial Statements (CONTINUED)

2 Revenue (continued)

	2023 £'000	2022 £'000
Sale of goods	1,259,703	1,732,566

An analysis of revenue by destination is shown below:

	2023 £'000	2022 £'000
United Kingdom	661,166	926,534
Europe	329,494	443,456
Rest of the world	269,043	362,576
	1,259,703	1,732,566

3 Other operating income

	2023 £'000	2022 £'000
Rental income	727	625
Sale of carbon credits	26,781	22,515
Other income	44,552	-
	72,060	23,140

Rental income is from tenants at Scunthorpe and Skinningrove sites.

Carbon allowances (i.e. credits) are bought or sold on the secondary market as the need arises.

£17.6M of other income is in respect of capital investment grant money received from the UK Government to assist with purchase of heavy-end plant and equipment. There are no unfulfilled conditions or other contingencies attaching to these grants. The grant is repayable in the event of defaulting on the terms and conditions. There are no anticipated circumstances that would lead to default. The Company did not benefit directly from any other forms of government assistance, apart from the energy rebate scheme, referred to as 'Government compensation', shown in note 15 'Trade and other receivables'.

The other £27.0M of other income is in respect of a credit for interest payable on loans from related parties, due to the recalculation of interest rate from 7% to 0.02% for Hebei Jingye Cut Deal Co. Limited and Power Rich Resources Limited.

4 Operating costs

	2023 £'000	2022 £'000
Costs by type:		
Raw materials and consumables	830,760	1,092,520
Maintenance costs	157,102	137,605
Other external charges (including fuel, utilities, hire charges and carriage costs)	308,727	465,220
Lease expenses for low value assets and short-term leases	1,010	1,809
Employee costs (note 6)	209,145	202,010
Depreciation	13,513	24,181
Net exchange rate (gain)/loss	(20,855)	449
Impairment loss recognised on property, plant and equipment	36,902	202,870
Other operating items	-	12
	1,536,304	2,126,676

Notes to the Financial Statements (CONTINUED)

5 Expenses and auditor's remuneration

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

	2023 £'000	2022 £'000
Depreciation of property, plant and equipment (note 12)	7,158	17,750
Depreciation of right-of-use assets (note 13)	6,355	6,431
Increase/(decrease) in inventory write-down to net realisable value (note 14)	8,928	10,398
Increase/(decrease) in allowance for obsolescence of inventories (note 14)	(3,134)	15,909
Impairment loss recognised on property, plant and equipment (note 12)	36,902	202,870
Impairment loss recognised on trade receivables (note 15)	2,931	180
Loss on scrapping of property, plant and equipment	-	8,812
Environmental provision (released)/charged to profit and loss (note 21)	(8,452)	11,026
Lease expenses for low value assets and short-term leases	1,010	1,809
Research and development expensed as incurred	232	242
Net exchange rate loss	(20,855)	449

BSL engages suitably qualified external consultants to ascertain and claim R&D tax credit (RDEC) on qualifying work undertaken by the Company's R&D centre and the wider business.

The remuneration paid to MHA (2022: MHA), the Company's external auditors, was as follows:

	2023 £'000	2022 £'000
Fees payable for the audit of the Company's financial statements	900	900
Total fees	900	900

6 Employee costs

	2023 £'000	2022 £'000
Wages and salaries	174,185	167,635
Social security costs	18,669	19,122
Defined contribution pension costs	16,291	15,253
	209,145	202,010

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

	2023 No.	2022 No.
Sales	134	108
Operations	3,823	4,047
Administration	314	308
	4,271	4,463

7 Emoluments of directors

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

	2023 £'000	2022 £'000
Short-term employee benefits	665	734
Post-employment benefits	5	17
Compensation for loss of office	-	161
	670	912

All directors are remunerated through the Company.

Short-term employee benefits include employers' national insurance contributions paid by the Company of £70,897 (2022: £77,604).

The number of directors for whom retirement benefits are accruing under the defined contribution pension scheme is one (2022: 2).

Notes to the Financial Statements (CONTINUED)

7 Emoluments of directors (continued)

The management remuneration and pension contributions of the highest-paid director was £126,902 (2022: £289,300) and £nil (2022: £13,125), respectively.

The compensation for loss of office in 2022 was paid to a director who resigned from office.

8 Finance income

	2023 £'000	2022 £'000
Interest receivable on bank deposits	236	-

9 Finance costs

	2023 £'000	2022 £'000
Interest payable on leases (note 19)	2,069	2,168
Interest payable on loans from Group undertakings (note 18)	13,153	15,263
Interest payable on loans from related parties (note 18)	10,831	19,410
Interest payable on other loans and payables (note 17, 18)	833	542
	26,886	37,383

10 Taxation

(a) Analysis of tax credit in year:

	2023 £'000	2022 £'000
Current tax:		
Prior year adjustment	(973)	1,169
UK corporation tax on profits for the year	(3,220)	(5,686)
Total current tax credit	(4,193)	(4,517)
Deferred tax:		
Origination and reversal of temporary differences - prior period	-	(16,058)
Origination and reversal of temporary differences - current period	-	(15,823)
Deferred tax rate change	-	(4,997)
Deferred tax asset not recognised	-	-
Total deferred tax (credit)/charge (note 20)	-	(36,878)
Total income tax (credit)/charge	(4,193)	(41,395)

Corporation tax is calculated at 23.5% (2022: 19%) of the estimated assessable profit for the year.

(b) Factors affecting tax (credit)/charge for year:

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

	2023 £'000	2022 £'000
Loss before taxation	(231,191)	(408,353)
Corporation tax at 23.5% (2022: 19%)	(54,330)	(77,587)
<i>Effect of:</i>		
Expenses not deductible for tax purposes	2,362	18,588
Incentives	(215)	(3,522)
Research and development expenditure credit (RDEC)	989	1,334
Research and development expenditure repayable (RDEC)	(3,220)	(5,686)
Deferred tax asset not recognised	53,157	45,364
Current tax prior year adjustment	(973)	1,169
Deferred tax prior year movement	(1,899)	(16,058)
Deferred tax rate adjustment	(64)	(4,997)
Total income tax (credit)/charge	(4,193)	(41,395)

Notes to the Financial Statements (CONTINUED)**10 Taxation (continued)***(c) Factors affecting future tax charge:*

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

11 Intangible assets

	Environmental licences £'000
Cost	
At 1 January 2023	1,704
Additions at cost	165
At 31 December 2023	1,869
Accumulated impairment losses and amortisation	
At 1 January 2023	-
Amortisation	-
At 31 December 2023	-
Carrying amount	
At 31 December 2023	1,869
At 1 January 2023	1,704

12 Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Spares £'000	Under construction £'000	Total £'000
Cost					
At 1 January 2023	53,272	127,896	101,171	131,477	413,816
Additions at cost	-	7,937	29,957	64,739	102,633
Transfer of assets under construction	1,337	11,562	-	(12,899)	-
Issued	-	-	(27,154)	-	(27,154)
Disposals	-	(6,298)	-	-	(6,298)
At 31 December 2023	54,609	141,097	103,974	183,317	482,997
Accumulated depreciation and impairment					
At 1 January 2023	51,283	88,094	72,132	84,937	296,446
Charge for the period	190	6,968	-	-	7,158
Impairment loss/(reversal) recognised during the period	981	3,541	4,884	27,496	36,902
Eliminated on disposals	-	(6,298)	-	-	(6,298)
At 31 December 2023	52,454	92,305	77,016	112,433	334,208
Carrying amount					
At 31 December 2023	2,155	48,792	26,958	70,884	148,789
At 1 January 2023	1,989	39,802	29,039	46,540	117,370

Land and buildings are freehold. Secure Trust Bank plc holds a first ranking charge over certain land properties of the Company (see note 18 'Borrowings').

Impairment test for property, plant and equipment

The Company recognised a total impairment charge of £37M, including £5M impairment on spares.

Property, plant and equipment was tested at 31 December 2023 for impairment at that date where indicators of impairment existed. A value in use (VIU) calculation has been prepared to consider the recoverable amount and assess whether this exceeds the carrying value. This VIU calculation uses cash flow forecasts based on the most recently approved financial budgets and strategic forecasts supporting our decarbonisation strategy which cover a period of ten years and future projections taking the analysis out to perpetuity based on a steady state, sustainable cash flow reflecting average steel industry conditions between successive peaks and troughs of profitability.

Notes to the Financial Statements (CONTINUED)

12 Property, plant and equipment (continued)

Impairment test for property, plant and equipment (continued)

Key assumptions for the VIU calculation are those regarding expected changes to selling prices and raw material costs, EU and UK steel demand, energy costs, exchange rates, and a pre-tax discount rates of 10% (2022: 10%). Changes in selling prices, raw material costs, exchange rates and EU steel demand are based on expectations of future changes in the steel market based on external market sources.

In preparing the VIU calculation, BSL has considered the effect that climate related risks may have on its future cash flow generation. Included within the cash flow forecasts are estimates of costs of compliance under the UK Emissions Trading Scheme based on the Company's estimated shortfall between free allowances under the scheme and actual emissions.

As at 31 December 2022, the outcome of this test indicated that due to the anticipated retirement of existing primary steelmaking facilities in 2027, and the associated operating losses. The Company's CGU's had a value in use which was lower than its carrying value. An impairment of £215M was therefore recognised, gross of £12M reversal of impairment on spares.

The impairment recognised as at 31 December 2023 is analysed in the following data table:

	Recoverable amount 2023 £m	Net book value 2023 £m	Impairment 2023 £m	Impairment 2022 £m
Primary Steel Making	(1,270)	32	32	215
Scunthorpe Rail and Section Mill	709	10	-	-
Scunthorpe Rod Mill	481	20	-	-
Skinningrove Service Centre	381	19	-	-
Distribution Facilities	722	7	-	-
		88	32	215

Spares are reviewed annually for impairment, and aged and redundant items provided for. As the useful economic life of property, plant and machinery is extended beyond its expected useful economic life spares previously recognised as impaired are brought into use and the impairment reversed, if applicable.

The discounted cash flow (DCF) was derived by estimating the EBITDA generated by the assets in their current use and condition.

The impairment tests compared the value in use of the CGU to the respective carrying values of the associated assets and were performed based on conditions as at the year end.

Key assumptions

- Recent performance was reviewed and adopted as the best indication of future performance
- The Company has assumed a weighted average cost of capital (WACC) of 10% (2022: 10%)
- Sales volume was expected to remain constant at 2.2mt per annum
- Spread, being the steel to raw materials price, was assumed to be constant based upon actual results achieved in 2023
- The price of carbon was based on the price prevailing at 31 December 2023 of £76 per tonne (2022: £75)
- No contraction of the economy was expected
- The Company has adopted a 10-year horizon in its impairment assessment based on anticipated delivery of its decarbonisation road map

Based on the key assumptions set out above, the carrying value of the Company's fixed assets, excluding spares, as at 31 December 2023 exceeds their value by £32M (2022: £215M) and were impaired.

Sensitivity analysis

Any impairment is dependent on judgement used in determining the most appropriate basis for the assumptions and estimates made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to potential changes in key assumptions has therefore been provided below and is prepared on the basis of other factors remaining equal.

Notes to the Financial Statements (CONTINUED)

12 Property, plant and equipment (continued)

Sensitivity analysis (continued)

		2023 £M increase/(decrease) in impairment of £32M for CGU	2022 £M increase/(decrease) in impairment of £215M for CGU
Impact if discount rate	Increased by 1%	-	-
	Reduced by 1%	-	-
Impact if sales volume or spread	Increased by 5%	-	-
	Decreased by 5%	-	-
Impact if inflation (applied to overheads and not recovered in increased pricing)	Increased by 2%	-	-
	Decreased by 2%	-	-
Impact if energy prices	Increased by 20%	-	-
	Reduced by 20%	-	-
Impact if carbon prices	Increased by 20%	-	-
	Reduced by 20%	-	-

The Company has conducted sensitivity analysis on the impairment tests of the carrying value of the Company's CGU. The directors believe that a reasonable possible change in any of the key assumptions used in the VIU calculations would not cause the carrying value of property, plant and equipment which had a carrying value at 31 December 2023 of £149M (2022: £117M), to further exceed its value in use.

On 6 November 2023 the Company announced its intention to become a clean, green and sustainable business by adopting electric arc furnace steelmaking and closing the blast furnaces in 2025. The cashflows associated with closure of the blast furnaces in 2025 have not been considered as part of assessment of impairment as management consider that the conditions which gave rise to the increases did not exist at the balance sheet date. An estimate of the financial effect cannot be made.

13 Right-of-use assets

	Land and buildings £'000	Plant, equipment and vehicles £'000	Total £'000
Cost			
At 1 January 2022	41,638	18,055	59,693
Remeasurement	1,472	-	1,472
At 1 January 2023	43,110	18,055	61,165
Additions	264	-	264
Remeasurement	1,384	-	1,384
At 31 December 2023	44,758	18,055	62,813
Accumulated depreciation			
At 1 January 2022	4,520	7,093	11,613
Depreciation charge	3,303	3,128	6,431
At 1 January 2023	7,823	10,221	18,044
Depreciation charge	3,408	2,947	6,355
At 31 December 2023	11,231	13,168	24,399
Carrying amount			
At 31 December 2023	33,527	4,887	38,414
At 1 January 2023	35,287	7,834	43,121
At 1 January 2022	37,118	10,962	48,080

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.

Notes to the Financial Statements (CONTINUED)**13 Right-of-use assets (continued)**

Remeasurements are made due to the variability of annual lease payments wherein the annual rent is reviewed based on change in retail price index.

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

	2023 £'000	2022 £'000
Raw materials and consumables	209,476	238,987
Work in progress	43,868	139,387
Finished goods	73,065	117,927
	326,409	496,301

Included within inventories is £nil (2022: £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 £830.8M (2022: £1,092.5M). The allowance for write down to NRV at 31 December 2023 is £50.4M (2022: £41.4M) and the allowance for obsolescence is £21.6M (2022: £24.7M). The value of stock in transit at the year-end was £1.3M (2022: £26.1M). The gross value of inventories is £376.8M (2022: £537.7M).

The Company's core business is continuously subject to volatile price changes which may cause inventory write-downs and subsequent reversals. Moreover, future realisation of the carrying amounts of inventories is affected by price changes in different market segments of the steel and other products.

For raw materials and consumables, there is no material difference between the value of inventories included in the Statement of Financial Position and its replacement cost. Work in progress and finished goods are valued at the lower of cost and net realisable value based on estimated selling prices less costs to complete and sell. These assets are not pledged as security for any liabilities.

15 Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	127,187	168,122
Less: impairment provision	(3,670)	(739)
Net trade receivables	123,517	167,383
Prepayments	3,560	4,451
Government compensation	5,215	3,986
Other receivables	45,794	19,328
Security deposits	-	7
Amounts owed by Group undertakings	50,802	40,093
	228,888	235,248

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

ECL for amounts owed by group undertakings are measured and recognised using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the amounts upon demand at the reporting date taking into consideration the historical defaults from the counterparties. Also, the Company does not consider any significant credit risks in these amounts owed by group undertakings since these entities are part of Jingye Group, whose credit risks for liquid funds are considered negligible, have indicated to financially support these related parties as part of its long-term corporate strategy.

Other receivables pertain significantly to the rent deposit for Immingham Bulk Terminal.

The credit risk for other receivables is considered negligible. Therefore, no ECL was assessed for these amounts.

Notes to the Financial Statements (CONTINUED)

15 Trade and other receivables (continued)

Government compensation includes compensation for the indirect costs of the UK Emissions Trading System and the Carbon Price Support Mechanism.

Movement in the trade receivables impairment provision

	2023 £'000	2022 £'000
At 1 January 2023 / 1 January 2022	739	559
Expected credit loss recognised	3,412	180
Amounts written off as uncollectable	(481)	-
At 31 December 2023 / 31 December 2022	3,670	739

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 allowance for ECL, 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 Current tax asset

	2023 £'000	2022 £'000
UK corporation tax	10,667	1,642
At 31 December 2023 / 31 December 2022	10,667	1,642

17 Trade and other payables

	2023 £'000	2022 £'000
Trade payables	64,601	61,475
Social security and other taxes	4,655	5,408
Accrued expenses	105,642	98,027
Other creditors	3,360	10,623
Financial liabilities measured at fair value through profit or loss	997	4,905
Amounts owed to related parties	-	123,120
Amounts owed to Group undertakings	206	607
	179,461	304,165
Due within one year	179,461	304,165
Due after more than one year	-	-
	179,461	304,165

All financial liabilities included within 'Trade and other payables' are due to be settled within 12 months from year-end.

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

Amounts owed to related parties is balance due to Jingye International HK Co Ltd, headquartered in Hong Kong, in respect of the financing of raw material purchases.

Notes to the Financial Statements (CONTINUED)**18 Borrowings**

	2023 £'000	2022 £'000
Receivables financing	25,010	-
Secured loan	-	70
Loan from related parties under common control of ultimate parent company	434,074	386,502
Loan from parent company	276,582	243,585
Loan from subsidiary of ultimate parent company	65	65
	735,731	630,222
Due within one year	459,149	386,637
Due after more than one year	276,582	243,585
	735,731	630,222
<i>Contractual maturities of borrowings including future interest:</i>		
On demand or within one year	460,238	408,409
In the second year	296,003	-
In the third to fifth years inclusive	-	278,832
In more than five years	-	-
Total contractual cash flows	756,241	687,241
Future finance charges	(20,510)	(57,019)
Present value of contractual cash flows	735,731	630,222

Receivables financing | The Company has a receivables finance facility with Secure Trust Bank plc. The limit on this facility is £50M (2022: £50M). The bank holds a first ranking charge over the property, plant and equipment of the Company.

Secured loan | In July 2021, the Company signed a commodity sales and repurchase financing arrangement with Trafigura Pte Ltd, covering iron ore fines, coal and coke held at the Immingham port facility. The limit on this facility is USD \$57M (2022: USD \$57M).

Loan from related party | The Company has signed commodity sales and repurchase financing arrangements with Power Rich Resources Limited and Hebei Jingye Cut Deal Co. Limited, covering iron ore fines, coal and coke held at the Immingham port facility. The ultimate parent company of both these entities is Jingye Group Co Ltd, a company incorporated in China (see note 26 for further details). In 2023, there was a recalculation of interest rate from 7% to 0.02% for both related party entities, resulting in a gain of £27.0M recognised in the profit and loss.

The loan from parent company bears interest at 7% per annum and is repayable in full on 9 March 2025.

On 23 October 2023, 100M shares with a nominal value of £1 each were allotted and paid up. The consideration for these shares comprised of a £100M shareholder loan offset from the Parent Company, Jingye Steel (UK) Holding Ltd (see note 24 'Called up share capital').

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

19 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:

	2023 £'000	2022 £'000
Due within one year	2,454	5,602
<i>Due between one and five years</i>	<i>11,239</i>	<i>13,729</i>
<i>Due after more than five years</i>	<i>22,896</i>	<i>24,687</i>
Due after more than one year	34,135	38,416
Lease liabilities	36,589	44,018

Notes to the Financial Statements (CONTINUED)

19 Lease liabilities (continued)

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

	2023 £'000	2022 £'000
At 1 January 2023 / 1 January 2022	44,018	48,106
Additions	264	-
Remeasurements	1,385	1,472
Rent deposit	(3,482)	-
Interest	2,069	2,168
Repayments	(7,665)	(7,728)
At 31 December 2023 / 31 December 2022	36,589	44,018

Remeasurements are made due to the variability of annual lease payments wherein the annual rent is reviewed based on change in retail price index.

Rent deposit is in respect of Immingham Bulk Terminal.

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

	2023 £'000	2022 £'000
Depreciation expense on right-of-use assets	6,355	6,431
Interest expense on lease liabilities	2,069	2,168
Total expense for the period	8,424	8,599

The cash outflows in respect of leases are equal to the repayments made in the period for lease liabilities, being a total of £7,665k (2022: £7,728k). The incremental borrowing rate applied to lease liabilities is 4.41% (2022: 4.41%).

The Immingham Bulk Terminal lease contains the option to extend by a period of 5-10 years, exercisable in the last 18 months of the existing lease term. Management have made the judgement that they are reasonably certain to extend this lease by 5 years, and as such this has been factored into the lease term.

20 Deferred tax

	Advanced Capital Allowances £'000	Other temporary differences £'000	Losses £'000	Total £'000
At 1 January 2022	(37,197)	319	-	(36,878)
Amounts in respect of prior periods	16,058	-	-	16,058
Total net release related to the current year	22,677	(285)	58,116	80,508
Deferred tax asset not recognised	(1,538)	(34)	(58,116)	(59,688)
At 1 January 2023	-	-	-	-
Amounts in respect of prior periods	1,899	-	1,718	3,617
Total net release related to the current year	1,120	(55)	53,397	54,462
Deferred tax asset not recognised	(3,019)	55	(55,115)	(58,079)
At 31 December 2023	-	-	-	-

The UK deferred tax liability as at 31 December 2023 was calculated at 25%, as this is the rate substantially enacted effective 1 April 2023 at which the deferred tax liability is expected to unwind. Deferred tax for the period ended 31 December 2022 was calculated at 25%.

The Company has an unrecognised deferred tax asset of £117.8M (2022: £59.7M)

The unrecognised deferred tax asset is calculated at 25% (2022: 25%). It includes losses totalling £452,923k (2022: £232,464k) providing an asset of £113,230k (2022: £58,116k); decelerated capital allowances of £18,225k (2022: £6,150k), providing an asset of £4,556k (2022: £1,538k); and other timing differences of -£80k (2022: +£138k), providing a liability of £20k (2022: £34k asset).

The deferred tax assets are not recognised as it is not envisaged that the Company will utilise the losses and other timing differences in the foreseeable future.

The Company has applied the exemption to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and current tax expense relating to Pillar Two income taxes.

Historically, the Company's effective rate has been above 15%. The Company has assessed its exposure to Domestic Top Up Taxes and any impact will be immaterial.

Notes to the Financial Statements (CONTINUED)**21 Provisions and contingencies**

	Environmental £'000	Total £'000
At 1 January 2022	83,666	83,666
Provisions utilised	-	-
Charged to profit and loss	11,026	11,026
At 31 December 2022	94,692	94,692
Included in current liabilities	-	-
Included in non-current liabilities	94,692	94,692
At 31 December 2022	94,692	94,692
At 1 January 2023	94,692	94,692
Provisions utilised	(8,452)	(8,452)
Charged to profit and loss	-	-
At 31 December 2023	86,240	86,240
Included in current liabilities	-	-
Included in non-current liabilities	86,240	86,240
At 31 December 2023	86,240	86,240

Environmental provision

£33.9M (2022: £32.6M) is cost inclusive of landfill tax of disposing waste by-products at the Scunthorpe site.

CO₂ emissions provision of £52.3M (2022: £62.1M) represents the carbon shortfall position of the Company under the UK Emissions Trading Scheme at the balance sheet date.

The provision is expected to be settled within the next five years. Due to the nature of these provisions, the timing of any settlement is uncertain. Provisions are held at their present value.

Contingencies

Dependent on future events, current legal proceedings and recent significant contracts may give rise to contingencies and commitments that are not currently reflected in the above figures, as they are not deemed probable.

Following the imposition of UK government sanctions in respect of iron ore imports, the Company is party to a trade dispute where there is a possibility that an obligation may crystallise.

An investigation by the UK health and safety executive also continues where there is a risk of financial loss.

No provision has been made in these financial statements where the Company does not consider that there is a probable loss.

The Company is party to a number of claims which may provide the Company with a future inflow of cash. No amount has been recorded in these financial statements on the basis that the company does not consider it virtually certain that an amount will be received.

There were no contingent liabilities in the prior year.

22 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 contribution cap increased from 3% to 5% effective April 2022.

The total cost charged to income of £16.3M (2022: £15.2M) represents contributions payable to the plan by the Company. Contributions payable into pension schemes at year-end were £1.4M (2022: £1.4M).

23 Commitments*Raw materials*

At the year-end, the Company had entered into spot value contractual agreements all maturing by early April 2024 with a number of suppliers to purchase circa 0.4M metric tonnes of various raw materials used in the steel production process at a value of £67.8M.

Notes to the Financial Statements (CONTINUED)

23 Commitments (continued)

Guarantees given under trade agreements

The Company has given a guarantee to Npower Limited for £16M (2022: £16M).

Foreign currency

As at year-end, the Company held open foreign currency forward contracts totalling USD \$11.5M (2022: USD \$81.6M). The amount of derivative liability recognised as at year-end was £1.0M (2022: £4.9M).

24 Called up share capital

	2023	2022
	£	£
£1 ordinary shares allotted, issued and fully paid		
At 1 January 2023 / 1 January 2022	1	1
Issued in the period	100,000,000	-
At 31 December 2023 / 31 December 2022	100,000,001	1

On 23 October 2023, 100M shares with a nominal value of £1 each were allotted and paid up. The consideration for these shares comprised of a £100M shareholder loan offset from the Parent Company, Jingye Steel (UK) Holding Ltd.

The sole shareholder of the Company is Jingye Steel (UK) Holding Ltd (see note 26) and is entitled to be paid any profits of the Company which are available for distribution and to receive notice of general meetings and to attend, speak and vote at such meetings.

25 Reserves

Retained earnings

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

26 Ultimate and immediate parent company

Jingye Steel (UK) Holding Ltd is the Company's immediate parent company, which is incorporated in England and Wales (Brigg Road, Scunthorpe, DN16 1XA, UK), and is the smallest group to consolidate these financial statements.

Jingye Group Co Ltd, a company incorporated in China (Nandian Town, Pingshan County, Shijiazhuang, Hebei, 050400 China), is the ultimate parent company and the largest group to consolidate these financial statements, the accounts of which are themselves not consolidated further nor legally required to be made publicly available.

The ultimate controlling party is Li GanPo.

27 Events after the balance sheet date

Share issue

On 30 December 2024, 260M shares with a nominal value of £1 each were allotted and paid up. The consideration for these shares comprised of a £260M shareholder loan offset from the Parent Company, Jingye Steel (UK) Holding Ltd.

Appointment of director

Z An was appointed as a director of the Company on 21 June 2024.

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.

Assignment of intercompany receivable

On 2 October 2024, a €30M trade receivable owed by FN Steel to British Steel was unconditionally assigned against the £220M intra group loan agreement with the parent company and shareholder, Jingye Steel (UK) Holding Ltd.