



## Authentication Report

### Safeguard measures on certain steel products

### Case: TF0006

Period of Investigation (POI):	01 January 2013 – 31 December 2017
Most Recent Period (MRP):	01 January 2018 – 30 June 2020
Date of report:	23 April 2021
Case team details:	<a href="mailto:TF0006@traderemedies.gov.uk">TF0006@traderemedies.gov.uk</a>
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Company representative:	



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## Executive summary

We are conducting a transition review to determine whether the UK should maintain, vary or revoke safeguarding measures put in place by the EU on certain steel products.

As part of the review, we sought to assess the accuracy of the information British Steel provided in its questionnaire response, which covered its company structure, its like and directly competitive goods, the cost of production of these goods, its sales of those goods, and the potential injury and economic-interest effects of continuing, varying or discontinuing the measures.

During the authentication process, we have compared questionnaire responses, including the data annexed to the questionnaire (annex data) and other accompanying evidence to information from open sources, such as Companies House, HMRC, Statista, and British Steel's websites. We checked information for internal consistency, consistency with audited financial statements and consistency with the responses from other interested parties. We conducted a walkthrough of British Steel's accounting systems to assess how much reliance we can place on data produced by the system. Due to the COVID-19 restrictions, we had to conduct all authentication remotely, but where necessary, we gave British Steel's management the opportunity to provide more detail or clarify outstanding questions during remote authentication meetings and via written correspondence.

For British Steel, we have accepted information provided about the company and found the accounting systems to be functioning as described. Reconciliation has not been possible for cost and sales data provided due to the Period of Investigation differing from the financial accounting period. We received a high-level reconciliation and subsequent verbal explanations and these, taken with the walkthrough and the establishment of the reliability of financial statements between 2017 and 2019 have enabled us to establish only limited assurance in respect of the annex data on sales. We have not been able to take any assurance from the work that we have done on costs in isolation. Any use of this data in the investigation going forward will be on that basis, reflecting that our wider authentication activities in relation to British Steel's submission have not given rise to concerns about the data produced by the company's accounting systems in general.

We have noted the claims made regarding Injury and the Economic Interest Test. We have not received evidence to support these that we can authenticate, but it is reasonable to assume that British Steel has answered these questions based on its knowledge and understanding of the market. These claims will be considered alongside responses from other sampled producers to understand the position of producers.

## Purpose of authentication



The purpose of authentication is to provide a reasonable level of assurance that the data provided in questionnaire responses is relevant, complete and accurate.

## Process of authentication

Authentication can comprise activity undertaken through desk, on site or remote analysis.

Due to the COVID-19 pandemic, and subsequent restrictions affecting travelling, the case team was unable to undertake any authentication work on site.

## Purpose of this report

This authentication report presents the work that has been completed and the checks that have been carried out by the case team in respect of the questionnaire responses received from British Steel. It details any adjustments we will make to the data following the authentication process and our consultation with the interested party and forms the basis on which the interested party can provide the case team with a non-confidential summary for general publication.

## Authentication

Please find below a summary of work that has been completed and the checks that have been carried out by the case team to authenticate the information provided by British Steel in their questionnaire response.

### 1 Company structure and associations

#### What information was authenticated

Information provided on the following areas:

- History of the company,
- Principal activities,
- Product range,
- Ownership, associations and interrelations, and
- Reliability of the financial statements.

We reviewed British Steel's accounting systems in the following areas:

- Accounting practices and policies,
- Systems and processes for recording data,
- The accounting systems used, how well they are integrated and the level of automation across the systems, and
- The financial year convention.

*Please indicate the confidentiality status of the information summarised above:*

☒ non-confidential

☐ partly confidential

☐ confidential



*If applicable, please specify what particular areas you consider to be confidential:*

#### How the information was authenticated

We cross-checked the information provided by British Steel on its general set-up, ownership and products against official documents published on Companies House (CH) including the certificate of incorporation, the certificate to confirm company name changes, memorandum of association, articles of association and financial reports available for 2016 to 2018. We also reviewed British Steel's website, Companies House Overseas Registries: ROI, Global Energy Monitor WIKI (Jingye Group research), and FNSTEEL BV Home Page. We found that the information provided was consistent with publicly available information.

Information on its accounting practices under the current ownership of Jingye Steel (UK) Holdings is yet to be published, and therefore, the most recent annual report was for the accounting period ending 31 March 2018, under the previous ownership of Greybull Capital. British Steel (as the current entity) anticipates the 2020 report to be published in July 2021. While British Steel's financial year previously ran from April to March, this has been changed to the calendar year since Jingye's takeover.

We assessed the reliance on which we could place on the published financial statements. Due to the various changes in ownership, the only years available were 2016, 2017 and 2018. The audit opinion by Deloitte LLP consistently stated that the financial statements give a "true and fair view" of the company's affairs and have been "properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice".

We also used information in the financial reports to authenticate the information provided in the questionnaire in relation to the company's accounting practices and policies. This included its basis for account preparation and its financial year convention.

In a remote authentication meeting, British Steel explained its accounting systems and cost/profit centres. The company's representatives provided a description of their internal management systems and walkthroughs of sample purchase and sales transactions.

The information provided in British Steel's questionnaire response was consistent with the open sources consulted for the years available.

*Please indicate the confidentiality status of the information summarised above:*

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☐ partly confidential

☐ confidential

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#### Exceptions/Findings

As identified above, information on British Steel's current accounting practices under Jingye Steel (UK) Holdings is yet to be published, and the most recent annual report was for the accounting period ending 31 March 2018, under the previous ownership of Greybull Capital. Therefore, we have not been able to authenticate the reliability of the data after 2018 by cross checking to the audited financial statements.



British Steel (as the current entity) anticipates the 2020 report to be published in July 2021. While British Steel's financial year previously ran from April to March, this has been changed to the calendar year since Jingye's takeover.

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## Conclusions

British Steel provided correct information about its ownership, function and associations in its questionnaire response.

During our authentication of the company's accounting systems, we did not find evidence that the systems are inaccurate or unreliable. The walkthroughs that the company delivered during remote authentication suggest that its accounting systems are supported by sufficient checking and a satisfactory segregation of duties to maintain accuracy.

Due to the absence of an audited annual report for British Steel since the Jingye Steel takeover, we have only been able to authenticate the data provided by cross reference to the audited financial statements accounts for the period to 31 March 2018.

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## 2 Goods

### What information was authenticated

Due to the volume of different products under review and the fact that authentication had to be conducted remotely, the case team were unable to undertake detailed checks of each product line.

We therefore checked that British Steel had correctly reported the production of the like goods that the company claimed during the POI and MRP, by taking into account those products identified in submissions from other interested parties in the transition review in relation to arguments received that there was no UK production.

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### How the information was authenticated

British Steel identified five product categories in our review that they produce: 1, 12, 16, 17 and 19.

In order to assess whether British Steel produced the like goods that it claimed, the case team investigated those codes that were contested by other parties. For the like goods relevant to British Steel, we only received conflicting arguments from other interested parties on all commodity codes in product category 19.

Category 19 was considered as a whole, to establish an understanding of physical and chemical variances across the individual products and to understand how significant the number of contested codes was in comparison to the whole category.

In order to establish whether there were like goods reported that were not being produced, or directly competitive, the case team considered submissions from other interested parties on product codes that they did not believe were being produced in the UK. All like goods that were contested were discussed with British Steel and where there were inconsistencies between the other submissions and the information provided by British Steel, British Steel were asked to provide further evidence of production.

Upon request, British Steel confirmed in writing that the entity does not produce goods under the codes 7302 10 40 or 7302 40. We accepted the evidence found in British Steel's brochure that it does produce commodity codes 7302 10 22, 7302 10 28 and 7302 10 50 in the UK. However, the evidence provided suggested that, in the UK, it does not currently produce 7302 10 28 goods of below 36 kg/m or 7302 10 50 goods of below 39 kg/m.

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### Exceptions/Findings

We were sufficiently assured that British Steel produces goods falling under commodity codes 7302 10 22, 7302 10 28 and 7302 10 50. However, the evidence suggests that it does not produce 7302 10 28 goods of below 36 kg/m or 7302 10 50 goods of below 39 kg/m in the UK.

British Steel has stated that it is not a producer of 7302 10 40 or 7302 40 goods.

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### Conclusions

The case team has examined submissions by interested parties to identify the commodity codes for which British Steel's production was contested and explored those codes further through research and discussions with the parties. In conversation with British Steel we concluded that British Steel is not a UK producer of two commodity codes in product category 19 and does not produce certain weights for two other category-19 codes. There is no evidence to suggest that any other codes reported to be produced by British Steel are not produced as set out in its questionnaire response, and therefore the case team has concluded that we can rely on this data in this transition review.

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☐ confidential

If applicable, please specify what particular areas you consider to be confidential:

## 3 Sales

### What information was authenticated

We analysed the trends in the sales data that British Steel provided by considering the trends in:

- Volume,
- Value, and
- Average price by customer type and market.

We also:

- Assessed the reliability of the sales figures for all goods that the company reported in its questionnaire annex against the published financial statements, and
- Checked whether the proportions of sales values were consistent with other information.

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☐ partly confidential

☐ confidential

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### How the information was authenticated

Using British Steel's company website, we checked the information provided on the products it sells, sales to associated companies, and distribution operations.

We analysed the sales data to identify any anomalies, differences and/or trends. We considered average prices, comparing those for associated and non-associated customers for the domestic and export markets from the sales annex data.





Though we observed significant fluctuations in the sales data, we found no significant abnormalities or inconsistencies that could not be explained by reasons given in the company's questionnaire response. Additionally, British Steel provided explanations for the trends observed, which we accepted. [REDACTED - confidential due to specific market / product commercial conditions and the financial evaluation differences]

To assess the reliability of the sales data provided, we compared the reported figures for total sales of all goods and of like or directly competitive goods with the company's financial statements filed at Companies House.

Since British Steel (as the existing legal entity) only began trading in August 2015 and was purchased by Jingye Steel in 2020, it has not prepared financial reports for the full period of investigation. The company also confirmed that the annex data provided for earlier periods represents legacy sales under previous ownership and that it does not have access to any further accounting records. Consequently, we could only make a comparison between the annex data and published financial statements for 2016, 2017 and 2018.

Furthermore, the available financial statements are reported based on British Steel's financial year of 1 April to 31 March. As the Period of Investigation (POI) is based on a calendar year (January to December) we were unable to adjust for this difference without quarterly sales data which reconciled to the financial statements.

In order to attempt to reconcile the annex data to the financial statements we used the financial statements for the 31 March following the calendar year as this was the closest point in time. [REDACTED - confidential due to specific market / product commercial conditions and the financial evaluation differences]. A summary reconciliation for year-end 31 March 2017 was provided noting additional revenue in the financial statements which is not part of the review. The reconciliation and subsequent verbal explanations taken with our walkthrough and the reliability of financial statements between 2016 and 2018 concluded above, establish limited assurance in respect of the annex data.

*Please indicate the confidentiality status of the information summarised above:*

☐ non-confidential ☒ partly confidential ☐ confidential

*If applicable, please specify what particular areas you consider to be confidential:*

Redacted as explained above

### Exceptions/Findings

Since the company's financial year end is 31 March and the POI is on a calendar year, we were unable to adjust for this difference without meaningful quarterly sales data which was not provided.

A reconciliation in Excel was provided by the company to provide support for the differences in the data for the 12-month period to 31st March 2017 against the calendar year annex data to 31st December 2016. We can gain some comfort from the reconciliation and subsequent verbal conversations. We have limited assurance of this annex data.

*Please indicate the confidentiality status of the information summarised above:*



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<i>If applicable, please specify what particular areas you consider to be confidential:</i>		
<b>Conclusions</b>		
<p>We identified significant fluctuations in the company's sales, but we were satisfied with its explanation of the trends.</p> <p>Due to the company's history, the financial statements for the years 2016-2018 were the only ones we could reasonably use for authentication. Given that the financial year ends are 31 March and the POI is on a calendar year we faced a challenge in aligning the data. Due to the complexity of the business and the difficulties in reconciling this information one year was requested to be reconciled.</p> <p>We received a reconciliation for the 2016 annex data to the 31 March 2017 financial statements. The reconciliation and subsequent verbal explanations taken with our walkthrough and the reliability of financial statements between 2016 and 2018 concluded above, established limited assurance in respect of the annex data.</p>		
<i>Please indicate the confidentiality status of the information summarised above:</i>		
<input checked="" type="checkbox"/> non-confidential	<input type="checkbox"/> partly confidential	<input type="checkbox"/> confidential
<i>If applicable, please specify what particular areas you consider to be confidential:</i>		

#### 4 Costs

<b>What information was authenticated</b>		
<p>We authenticated the following:</p> <ul style="list-style-type: none"> <li>• Cost structure and cost components,</li> <li>• Cost allocation and relevant changes in accountancy policies, and</li> <li>• The impacts of shared services, company associations and agreements with suppliers.</li> </ul> <p>We also reconciled the annex data for costs of production with the management accounts and the audited financial statements.</p>		
<i>Please indicate the confidentiality status of the information summarised above:</i>		
<input checked="" type="checkbox"/> non-confidential	<input type="checkbox"/> partly confidential	<input type="checkbox"/> confidential
<i>If applicable, please specify what particular areas you consider to be confidential:</i>		
<b>How the information was authenticated</b>		



For each of the five product categories in our review that British Steel produces (1, 12, 16, 17 and 19), we analysed the cost annex data provided by British Steel to check for any outliers and to identify differences from our expectations based on the background research we undertook as part of our authentication process. We identified the trends in the different cost components and compared those to information British Steel provided to assess whether there was evidence of this influencing the production costs.

As expected, raw materials and energy make up a significant proportion of production costs. Iron ore, coal and coke being the main materials. We identified the trends in the total production costs, in the average production costs per unit and in the different cost components for which the company provided data. Using publicly available information we compared the trends to those in the oil price, nickel price and exchange rates to assess and confirm support of these factors affecting the production costs. In addition, we considered the significance of each cost item in relation to the total cost of production and compared the costs of production across the different product categories to check for any inconsistencies.

To assess the reliability of the data provided, we compared the figures in the questionnaire annex with publicly available information in the company's financial statements on Companies House.

As indicated in the sales section, due to its complex history, British Steel has not filed financial reports for the full period of the investigation. Therefore, we attempted to compare the cost information using the financial statements for the years ended 2017, 2018 and 2019 as these were the full years available to us. Given that British Steel's year end for these periods was 31 March and the Period of Investigation (POI) is based on a calendar year we first needed to align the data. However, although management accounts were provided, we were unable to reconcile these to the financial statements and consequently we could not rely on these to align the annex data to the accounts.

In order to attempt a reconciliation between the financial statements and the cost annex we have compared the financial statement year-end 31 March to the previous calendar year's cost annex as this was the closest point of time between the data. We noted that the annex data had a number of gaps in the cost of production data and this made it difficult to make any meaningful comparison with the cost data in the accounts.

[REDACTED – confidential financial information] Through various subsequent verbal discussions with management we were provided with a high-level walkthrough of the system, but this was not sufficient to allow us to reconcile the cost data. We are aware of raw material price fluctuations in early 2019 which may account for part of the difference in the latter year. However, without a detailed reconciliation from management we are unable to align the data.

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☐ non-confidential

☒ partly confidential

☐ confidential

If applicable, please specify what particular areas you consider to be confidential:

Redacted as detailed above.

Exceptions/Findings



As stated above, only financial statements for year-end 2017, 2018 and 2019 were available to verify against the annex data and no quarterly sales data was available. Therefore, we can only use the 2016, 2017 and 2018 annex data in this transition review.

Since the company's financial year end is 31 March and the POI is on a calendar year, we were unable to adjust for this difference without quarterly sales data which was not provided.

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## Conclusions

We identified significant fluctuations in the company's costs of production, but we were satisfied with its explanation of the trends.

Due to the company's history the financial statements for the years to 31 March 2017-2019 were the only ones we could reasonably use to compare to the annex cost data for the calendar years for 2016-2018. Given that the financial year ends are 31 March and the POI is on a calendar year basis we faced a challenge in aligning the data. We were not able to satisfactorily tie the cost annex data to the financial statements.

We have therefore not been able to take any assurance from the work that we have done on costs in isolation. Any use of this data in the investigation going forward will be on that basis, reflecting that our wider authentication activities in relation to British Steel's submission have not given rise to concerns about the data produced by the company's accounting systems in general.

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## 5 Injury

### What information was authenticated

We considered the questionnaire injury annex data provided by British Steel, as well as data provided elsewhere in the company's submission, in the following areas:

- Production,
- Capacity utilisation,
- Employment numbers and salaries,
- Productivity,
- Profit margins (UK sales and third country sales),
- Return on investment, and



- Cash flow.

Please indicate the confidentiality status of the information summarised above:

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☐ partly confidential

☐ confidential

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#### How the information was authenticated

British Steel did not provide any specific claims regarding injury, and rather deferred to the UK Steel submission for detail on economic pressures.

We took 2017 as a sample and compared the figures in the injury and cash flow sections of the annex to corresponding figures in the financial statements for the year ending March 2018.

We identified a 4% difference in the employment numbers and a 3% difference in the total cost of wages which we judged to be within an acceptable tolerance level.

We found a difference in cash flow of 10% between the questionnaire annex data and the financial statements; this was judged to be within an acceptable tolerance considering the comparison between POI and financial year.

Trends were identified in the data on production, capacity, employment, salaries, productivity, profit, return on investment, stocks and cash flow. Information on productivity and return on investment was not provided at a product category level and did not cover the whole POI and MRP, therefore this provided a limited picture. However, British Steel provided explanations for fluctuations in the data that was available. We accepted these explanations as reasonable.

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#### Exceptions/Findings

We identified a 34% difference between the 2017 annex figure for the change in inventory and the corresponding figure in the financial reports for the year ending March 2018. In addition, the stock trends we identified differed significantly between the annex and financial reports. Therefore, we conclude that we are unable to rely on the annex figures for stocks.

We were unable to authenticate profit and loss figures as the annex gave the figure for product categories and not the organisation, so these figures were not comparable.

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☐ confidential



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## Conclusions

Most of the discrepancies between the annex data and statutory accounts were within an acceptable tolerance level and therefore can be relied upon within the transition review. Stock figures and profit and loss figures were not able to be authenticated due to the difference between the POI and financial year and therefore these cannot be relied upon in the transition review.

British Steel provided reasonable explanations regarding fluctuations in their data on injury factors, however this data does not cover the POI and MRP for productivity and return on investment, therefore we can rely on this information in the transition review.

It has not been possible to authenticate all the claims made by British Steel. However, we found that the annex data for injury was consistent with explanations given in its questionnaire response. It is reasonable to assume that the company has answered the questions based on its knowledge and understanding of the market. Its claims have been considered alongside responses from other sampled UK producers to understand the position of producers.

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## 6 Economic interest

### What information was authenticated

We checked British Steel's response regarding its company information and the product information that fits the scope of the investigation, as well as its response on its site locations.

We also sought to authenticate:

- Supply chain information
- Employment figures,
- Median wages,
- Market Share,
- Exports,
- The relevance of the specified goods to British Steel's operations.

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### How the information was authenticated

We checked the information British Steel provided for the EIT analysis by cross checking with publicly available information including certificate of incorporation, articles of association, financial reports 2016 – 2018, British Steel's website, and open internet searches.

We sought to understand British Steel's upstream and downstream customers and industries from brochures and publicly available information as well as our own understanding of the company gained from online research and our broader authentication activities and compared this with the information included in British Steel's supply chain questionnaire response. We found the questionnaire response to be consistent with publicly available information however specific claims on the impact on upstream and downstream industries were not supported by corroborative evidence, therefore these claims would not be relied upon in isolation.

Employment figures provided in the questionnaire annex were reviewed as part of the injury section.

[REDACTED - confidential due to reference to level of sales and specific customer / site locations]

We then considered the information British Steel provided alongside responses from other interested parties and contributors, collating data to estimate market share and assess the potential impacts of removing the safeguard measures [REDACTED - confidential due to reference to level of sales and specific customer / site locations].

Alongside this information, British Steel made claims regarding the impact of the measure on the market. These claims were not supported by additional evidence and therefore they were not able to be authenticated and would not be relied upon in isolation. However, it is reasonable that British Steel has answered these questions based on its knowledge and understanding of the market.

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Redacted as explained above.

### Exceptions/Findings

During authentication for economic interest, we found the information provided by British Steel to be broadly consistent with publicly available information. However, these would not be relied upon in isolation.

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*If applicable, please specify what particular areas you consider to be confidential:*

### Conclusions





We found the information in British Steel's questionnaire response regarding its company structure, product range and supply chain to be consistent with other sources and so we can reasonably rely on it during our transition review.

It has not been possible to authenticate all claims made by British Steel on the impact of the safeguard measure due to the limited evidence provided. However, it is reasonable to assume that British Steel has answered these questions based on its knowledge and understanding of the market. These claims have been considered alongside responses from other sampled UK producers to understand the position of producers but will not be used in isolation.

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## Conclusions

As shown in the conclusions of the various sections of the report, through our authentication of the data provided by British Steel, the questionnaire information provided has been reviewed and information on ownership, function, associations and accounting systems has been found to be reliable. Due to the absence of an audited annual report for British Steel since the Jingye Steel takeover, we have only been able to authenticate the data provided by cross reference to the audited financial statements accounts for the period to 31 March 2018. We reviewed the like goods reported by British Steel and agreed with them that two of the product codes reported were not produced by them.

We were unable to reconcile the data provided in the questionnaire annex on cost and sales due to the POI and financial year conventions being different. We were also unable to reconcile differences in profit and loss and changes to inventory. We have not been able to take any assurance from the work that we have done on costs in isolation. Any use of this data in the investigation going forward will be on that basis, reflecting that our wider authentication activities in relation to British Steel's submission have not given rise to concerns about the data produced by the company's accounting systems in general.

Information provided regarding Injury the Economic Interest Test has been found to be generally consistent with other submissions by other interested parties, however, is not supported by corroborative evidence. This information is judged to be based on the company's experience and knowledge of the industry, demonstrating that this can be considered in conjunction with other EIT claims made by other parties.





## Annex 1: Meeting details

Date and duration	Type of authentication	Company representatives	TRID representatives
10 March 2021 (2 hours 45 mins)	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	(company representatives)	Lead Investigator Verification Specialist Investigator Investigator Investigator
13 April 2021 (1 hour)	<input checked="" type="checkbox"/> remote <input type="checkbox"/> on-site	(company representatives)	Lead Investigator Verification Specialist Investigator Investigator